

ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE

Accounting Practices and Procedures (E) Task Force August 13, 2026, Minutes

Statutory Accounting Principles (E) Working Group August 12, 2026, Minutes (Attachment One)

Statutory Accounting Principles (E) Working Group May 18, 2026 Interim Meeting Minutes (Attachment One-A)

Comment Letters Received on Previously Exposed Items (Attachment One-A1)

Memorandum to Ben Slutsker, Chair of the Capital Adequacy (E) Task Force, Kevin Clark, Chair of the Statutory Accounting Principles (E) Working Group, and Roy Eft, Chair of the Blanks (E) Working Group; From Charles A. Therriault, Director of the NAIC Securities Valuation Office, and Marc Perlman, Managing Investment Counsel for the NAIC Securities Evaluation Office; Dated March 27, 2026; Regarding a Referral for Combining Security Identifiers and Adding a Security Identifier Type Field to Annual and Quarterly Financial Statements (Attachment One-A2)

Statutory Issue Paper No. 172 – Qualifying Statutory Trusts; Agenda Item #2025-13 (Attachment One-A3)

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Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A, Agenda Item #2026-07; Referral on AVR Affiliated Common Stock (Attachment One-D)

Memorandum to Kevin Clark, Chair of the Statutory Accounting Principles (E) Working Group, Dale Bruggeman, Vice Chair of the Statutory Accounting Principles (E) Working Group; From Carrie Mears, Chair of the Investment Analysis (E) Working Group, and Matt Cheung, Vice Chair of the Investment Analysis (E) Working Group; Dated July 27, 2026; Regarding Note 20C Fair Value Hierarchy Disclosures – Consistency, Granularity, and Usability Enhancements (Attachment One-E)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A, Agenda Item #2026-05; Securities Lending Restricted Asset Reporting (Attachment One-F)

Interpretation of the Statutory Accounting Principles (E) Working Group; INT 23-01: Net Negative (Disallowed) Interest Maintenance Reserve (Attachment One-G)

Memorandum to Kevin Clark, Chair of the Statutory Accounting Principles (E) Working Group, Dale Bruggeman, Vice Chair of the Statutory Accounting Principles (E) Working Group, Ben Slutsker, Chair of the Life Risk-Based Capital (E) Working Group, and Philip Barlow, Vice Chair of the Life Risk-Based Capital (E) Working Group; From Carrie Mears, Chair of the Investment Analysis (E) Working Group, and Matt Cheung, Vice Chair of the Investment Analysis (E) Working Group; Dated May 26, 2026; Regarding Residential Mortgage Loans: Definition, Disclosure, and Risk-Based Capital Charges (Attachment One-H)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A, Agenda Item #2025-22; IMR Impact to Reinsurance Collateral (Attachment One-I)

Memorandum to Kevin Clark, Chair of the Statutory Accounting Principles (E) Working Group, and Dale Bruggeman, Vice Chair of the Statutory Accounting Principles (E) Working Group; From Ben Slutsker, Chair of the Life Risk-Based Capital (E) Working Group, and Philip Barlow, Vice Chair of the Life Risk-Based Capital (E) Working Group; Dated July 16, 2026; Regarding Collateral Loans BA Schedule Reporting (Attachment One-J)

Review of U.S. GAAP Exposures for the Statutory Accounting Principles (E) Working Group (Attachment One-K)

Memorandum to Kevin Clark, Chair of the Statutory Accounting Principles (E) Working Group, and Dale Bruggeman, Vice Chair of the Statutory Accounting Principles (E) Working Group; From Rachel Hemphill, Chair of the Life Actuarial (A) Task Force, and Craig Chupp, Vice Chair of the Life Actuarial (A) Task Force; Dated August 11, 2026; Regarding Life Actuarial (A) Task Force Coordination with the Statutory Accounting Principles (E) Working Group 2026 (Attachment One-L)

Blanks (E) Working Group July 29, 2026, E-vote Minutes (Attachment Two)

Blanks (E) Working Group May 28, 2026 Interim Meeting Minutes (Attachment Two-A)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2025-23BWG Modified; Effective Annual 2027; Update the Separate Account Assets page by adding a “Nonadmitted Assets” and “Net Admitted General Account Assets;” Add a new line on the Separate Account Summary of Operations for “Change in Nonadmitted Assets” within the surplus account; Insert a new page “Exhibit of Nonadmitted Assets” that will detail the current and prior total nonadmitted assets, and the change in nonadmitted assets (Attachment Two-A1)

Blanks (E) Working Group Agenda Item Submission Form, Agenda Item #2025-24BWG; Effective Annual 2026; Update Notes to Financials Note 18B – ASC Plans for the disclosure clarification in SSAP No. 47 – Uninsured Plans (Attachment Two-A2)

Blanks (E) Working Group Agenda Item Submission Form, Agenda Item #2025-25BWG; Effective Annual 2026; Update Notes to Financial Statements Note #2 – Accounting Changes and Corrections of Errors, by adding the reference to VM-20: Requirements for Principles Based Reserves for Life Products (Attachment Two-A3)

Blanks (E) Working Group Agenda Item Submission Form, Agenda Item #2025-26BWG Modified, Effective Annual 2026; Update the annual statement expense categories and instructions to remove outdated expense terminology and update to reflect the current types of expenses that exist for companies (Attachment Two-A4)

Blanks (E) Working Group Agenda Item Submission Form, Agenda Item #2025-27BWG Modified; Effective Annual 2026; Add a section to Life/Fraternal Asset Valuation Reserve (AVR) to report Collateralized Loan Obligations (CLOs), Collateralized Bond Obligations (CBOs), and Collateralized Debt Obligations (CDOs); Also, add a footnote to Schedule D, Part 1, Section 2 to report the book adjusted carrying value by NAIC designation for CLOs/CBOs/CDOs; In addition, AVR Equity table is augmented to facilitate changes made to the Life RBC Blank LR009 page (Attachment Two-A5)

Blanks (E) Working Group Agenda Item Submission Form, Agenda Item #2026-01BWG; Effective Annual 2026; Update Notes to Financials Note 26 – Intercompany Pooling Arrangements to add instructions for modifications to an existing intercompany pooling arrangements that involved the transfer of assets with fair value that differ from statement value (Attachment Two-A6)

Blanks (E) Working Group Agenda Item Submission Form, Agenda Item #2026-02BWG Modified; Effective Annual 2026; Update Notes to Financials Note 11 – Debt to add a crosschecks between Note 11B – FHLB Agreements and General Interrogatory #26; Update footnote instructions for Life/Fraternal Exhibit 7 and Separate Account Exhibit (Attachment Two-A7)

Blanks (E) Working Group Agenda Item Submission Form, Agenda Item #2026-03BWG Modified; Effective Annual 2026/Quarterly 2027; Update the Life/Fraternal Annual and Quarterly Blanks and Instructions (Exhibit 5, General Interrogatory lines 27.6 and 27.7, Supplemental Exhibits and Schedules, Variable Annuities Supplement) to clarify how companies should report valuation standards for VM-22 business; Add an annual supplement for VM-22 Reserve reporting (Attachment Two-A8)

Blanks (E) Working Group Agenda Item Submission Form, Agenda Item #2026-04BWG Modified; Effective Annual 2026; Add a section to Notes to Financials Note 11 – Debt to disclose funding agreements backing special purpose vehicles (SPV) issuances (FABN); Also add a footnote to Life statement Exhibit 7 to report the amount of total funding agreements backed by SPV issuances (Attachment Two-A9)

Blanks (E) Working Group Agenda Item Submission Form, Agenda Item #2026-05BWG; Effective Annual 2026; Update the instructions to require explicit identification of instances where NAV is

- used by requiring direct reporting, rather than inference through omission, in the Fair Value Hierarchy Level and Method Used to Obtain Fair Value Code column in Schedules D and BA. The updates will also require completion of this column for all reported items and restrict reporting to indicators expressly permitted in the Annual Statement Instructions (Attachment Two-A10)
- Blanks (E) Working Group Agenda Item Submission Form, Agenda Item #2026-06BWG; Effective Annual 2026/1st Quarter 2027; Update Notes to Financials Note 5L(1) to add a reconciling adjustment line to the illustration to identify the assets pledged under multiple arrangements (Attachment Two-A11)
- Blanks (E) Working Group Agenda Item Submission Form, Agenda Item #2026-07BWG; Effective Annual 2026/1st Quarter 2027; Update Schedule D, Part 1, Section 1 and 2 to add clarification to the instructions for the payment due at maturity column and also specify what reporting categories should be reporting in this column; Also add clarifying instructions to the origination balloon payment percentage column on Schedule D, Part 1, Section 2; For Schedule BA, Parts 1, 2, and 3 add clarification to the maturity date column to complete the column in the investment has a contractual stated maturity date (Attachment Two-A12)
- Blanks (E) Working Group Agenda Item Submission Form, Agenda Item #2026-08BWG Modified; Effective Annual 2026; This proposal is to allow for an additional option in the list of active status codes on Schedule T to include and “O – Other” category for reporting entities that have a unique, restricted license type that does not fit into one of the other existing categories. This category would be used by captive insurers, international insurers, or other types of insurers that have received an insurance authorization from a U.S. jurisdiction, but do not qualify as fully admitted carriers and do not fit into one of the other categories; The proposal also edits the “N – None of the Above” status code to change it to “N – None,” as instances where the existing codes do not apply would now be reported through the “O – Other status code; In addition, this proposal adds a field to Schedule T for the reporting entity to provide a description of the “O – Other” license type being reported (Attachment Two-A13)
- Blanks (E) Working Group Agenda Item Submission Form, Agenda Item #2026-09BWG; Effective Annual 2026; Update the Five Year Historical to add a line reporting short term and cash equivalent affiliated investments (Attachment Two-A14)
- Blanks (E) Working Group Agenda Item Submission Form, Agenda Item #2026-11BWG; Effective Annual 2026; Update Notes to Financials Note 5A – Mortgage Loans by adding a paragraph to disclose mortgage loans acquired through a qualifying investment in a qualifying statutory trust (Attachment Two-A15)
- Blanks (E) Working Group Agenda Item Submission Form, Agenda Item #2026-12BWG; Effective Annual 2026; Update the AVR factors to zero in columns 7 and 9 for the Collateral Loan section (Attachment Two-A16)
- Blanks (E) Working Group Editorial Revisions to the Blanks and Instructions (Attachment Two-A17)
- Memorandum to Ben Slutsker, Chair of the Capital Adequacy (E) Task Force, and Kevin Clark, Chair of the Statutory Accounting Principles (E) Working Group, and Roy Eft, Chair of the Blanks (E) Working Group; From Charles A. Therriault, Director of the NAIC Securities Valuation Office, and Marc Perlman, Managing Investment Counsel of the NAIC Securities Valuation Office; Dated March 27, 2026; Regarding Combining Security Identifiers and Adding Security Identifier Type Field to the Annual and Quarterly Financial Statements (Attachment Two-A18)

Draft Pending Adoption

Draft: 8/21/26

Accounting Practices and Procedures (E) Task Force
Columbus, Ohio
August 13, 2026

The Accounting Practices and Procedures (E) Task Force met in Columbus, OH, Aug. 13, 2026. The following Task Force members participated: Amanda Crawford, Chair, represented by Jamie Walker (TX); Larry D. Deiter, Vice Chair, represented by Johanna Nickelson (SD); Mark Fowler represented by Richard (Hamp) Russell (AL); Ricardo Lara represented by Kim Hudson (CA); Michael Conway represented by Keith Warburton (CO); Joshua Hershman represented by William Arfanis (CT); Karima M. Woods represented by N. Kevin Brown (DC); Trinidad Navarro represented by Charles Santana (DE); Michael Yaworsky represented by Corey Hubbard (FL); Doug Ommen represented by Kevin Clark and Daniel Mathis (IA); Dean L. Cameron represented by Eric Fletcher (ID); Holly W. Lambert represented by Roy Eft (IN); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Neriette Eldridge (KY); Michael T. Caljouw represented by James A. McCarthy (MA); Timothy N. Schott represented by Vanessa Sullivan (ME); Anita G. Fox represented by Kristin Hynes (MI); Julia Dreier represented by Kathleen Orth (MN); Angela L. Nelson represented by John F. Rehagen (MO); Mike Chaney represented by Josh Ammerman (MS); Eric Dunning represented by Tadd Wegner (NE); Susan Ochs represented by Paul Lupo (NJ); Kaitlin Asrow represented by Bob Kasinow (NY); Judith L. French represented by Dale Bruggeman (OH); Glen Mulready represented by Eli Snowbarger (OK); TK Keen represented by Paul Throckmorton (OR); Michael Humphreys represented by Diana L. Sherman (PA); Elizabeth Kelleher Dwyer represented by John Tudino and Liz Ammerman (RI); Michael Wise represented by Ryan Basnett (SC); Scott A. White represented by Doug Stolte (VA); Kaj Samsom represented by Karen Ducharme (VT); Patty Kuderer represented by Steve Drutz (WA); Nathan Houdek represented by Amy Malm (WI); and Erin K. Hunter represented by Justin E. Parr (WV).

1. Adopted its Spring National Meeting Minutes

Bruggeman made a motion, seconded by Fletcher, to adopt the Task Force's March 24 minutes (*see NAIC Proceedings Spring 2026, Accounting Practices and Procedures (E) Task Force*). The motion passed unanimously.

2. Adopted its 2027 Proposed Charges

Walker stated that the 2027 proposed charges of the Task Force were the same as the prior year, except for one change in the charges of the Blanks (E) Working Group to update the reference to the now-disbanded Valuation of Securities (E) Task Force to reference the current Invested Assets (E) Task Force or its Working Groups.

Hudson made a motion, seconded by Malm, to adopt the 2027 proposed charges of the Task Force (Attachment Three). The motion passed unanimously.

3. Adopted the Report of the Statutory Accounting Principles (E) Working Group

Clark provided the report of the Statutory Accounting Principles (E) Working Group, which met Aug. 12. During this meeting, the Working Group took the following action:

- A. Adopted its May 18 minutes. During this meeting, the Working Group adopted the following statutory accounting principle (SAP) concepts and clarifications:
 - i. *Statements of Statutory Accounting Principles (SSAP) No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures*: Adopted revisions that add restricted asset categories for: 1) collateral assets

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received and on the balance sheet; 2) assets under modified coinsurance (modco) reinsurance agreements; and 3) assets held under funds withheld reinsurance agreements. (Ref #2025-27)

- ii. *SSAP No. 37—Mortgage Loans*: Adopted Issue Paper No. 172 Qualifying Statutory Trusts. (Ref #2025-13)
- iii. *SSAP No. 52—Deposit-Type Contracts*: Adopted disclosures for funding agreement-backed notes (FABNs) and other similar structures, as well as a glossary to define the different structures. (Ref #2026-01)
- iv. Editorial revisions to multiple SSAPs, including removing the word “funding” from the beginning of the paragraph that describes Federal Home Loan Bank (FHLB) agreements, replacing the term “CUSIP” with “Security Identifier,” and adding “U.S.” before generally accepted accounting principles (GAAP) as appropriate. (Ref #2026-03EP)

During its May 18 meeting, the Working Group also exposed the following SAP concepts and clarifications to statutory accounting guidance:

- i. *SSAP No. 1*: Exposed revisions to clarify that the restricted asset reporting for securities lending transactions shall reflect the asset lent by the reporting entity still reflected on the reporting entity’s financial statements and not collateral received. (Ref #2026-05)
 - ii. *SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items*: Exposed revisions to reject *Accounting Standards Update (ASU) 2025-10, Accounting for Government Grants Received by Business Entities*, incorporate terminology changes, and clarify that government grants are to be recorded as gain contingencies. (Ref #2026-04)
 - iii. *SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance*: Exposed revisions to clarify how funds withheld liabilities shall be recorded. (Ref #2026-02)
 - iv. *SSAP No. 100*: Exposed revisions to eliminate the disclosure exclusion for “investments accounted for under the equity method” from the fair value financial instrument disclosure. (Ref #2026-06)
 - v. Annual statement: Exposed revisions to the Life, Accident and Health/Fraternal Annual Statement Blank and Instructions to clarify what shall be reported as “Subsidiary, Controlled or Affiliated (SCA)-Certain Other” and “SCA-All Other.” (Ref #2026-07)
 - vi. New SSAP and issue paper: Re-exposed SSAP No. 109 and the corresponding issue paper. (Ref #2024-15)
- B. Adopted its April 22 minutes. During this meeting, the Working Group exposed the revised *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve*, issue paper, revisions to other SSAPs, and proposed reporting revisions to incorporate new guidance for the interest maintenance reserve (IMR). (Ref #2023-14)
- C. Adopted its Spring National Meeting minutes (*see NAIC Proceedings – Spring 2026, Accounting Practices and Procedures (E) Task Force, Attachment One*).
- D. Adopted the following SAP clarifications:
- i. *SSAP No. 1*: Adopted revisions to clarify that the security lending restricted asset reporting category shall reflect the security lent, which is reported in the insurer’s investment schedules, not collateral received. (Ref #2026-05)
 - ii. *SSAP No. 61*: Adopted revisions to clarify that derecognized net positive IMR shall increase reinsurer collateral requirements, but that net-negative IMR shall not decrease collateral reinsurer requirements (asymmetrical method). Received the response from the Reinsurance (E) Task Force. (Ref #2025-22)

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- iii. *Interpretation (INT) 23-01: Net Negative (Disallowed) Interest Maintenance Reserve*: Adopted revisions extend the effective date to Dec. 31, 2027, with nullification on Jan. 1, 2028.
 - iv. Annual statement blanks and instructions: Adopted an agenda item supporting revisions to the Life, Accident and Health/Fraternal Annual Statement asset valuation reserve (AVR) schedule and instructions, including to clarify what shall be reported as “Subsidiary, controlled or affiliated (SCA)-Certain Other” and “SCA-All Other.” The Working Group directed that the notice of adoption be sent to the Life Risk-Based Capital (E) Working Group. (Ref #2026-07)
- E. Exposed new SAP concepts and clarifications for a public comment period ending Oct. 2:
- i. SSAP No. 7: Exposed the revised SSAP, the issue paper, revisions to other SSAPs, and proposed reporting revisions reflecting edits presented during the meeting, with a revised Jan. 1, 2028, effective date. The net-negative IMR admittance limit was discussed, with the industry requesting to develop a plan to ensure compliance and accuracy of reporting for subsequent consideration. (Ref #2023-14)
 - ii. *SSAP No. 21—Other Admitted Assets*: Exposed an agenda item that requested comments on whether amounts realizable under insurance company-owned life insurance (ICOLI) policies should be captured on Schedule BA to capture investment risk. A referral to the Capital Adequacy (E) Task Force was directed to inform of the exposure and assess the risk-based capital (RBC). (Ref #2026-08)
 - iii. *SSAP No. 23—Foreign Currency Transactions and Translations*: Exposed revisions to remove the Canadian exception for foreign currency translation, requiring translation within each financial statement reporting line. (Ref #2026-15)
 - iv. SSAP No. 24: Exposed terminology revisions and new guidance to clarify that government grants are accounted for as gain contingencies. (Ref #2026-04)
 - v. *SSAP No. 26—Bonds*: Exposed revisions to expand requirements for asset-backed security (ABS) structures to qualify as bonds under the principles-based bond definition. With the revisions, non-self-liquidating ABS structures will need to qualify under the equity-backed criteria, and self-liquidating ABS with significant embedded asset-liability management risk will not qualify as bonds. (Ref #2026-10)
 - vi. *SSAP No. 37—Mortgage Loans*: Received the referral from the Investment Analysis (E) Working Group and exposed an agenda item to clarify the definition of a residential mortgage loan and assess characteristics and risk components of residential mortgage loans for more granular reporting and accounting guidance. (Ref #2026-11)
 - vii. *SSAP No. 47—Uninsured Plans* and *SSAP No. 54—Individual and Group Accident and Health Contracts*: Exposed revisions to specify that Medicaid contract payments classified as capitated payments are included in insured plans. The Working Group directed a notice of the exposure to the Health Risk-Based Capital (E) Working Group. (Ref #2026-13)
 - viii. SSAP No. 61 and annual statement instructions and blanks: Exposed revisions to clarify how funds withheld assets and liabilities shall be recorded. (Ref #2026-02)
 - ix. *SSAP No. 62—Property and Casualty Reinsurance*: Exposed revisions to add a new disclosure and request conceptual comments regarding the exception to retroactive accounting involving transactions with insurers 100% owned by a common parent. (Ref #2026-12)
 - x. *SSAP No. 86—Derivatives*: Exposed an agenda item detailing concept changes to the accounting and reporting of replication synthetic asset transactions (RSATs). (Ref #2026-09)
 - xi. SSAP No. 100: Received a referral from the Investment Analysis (E) Working Group and re-exposed the agenda item with an industry request to propose guidance to differentiate equity investments between “operating entities” and structures that hold investments. (Ref #2026-06)
 - xii. *SSAP No. 101—Income Taxes* and *INT 18-03: Additional Elements Under the Tax Cuts and Jobs Act (TCJA)*: Exposed revisions to nullify INT 18-03, effective Jan. 1, 2027, and to incorporate guidance in SSAP No. 101. (Ref #2026-14)

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- xiii. *SSAP No. 109* and corresponding issue paper: Exposed a revised *SSAP No. 109* and corresponding issue paper, with a revised effective date of Jan. 1, 2028. The Working Group directed a referral to the Life Actuarial (A) Task Force, requesting consideration of a pilot program and a sponsored blanks proposal to incorporate new reporting lines on Schedule DB. (Ref #2024-15)

F. Received updates on the following:

- i. Received information regarding reporting errors and noncompliance in statutory financial statements, highlighting an excessive number (57%) of items reported with Securities Valuation Office (SVO)-assigned designations on Schedule BA for improved RBC, items that did not have an SVO-assigned designation, and items that were misreported with a more favorable designation.
- ii. Received a referral from the Life Risk-Based Capital (E) Working Group on collateral loans. This referral informs of actions taken to incorporate RBC for certain loans based on overcollateralization and requests that the Statutory Accounting Principles (E) Working Group incorporate additional disclosures on the independent verification of collateral fair value, details of the verification (including date and entity providing verification), and the range of the valuations.
- iii. Received an update on *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* project discussions.
- iv. Received an update on the commitments and contingencies disclosures discussions.
- v. Received details on current U.S. GAAP exposures, noting that comments are not recommended and that the review of issued standards will occur under the normal maintenance process.
- vi. Received a Life Actuarial (A) Task Force coordination memo and directed NAIC committee support to research coordination on one item.
- vii. Received notice that the next International Association of Insurance Supervisors (IAIS) Accounting and Auditing Working Group meeting is Sept. 16–17, 2026.

Clark made a motion, seconded by Bruggeman, to adopt the report of the Statutory Accounting Principles (E) Working Group (Attachment One). The motion passed unanimously.

4. Adopted the Report of the Blanks (E) Working Group

The Blanks (E) Working Group conducted an e-vote that concluded July 29 to adopt its May 28 minutes. During this meeting, the Working Group:

- A. Adopted its March 5 minutes (*see NAIC Proceedings, Spring 2026, Accounting Practices and Procedures (E) Task Force, Attachment Two*).
- B. Adopted 16 proposals:
 - i. 2025-23BWG Modified – Update the Separate Account Assets page by adding “Nonadmitted Assets” and “Net Admitted General Account Assets.” Add a new line on the Separate Account Summary of Operations for “Change in Nonadmitted Assets” within the surplus account. Insert a new page “Exhibit of Nonadmitted Assets” that will detail the current and prior total nonadmitted assets and the change in nonadmitted assets.
 - ii. 2025-24BWG – Update Notes to Financial Statements Note 18B – ASC Plans for the disclosure clarifications in *SSAP No. 47*.
 - iii. 2025-25BWG – Update Notes to Financial Statements Note #2 – Accounting Changes and Corrections of Errors, by adding the reference to *Valuation Manual (VM)-20*, Requirements for Principle-Based Reserves for Life Products.

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- iv. 2025-26BWG Modified –Update the annual statement expense categories and instructions to remove outdated expense terminology and update to reflect the current types of expenses that exist for companies.
 - v. 2025-27BWG Modified – Add a section to Life/Fraternal AVR to report collateralized loan obligations (CLOs). Add a footnote to Schedule D, Part 1, Section 2, to report the book/adjusted carrying value (BACV) by NAIC designation for CLOs.
 - vi. 2026-01BWG – Update Notes to Financial Statements Note #26 – Intercompany Pooling Arrangements to add instructions for modifications to an existing intercompany pooling arrangement that involved the transfer of assets with fair value that differ from statement value.
 - vii. 2026-02BWG Modified – Update Notes to Financial Statements Note #11 – Debt to add a cross-check between Note #11B – FHLB Agreements and General Interrogatory #26.
 - viii. 2026-03BWG Modified – Update the Life/Fraternal Annual and Quarterly Blanks and Instructions, Exhibit 5, General Interrogatory lines 27.6 and 27.7, Supplemental Exhibits and Schedules, Variable Annuities Supplement, to clarify how companies should report valuation standards for VM-22, Requirements for Principles-Based Reserves for Non-Variable Annuities, business. Add an annual supplement for VM-22 reserve reporting.
 - ix. 2026-04BWG Modified – Add a section to Notes to Financial Statements Note #11 – Debt to disclose funding agreements backing special purpose vehicles (SPV) issuances. Add a footnote to Life Statement Exhibit 7 to report the amount of total funding agreements backed by SPV issuances.
 - x. 2026-05BWG – Update the instructions to require explicit identification of instances where net asset value (NAV) is used by requiring direct reporting, rather than inference through omission, in the Fair Value Hierarchy Level and Method Used to Obtain Fair Value Code column in Schedules D and BA. The updates require completion of this column for all reported items and restrict reporting to indicators expressly permitted in the annual statement instructions.
 - xi. 2026-06BWG – Update Notes to Financial Statements Note #5L(1) to add a reconciling adjustment line to the illustration to identify the assets pledged under multiple arrangements.
 - xii. 2026-07BWG – Add clarifying instruction to Schedule D, Part 1, Sections 1 and 2, for the payment due at maturity column and to specify what reporting categories should be included in this column. Add clarifying instructions to the origination balloon payment percentage column on Schedule D, Part 1, Section 2. For Schedule BA, Parts 1, 2, and 3, add clarification to the maturity date column to complete the column if the investment has a contractual stated maturity date.
 - xiii. 2026-08BWG Modified – Add a code “O – Other” to the active status column on Schedule T for reporting entities that have a unique, restricted license type that does not fit into one of the other existing categories. Add a field to provide a description of the other license type, for example, captive insurers or international insurers. The proposal changes the “N – None of the Above” status code to “N – None,” as instances where the existing codes do not apply would now be reported through the “O – Other” status code.
 - xiv. 2026-09BWG – Update the Five-Year Historical to add a line reporting short-term and cash equivalent affiliated investments.
 - xv. 2026-11BWG – Update Notes to Financial Statements Note #5A – Mortgage Loans by adding a paragraph to disclose mortgage loans acquired through a qualifying investment in a qualifying statutory trust.
 - xvi. 2026-12BWG – Update the AVR factors to zero in columns 7 and 9 for the Collateral Loan section.
- C. Deferred two proposals and exposed five new proposals for a 60-day public comment period ending July 27.
- D. Received SVO memorandum referral for the combining of security identifiers and adding a security identifier type field to the financial statements.

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E. Adopted its editorial listing.

F. Discussed the Blanks (E) Working Group timeline:

- i. The Working Group plans to meet Aug. 26. Proposals with an effective date of the first quarter of 2027 should have been submitted to NAIC committee support by July 27 to be considered for adoption during this meeting.
- ii. Any new blanks changes having an effective date of annual 2027 or beyond need to be submitted 30 days prior to meetings and within policy statement timelines.

Eft made a motion, seconded by Drutz, to adopt the report of the Blanks (E) Working Group (Attachment Two). The motion passed unanimously.

Having no further business, the Accounting Practices and Procedures (E) Task Force adjourned.

Draft: 8/21/26

Statutory Accounting Principles (E) Working Group
Columbus, Ohio
August 12, 2026

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force met in Columbus, OH, Aug. 12, 2026. The following Working Group members participated: Kevin Clark, Chair (IA); Dale Bruggeman, Vice Chair (OH); Richard (Hamp) Russell (AL); Kim Hudson (CA); William Arfanis (CT); Rylynn Brown (DE); Cindy Andersen and Matt Cheung (IL); Shantell Taylor and Tom Travis (LA); Steve Mayhew and Kristin Hynes (MI); Ned Cataldo (NH); Bob Kasinow and William B. Carmello (NY); Diana L. Sherman (PA); Jamie Walker (TX); Doug Stolte and Jennifer Blizzard (VA); and Amy Malm and Levi Olson (WI).

1. Adopted its May 18, April 22, and Spring National Meeting Minutes

The Working Group met Aug. 4 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) and paragraph 6 (consultations with NAIC committee support related to NAIC technical guidance) of the NAIC Policy Statement on Open Meetings, to discuss its Summer National Meeting agenda. No action was taken at the meeting.

The Working Group met June 25 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) and paragraph 6 (consultations with NAIC committee support related to NAIC technical guidance) of the NAIC Policy Statement on Open Meetings, to receive information from data assessments completed from the year-end 2025 statutory financial statements. No action was taken at the meeting.

The Working Group met May 18. During this meeting, the Working Group took the following actions:

- A. Adopted an issue paper detailing, for historical purposes, the discussions and conclusions that occurred when developing the guidance for residential mortgage loans held in qualifying statutory trusts. (Ref #2025-13)
- B. Adopted editorial revisions to *Statement of Statutory Accounting Principles (SSAP) No. 15—Debt and Holding Company Obligations and SSAP No. 52—Deposit-Type Contracts* to remove the word “funding” from the beginning of the paragraph that describes Federal Home Loan Bank (FHLB) agreements, revisions to various SSAP’s to replace the term “CUSIP” with “Security Identifier,” and revisions to add “U.S.” before generally accepted accounting principles (GAAP) as appropriate. (Ref #2026-03EP)
- C. Adopted revisions to SSAP No. 52 to incorporate disclosures for funding agreement-backed notes and other similar structures, as well as a glossary to define the different structures. (Ref #2026-01)
- D. Exposed revisions to *SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance* to clarify the reporting of funds withheld under reinsurance contracts. This exposure included a direction to work with the industry. In addition, the proposed effective date of the corresponding blanks proposal was directed to be changed to year-end 2027, and the proposal deferred. (Ref #2026-02)
- E. Adopted revisions to *SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures* to add restricted asset disclosure categories for 1) collateral assets received and on balance sheet, 2) assets under modified coinsurance (modco) reinsurance agreements, and 3) assets held under funds withheld reinsurance agreements. (Ref #2025-27)

- F. Exposed a proposed SSAP and issue paper establishing guidance for asset-liability (ALM) management derivatives. The guidance was revised from the prior exposure to reflect changes in the transition guidance. (Ref #2024-15)
- G. Exposed revisions to *SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items* to reject Accounting Standards Update (ASU) 2025-10, *Accounting for Government Grants Received by Business Entities*. (Ref # 2026-04)
- H. Exposed revisions to SSAP No. 1 to clarify that the restricted asset reporting for securities lending transactions shall reflect the asset lent by the reporting entity that is still reflected on the reporting entity's financial statements and not the collateral held. (Ref # 2026-05)
- I. Exposed revisions to *SSAP No. 100—Fair Value* to eliminate the disclosure exclusion for "investments accounted for under the equity method" from the fair value financial instrument disclosure. (Ref # 2026-06)
- J. Exposed revisions to the Life, Accident & Health/Fraternal Annual Statement Blank and Instructions for the asset valuation reserve (AVR) reporting of subsidiary controlled or affiliated common stock. (Ref # 2026-07)

The Working Group conducted an e-vote that concluded April 22 to expose a revised *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve* as part of the project to establish updated long-term guidance for the interest maintenance reserve (IMR). In addition to the revised SSAP, the exposure included an issue paper that detailed the discussions and conclusions reached by the IMR Ad Hoc Group, proposed revisions to other SSAPs, and proposed annual statement instructions and blanks changes.

Sherman made a motion, seconded by Bruggeman, to adopt the Working Group's May 18 (Attachment One-A), April 22 (Attachment One-B), and March 23 (see *NAIC Proceedings – Spring 2026, Accounting Practices and Procedures (E) Task Force, Attachment One*) minutes. The motion passed unanimously.

2. Reviewed Comments on Non-Contested Positions

The Working Group reviewed comments received on previously exposed items (Attachment One-C).

A. Ref #2026-07

Clark directed the Working Group to agenda item 2026-07: *Referral on AVR affiliated common stock*. Robin Marcotte (NAIC) stated that this agenda item was in response to a Life Risk-Based Capital (E) Working Group referral requesting clarification on certain reporting lines in the AVR. She stated that it has been difficult to distinguish between the subsidiary, controlled, and affiliated (SCA) common stock, certain other line, and the Securities Valuation Office (SVO) SCA common stock, other line. The proposed recommendation is limited to annual statement blank revisions and does not include any SSAP revisions. Specifically, items receiving the lower risk-based capital (RBC) charge under the certain other category will be clarified to include SCAs with statutory accounting impacted valuations. Marcotte stated that the recommendation is to adopt the agenda item and sponsor a blanks proposal to incorporate the clarifications. She stated that, in addition to clarifying the lines, NAIC committee support also recommend clarifying the instructions in lines 65 through 68, as multiple lines are addressed within a single paragraph and would benefit from additional clarification.

Walker made a motion, seconded by Malm, to adopt agenda item 2026-07 (Attachment One-D). The motion passed unanimously. With the adoption, the Working Group also directed that the Life Risk-based Capital (E) Working Group be notified of the most recent action. This agenda item does not result in any SSAP revisions.

3. Reviewed Comments on Exposed Items

The Working Group reviewed comments received on previously exposed items (Attachment One-C).

A. Ref #2026-06

Clark directed the Working Group to agenda item *2026-06: Fair Value Disclosures*. Julie Gann (NAIC) stated that during the May interim meeting, the Working Group exposed revisions to eliminate the fair value financial instrument disclosure exclusion for investments measured under the equity method. This exclusion was adopted from U.S. GAAP in 2009, but questions arose because these investments have fair values reported on the investment schedules, creating uncertainty regarding why they were excluded from Note 20C, the financial instrument fair value disclosure. Gann stated that initially, this was expected to be a simple change, but comments received from interested parties noted that some of these investments are operating entities and that reporting fair value in Note 20C is difficult. Gann stated that a referral was also received from the Investment Analysis (E) Working Group regarding Note 20C. This referral identified that the disclosure is currently free-form, with only examples provided in the blanks and no prescribed reporting categories. As a result, companies have applied different interpretations, with some reporting each investment schedule line separately and others using broad categories, such as bonds and stocks. She stated that this inconsistency has made comparisons and analysis difficult. The referral requests that the Working Group review the disclosure and consider prescribing specific reporting lines so companies can complete it consistently. Gann stated that, based on the comments received and the referral, NAIC committee support are requesting that the Working Group first accept the referral and then re-expose this agenda item. She stated that NAIC committee support are also requesting that industry representatives work with them during the interim to identify how to distinguish operating entities from investment-holding structures. This will help determine whether specific exclusions from the fair value disclosure are appropriate and provide clearer guidance on which investments should be included or excluded from the financial instrument disclosure.

Rose Albrizio (Equitable), representing interested parties, expressed appreciation that the comments were taken into consideration, particularly regarding operating entities. She noted that this issue was discussed several years ago in conjunction with the fair value disclosures and that requiring fair value disclosures for operating entities could be costly and potentially harmful. She stated that interested parties would be happy to work with NAIC committee support to develop a definition of operating entities. She also noted that developing fair values for these equity investments can be difficult given their nature. As passive investors, companies generally lack significant influence over these entities, making it challenging to obtain the information needed to determine fair value. She emphasized that this concern was highlighted in the comments submitted by interested parties.

Walker made a motion, seconded by Hudson, to re-expose agenda item 2026-06 with a specific request for the industry to propose guidance and reporting categories that could be established to differentiate equity-method investments by “operating entities” and structures that hold investments (“holding entities”), and to receive the referral (Attachment One-E) from the Investment Analysis (E) Working Group on the Note 20C fair value disclosure. The motion passed unanimously.

B. Ref #2026-05

Clark directed the Working Group to agenda item *2026-05: Securities Lending Restricted Asset Reporting*. Gann stated that this agenda item was exposed at the May 18 interim meeting and that this item is primarily a terminology change. She stated that current guidance in SSAP No. 1, which is also reflected in the blanks and

certain RBC instructions, refers to the restricted asset in a securities lending transaction as the collateral held. However, the actual restricted asset is the security that has been lent and remains on the reporting entity's books. She stated that the proposed revisions make a minor clarification to SSAP No. 1 to reflect this distinction and clarify that collateral received as part of the transaction is addressed in SSAP No. 1, paragraph 23c, which contains the general disclosure requirements for collateral received when the related liability is reported on the balance sheet. Gann stated that interested parties agreed with the terminology change but questioned the inclusion of collateral held within the restricted asset disclosure. She stated that the reference to collateral is not specific to securities lending transactions. It is simply the standard location for reporting collateral received when a liability is recognized on the balance sheet.

Gann stated that no changes are being proposed to the exposed revisions, and the NAIC committee support recommendation is to adopt the item, sponsor a blanks proposal to make corresponding revisions to the annual statement blanks, and send a referral to the Capital Adequacy (E) Task Force so it can make corresponding revisions to the RBC instructions.

Sherman made a motion, seconded by Russell, to adopt agenda item 2026-05 (Attachment One-F) with the exposed SSAP No. 1 revisions, sponsor a blanks proposal to incorporate corresponding references within the annual statement instructions, and send a referral to the Capital Adequacy (E) Task Force with a request for corresponding changes. The motion passed unanimously.

C. Ref #2026-02

Clark directed the Working Group to agenda item 2026-02: *Valuation of Funds Withheld*. Marcotte stated that this item was exposed at the Spring National Meeting, and NAIC committee support were directed to work with the industry to refine the exposed language and coordinate updates to the corresponding blanks proposal to move the effective date of the proposal to year-end 2027. Marcotte stated that interested parties indicated their support for the comment letter submitted by the American Council of Life Insurers (ACLI). She stated that ACLI reiterated its previous position that the statutory financial statement should be defined based on the contractual liability of the underlying reinsurance agreement.

Marcotte stated that, based on those comments, additional language has been developed. The prior exposure included revisions to SSAP No. 61, paragraph 40, regarding coinsurance with funds withheld, and paragraph 53, regarding unauthorized and certified reinsurers. She stated that with the revisions drafted for current exposure, the recommendation is to move the proposed guidance to SSAP No. 61, paragraph 22, which focuses on accounting and reporting. As a result, revisions to paragraphs 40 and 53 have been made. She stated that the recommendation is to expose the revised guidance for further discussion and review, and notify the Reinsurance (E) Task Force of the exposure.

Hans Avery (ACLI) expressed appreciation for the discussions with regulators and NAIC committee support on this issue and stated that it appears all parties are working toward the same outcome.

Walker made a motion, seconded by Hynes, to expose agenda item 2026-02 with modified guidance for SSAP No. 61. The motion passed unanimously.

D. Ref #2026-04

Clark directed the Working Group to agenda item 2026-04: *ASU 2025-10, Accounting for Government Grants Received by Business Entities*. Wil Oden (NAIC) stated that this ASU addresses guidance for government grants

received by business entities, including grants for assets and income, as defined in ASU 2025-10. He stated that the ASU continues to utilize the existing U.S. GAAP disclosure requirements for government grants that were initially established through *ASU 2021-10, Government Assistance (Topic 832), Disclosures by Business Entities about Government Assistance*, and it applies those disclosures to government grants and assistance transactions accounted for by analogy using either the grant accounting model or the contribution accounting model. Oden stated that ASU 2020-10 continues to utilize those disclosures but revises their scope so they apply only to government grants within the scope of Topic 832: Government Grants. He stated that it also adopts many of the same accounting principles used under the grant accounting model. Oden stated that the Working Group previously addressed and rejected ASU 2021-10, determining that neither the grant nor contribution methods of accounting for government grants are permitted under statutory accounting principles (SAPs). Instead, government grants should be accounted for in accordance with the gain contingency guidance in *SSAP No. 5—Liabilities, Contingencies and Impairment of Assets*, and remain subject to the reporting and disclosure requirements in SSAP No. 5 and SSAP No. 24. Oden stated that comments were received from interested parties, recommending that additional guidance be incorporated to address grants on assets. He stated that NAIC committee support have worked to incorporate some of that guidance, and the NAIC committee support recommendation is to expose the item with updated language. He stated that the ASU continues to be recommended for rejection, and NAIC committee support intend to continue working with interested parties to further refine the guidance.

Keith Bell (Travelers), representing interested parties, thanked NAIC committee support for taking its comments into consideration and stated that it looks forward to reviewing the revised exposure.

Walker made a motion, seconded by Sherman, to expose agenda item 2026-04 with revisions to SSAP No. 24 to reject ASU 2025-10. The motion passed unanimously.

4. Reviewed Comments on Exposed Items—IMR and ALM

A. Ref #2023-14

Clark directed the Working Group to agenda item *2023-14: SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve*. Gann stated that in April, the Working Group exposed the IMR package, which included a revised SSAP No. 7; an issue paper detailing the discussions and conclusions reached; revisions to other SSAPs that reference IMR to ensure consistency; and a document containing proposed reporting revisions. She stated that, during the interim period, NAIC committee support worked with the industry and made several revisions, most of which were editorial in nature. Gann stated that a summary document details all revisions reflected and summarizes a few key items:

- Revisions clarify the definition of IMR. The guidance continues to state that IMR and AVR do not meet the definition of assets and liabilities but are required to be recognized as statutory assets and liabilities. She stated that the language was revised to consistently describe these items as valuation adjustments.
- Examples of known liquidity sales were incorporated, but revisions from the ACLI that appear to limit the assessment of known liquidity sales were not included. She stated that the application of the guidance is intended to be broad without restrictions.
- The proof-of-reinvestment guidance was expanded, reorganized, and clarified. A key revision added an exception for reporting entities that have assumed net-negative IMR losses under a reinsurance agreement. In those situations, an assumed net negative IMR would be excluded from the proof of reinvestment calculation.

- ACLI proposed edits on reinsurance guidance were incorporated. She stated that they provided specific direction for reporting both funds withheld and modified coinsurance reinsurance transactions through aggregate write-ins for deductions. She stated that NAIC committee support believe this approach is fairly uniform across the industry, although not entirely consistent, and as a result, some companies may need to change their current reporting practices.
- Guidance regarding admission of net-negative IMR in the general account and separate account was clarified. She stated that the revisions broaden the guidance to allow companies to elect where to admit net negative IMR, provided there is net negative IMR in either the general account or separate account and the applicable admittance requirements are met.
- Revisions were made to *SSAP No. 86—Derivatives* to clarify that gains and losses from an accounting effective hedge may continue to be reported in IMR if the hedged item is reported through the IMR.
- Although revisions were not reflected in the revised Exhibit of Capital Gains and Losses, per ACLI comments, NAIC committee support plan to continue working with the industry during the interim to refine the guidance.
- Gann stated that the IMR form, which is the IMR schedule in the blanks, has been significantly expanded to identify different categories of IMR adjustments.
- The proposed reporting schedule detailing Modco and funds withheld reporting has been deleted. Gann state that the ACLI recommended narrowing that schedule to focus only on IMR, but instead, NAIC committee support have removed it from this project and will plan to address it separately as part of a broader project covering Modco and funds withheld reporting.
- The issue paper was updated to reflect the corresponding revisions made to the SSAP, and the proof of reinvestment exhibit was also revised. She stated that the proof-of-reinvestment exhibit included in the issue paper will ultimately be a reporting change, but it was not included in both locations because it is still being modified. She stated that when the blanks proposal is developed, the related disclosures and proof of reinvestment requirements will be incorporated.

Gann stated that NAIC committee support recommend the Working Group expose the entire package, including the SSAP revisions, issue paper, revisions to other SSAPs, and reporting revisions, as modified with the revisions proposed by NAIC committee support.

Gann stated that the proposed effective date for the IMR guidance was Jan. 1, 2027, and that this date was selected because the current INT provides temporary guidance allowing the admission of net-negative IMR up to 10% of adjusted capital and surplus and is scheduled to expire Dec. 31, 2026. She stated that comments were received requesting a one-year delay to the effective date of the revised SSAP. She stated that if the Working Group agrees to make the effective date Jan. 1, 2028, NAIC committee support recommend revising INT 23-01 to extend through Dec. 31, 2027, with automatic nullification Jan. 1, 2028. She stated that NAIC committee support do not believe that an effective date change requires exposure, and if the Working Group agrees to revise the effective date of the proposed SSAP, NAIC committee support would recommend adopting the change to the INT 23-01.

Gann stated that several interested parties' comments focused on the admission of net negative IMR. She stated that the current Interpretation (INT) limits admitted net negative IMR to 10% of adjusted capital and surplus, and that many companies, including the ACLI, proposed removing that admittance cap.

Tip Tipton (ACLI) stated that the ACLI believes net-negative IMR should be fully admissible when supported by meaningful safeguards, such as asset adequacy testing (AAT), proof of reinvestment, and cash flow testing. He stated that these guardrails provide regulatory discipline while allowing statutory financial statements to better

reflect the economics of reinvestment activity and asset-liability management. He stated the ACLI would like to focus on possible next steps to support the positions outlined in its comment letter. He stated that they met with Working Group members to share additional insights and discuss regulator concerns regarding compliance with the proposed guardrails. Tipton stated that, to address those concerns, the ACLI is proposing a phased-in approach. Under this approach, compliance with the guardrails under INT 23-01 would continue to be evaluated while increasing the admittance cap percentage. He stated that once the revisions to SSAP No. 7 are adopted, the ACLI would like to assess compliance with the updated guardrails and consider additional increases to the cap percentage. He stated that a phased-in structure would give regulators time to evaluate the consistency of implementation, allow companies to update systems and controls, and provide a disciplined path from the current limited-admittance framework to full recognition when safeguards are satisfied.

Tipton stated that the ACLI supports moving the effective date of the revised IMR guidance to Jan. 1, 2028, while extending the current interim guidance through year-end 2027. He stated that, beginning in 2028, the ACLI recommends that regulators consider increasing the level of admitted net negative IMR based on demonstrated compliance with the guardrails, and the goal of the phased-in approach should ultimately be full admission of net negative IMR for qualifying reporting entities. Tipton stated that, following the Summer National Meeting, the ACLI supports working collaboratively with state regulators on a more clearly defined framework for how the phased-in approach would operate and how compliance would be assessed. The ACLI will also work with regulators and NAIC committee support to develop a concise annual statement instruction summary identifying the guardrails that must be met to admit net negative IMR.

Hudson, Walker, Malm, and Bruggeman stated support for extending INT 23-01 through Dec. 31, 2027, with automatic nullification on Jan. 1, 2028.

Clark stated that, regarding the admittance cap, industry comments were overwhelmingly supportive of removing any type of admittance limitation. He stated that during the years of discussion within the IMR Ad Hoc Group, considerable time was spent evaluating the purpose and concept of IMR. Through those discussions, participants reached a general agreement and ultimately adopted a definition of IMR that recognizes it as a valuation adjustment intended to maintain consistency between the valuation of assets and liabilities when interest rates change, and assets are sold and reinvested into fixed-income securities supporting liabilities with locked-in valuation rates. He stated that there appears to be broad understanding and agreement with this concept, as reflected in several of the comment letters. He stated that the IMR Ad Hoc Group devoted significant effort to developing safeguards intended to ensure reinvestment occurs when realized losses are deferred. He stated that while there is recognition that these safeguards are valuable, they are not perfect and do not provide complete precision. It is difficult to demonstrate on a sale-by-sale basis that reinvestment has occurred. He stated that, as a result, there continues to be a valid regulatory question regarding whether there should be comfort with allowing an unlimited amount of realized losses to be deferred. Clark stated that the concern is that true economic losses could be deferred over time, possibly skewing the view of company solvency.

Hudson stated that California is not supportive of removing the admittance cap at this time. He stated that net-negative IMR clearly does not meet the definition of an asset under statutory accounting. He stated that if it is viewed as a valuation adjustment, any related changes should be coordinated between the Working Group and the Life Actuarial (A) Task Force. Hudson stated that if a majority of the Working Group believes the cap should be increased, California believes it should not be increased until the safeguards have been implemented, tested, and demonstrated to be auditable and effective. He stated that, at this point, California believes it would be premature to make that change. Andersen stated support for Hudson's comments.

Walker stated that since the Working Group put the INT in place, one of the key guardrails has been cash flow testing. Even during the development of the revised SSAP No. 7 guidance, inconsistent application of the cash flow testing guardrail included in the INT has been observed. As a result, there are still concerns about the consistency and effectiveness of that safeguard.

Bruggeman stated that the Working Group has had extensive discussions with the ACLI. He stated that, as Hudson noted, one of the challenges is the conservative nature of statutory reserves. He stated that principle-based reserves (PBR) moved from a formula-based approach to a modeling approach, but there is still a floor and an inherent level of conservatism built into the reserves. He stated that IMR, whether it reflects deferred gains or losses, serves as a proxy for unlocking the reserve side, and that is the valuation adjustment. He stated that if there is already a conservative floor in place and deferred losses effectively reduce reserves below that floor, even the modeled floor begins to create challenges, which is one of the reasons the Working Group initially adopted a cap. Bruggeman stated that the Working Group had to implement the cap because of how the asset side works and the mechanics of admitting or nonadmitting amounts. Working through those details becomes challenging when IMR was originally intended to be a general proxy for unlocking what was essentially a formula-based reserve. He stated that now that PBR has been implemented, the concept does not work as well because PBR already unlocks certain assumptions through the modeling process. As a result, there may need to be additional coordination, as Walker suggested, before moving directly to consider eliminating the cap entirely.

Cheung stated that, conceptually, IMR should be admitted. The concern is that it should function as a liability adjustment. Currently, there is no framework to allow it to operate fully as a liability adjustment. That said, additional work can be done to reflect more of it through the liability side. The Life Actuarial (A) Task Force is discussing the possibility of applying *Valuation Manual* (VM)-22, Requirements for Principle-Based Reserves for Non-Variable Annuities, retroactively, at least back to 2017. Opportunities like that, where the actual characteristics of the assets can be properly reflected in the reserve calculation rather than through the net-negative IMR mechanism, should be pursued first. To the extent those efforts are limited, such as by only being able to go back to 2017, it could then be revisited on how much net-negative IMR should be admitted. As such, there are other avenues to pursue before consideration of increasing the admittance of net-negative IMR.

Clark stated that the Working Group discussed whether there was support for moving directly to an unlimited admittance cap effective Jan. 1, 2028. He noted that, based on the comments received, a straw poll did not appear necessary, as no Working Group members had expressed support for an immediate move to an unlimited cap. He stated that, absent any support, the Working Group would proceed under the assumption that it was not supportive of that option at this time.

Clark stated that it appears there is some discomfort with increasing the admittance cap before having the opportunity to see how the safeguards that have been designed and implemented are working, including whether companies are complying with those safeguards and how effective they are in practice. He stated that the ACLI is willing to work through a proposed timeline that would allow for some level of verification that these requirements are being broadly complied with and are functioning as intended before any increase to the admittance cap is considered. However, another question he was hoping to narrow down is whether there is any appetite to increase the cap in the future. He stated that one possibility is to simply retain the current 10% cap. Clark stated that he would like feedback from Working Group members on this. He questioned whether there is support for considering an increase in the cap in the future, contingent upon demonstrated compliance with and effectiveness of the safeguards, or if there are members who would prefer to maintain the 10% cap indefinitely, with no future increases.

Hudson stated that California is not supportive of increasing the admittance cap, and if this issue is going to be addressed, it should be addressed on the liability side rather than the asset side. She stated that if the majority believes the cap should be increased in the future, the controls discussed need to be implemented and demonstrated to be effective before any increase is considered.

Walker stated that she is open to increasing the admittance cap but would like to see how the safeguards operate in practice before becoming comfortable with such a change.

Clark stated that he wanted to make clear that openness to further discussion does not mean agreement with increasing the admittance cap. It simply means continuing the discussion around what a future timeline might look like. Based on those discussions, the Working Group could ultimately decide to retain the 10% admittance cap or perhaps refer the issue to the Life Actuarial (A) Task Force to address the liability side. He stated that, with PBR, more of this issue is being addressed on the liability side over time, with the recent adoption of VM-22, and it is likely to be applied retroactively. He stated that as more businesses become subject to PBR, particularly VM-22 and approaches with less of a formulaic component, IMR becomes less necessary. He stated that he is gauging whether there is openness to continuing discussions about what a future compliance check might look like and whether there would be any willingness to consider a higher cap in the future based on that compliance check.

Malm stated that Wisconsin is open to further discussion on the issue, but the industry must demonstrate compliance with the safeguards being implemented. She noted that if companies are unable to comply with those safeguards, the decision is quick.

Andersen stated that while larger companies may have the resources and capabilities to comply with these requirements, the greater concern is opening the door for smaller companies that may not have the expertise or resources to engage in investments they should not be making. She noted that there are companies with negative IMR that do not fully understand it and simply report it because their investment advisors told them to. In her view, those are the companies of greatest concern, as they are often the ones most likely to have solvency issues. She stated that, at this time, she is comfortable with the 10% admittance cap but believes companies would need to demonstrate compliance with several safeguards before any increase in the cap is considered.

Stolte and Sherman agreed with the comments made by the other states.

Clark stated that he was hearing overwhelming support for continued discussion, although not for increasing the admittance cap at this time. He noted that any future increase would need to be contingent upon demonstrating compliance with, and the effectiveness of, the safeguards being implemented. He then asked the ACLI whether it would be willing to take the regulator feedback back to its membership and develop a more detailed proposal outlining a potential timeline and approach going forward. He stated that the Working Group wanted to continue moving the project forward and avoid delaying the discussion for another year. Instead, he expressed a desire for the Working Group to reach conclusions on a path forward by the Fall National Meeting and asked the ACLI to develop a proposal that incorporates the regulator feedback received.

Tipton thanked the Working Group for the discussion and for openly sharing their perspectives. He stated that these conversations are important in developing a path forward. He noted that the ACLI will begin meeting on the issue next week and start developing a future framework. He acknowledged that compliance has been a recurring theme in discussions with regulators and Working Group members and stated that the ACLI understands those concerns. He also noted that the ACLI is working on several items behind the scenes that it believes will help provide a positive path forward.

Gann stated that the agenda item includes a request for the industry to consider developing a disclosure on actuarial verification, as there is currently no consistent way to verify that information, and states must perform that review individually. She requested that this be included in the work the ACLI is taking back for further consideration.

Malm asked the ACLI whether it plans to provide its membership with education on the proper reporting requirements and implementation of the proposed guardrails. She noted that Illinois had raised concerns about small- and medium-sized companies that rely heavily on investment managers and may not have the same resources as larger insurers. She emphasized that many of the discussions to date have involved larger insurers with dedicated staff, and she questions how the ACLI would help ensure that the broader industry understands and complies with the requirements under discussion.

Tipton stated that one of the suggestions raised earlier was to develop what he described as a one-page checklist. He noted that he has discussed this with Gann and others, and the goal is to clearly identify what a company must do to admit net-negative IMR, including the applicable checks, guardrails, and related requirements. He acknowledged that the topic can be complex and referenced the Illinois comments that some companies may not fully understand concepts such as net-negative IMR. He stated that the objective is to highlight the key requirements companies should focus on first. He also noted concerns, including those raised by Texas regarding cash flow testing, and the importance of giving regulators greater comfort that the related guardrails are being properly applied. He stated that, as a result, the ACLI plans to develop a one-page resource to assist its members and the life insurance industry in understanding these requirements.

Mike Reis (Northwestern Mutual), representing the ACLI, stated that the ACLI has been considering all the concerns raised during the discussion. He noted that this includes the questions raised by Gann regarding the actuarial AAT and the potential development of some type of disclosure or attestation.

Clark proposed moving forward with the exposure of the revised IMR documents while retaining the current 10% admittance cap. He asked the ACLI to develop a written proposal for consideration during the interim period. He noted that the Working Group would likely hold an interim meeting to discuss the proposal and potentially expose it for comment.

Arfanis asked whether future discussions would proceed through the IMR Ad Hoc Group or through the Working Group.

Clark stated that future discussions would be handled by the Working Group rather than the IMR Ad Hoc Group. He noted that the Ad Hoc Group has not been meeting because it reached the point where it can make no further progress. He stated that as discussions moved into more complex policy decisions, he felt there was little benefit in continuing those discussions at the Ad Hoc Group level since the full Working Group needed to weigh in. He stated that the Working Group would likely hold at least one interim meeting before the Fall National Meeting to continue discussing the issue.

Two separate motions were passed.

Walker made a motion, seconded by Malm, to extend INT 23-01 through Dec. 31, 2027, with automatic nullification on Jan. 1, 2028 (Attachment One-G). The motion passed unanimously.

Walker made a motion, seconded by Sherman, to expose the revised IMR documents modified by NAIC committee support, reflecting the revised Jan. 1, 2028, effective date. The motion passed unanimously.

B. Ref #2024-15

Clark directed the Working Group to agenda item *2024-15: Asset Liability Management (ALM) Derivatives*. Gann stated that ALM derivatives were identified during the IMR discussion. She stated that it was brought to the attention of NAIC committee support that derivatives that did not qualify as accounting effective under SSAP No. 86 (which the industry referred to as economically effective) were being reported at fair value, but upon termination, the change in fair value that had gone through surplus was being reversed and taken to IMR. She stated this was not the intended application of SSAP No. 86 or the guidance for accounting effective hedges. Gann stated that there is currently an exception in INT 23-01 allowing companies that had been following that process, for both gains and losses taken to IMR, to continue doing so until the revised SSAP No. 7 has been implemented. Gann stated that NAIC committee support also began a project to review these economically effective hedging structures to consider whether guidance should be developed, which led to the proposed new SSAP and issue paper.

Gann stated that NAIC committee support worked with the ACLI for the initial drafting of guidance, which has now been exposed a few times. Under the proposal, derivatives that qualify under the standard would be reported at amortized cost rather than fair value. Upon termination, any gain or loss would be recognized to a deferred derivative account, rather than IMR, and amortized over the remaining life of the hedged liability portfolio, not to exceed 10 years. She stated that the ACLI submitted comments supporting the proposal in response to the last two exposures. The most recent exposure included a slight revision to the transition guidance, and the ACLI also supported adoption at this national meeting. She stated that, since it is a significant item, it has been re-exposed to provide regulators additional time to review the guidance and understand its scope.

Gann stated that, during the most recent exposure, NAIC committee support received informal regulator comments on several elements of the proposal. One issue was about accelerated amortization. She stated that the proposed SSAP for ALM derivatives includes a concept similar to *SSAP No. 108—Derivatives Hedging Variable Annuity Guarantees* that includes an accelerated amortization provision. She stated that the provision was duplicated and was intended to prevent cherry-picking, such as accelerating losses but not gains or vice versa. However, based on regulator feedback, NAIC committee support determined it was still not foolproof and proposed eliminating the accelerated amortization provision from the proposed ALM derivative guidance.

Gann stated that comments were also received regarding the derecognition of deferred items regarding reinsured balances. Currently, neither SSAP No. 108 nor the proposed ALM derivative SSAP states that deferred derivative gains or losses should be eliminated when the related portfolio of liabilities has been reinsured. She stated that revisions have been proposed to clarify that those deferred gains and losses should also be eliminated in that situation. In addition, neither SSAP No. 108 nor the proposed ALM derivative SSAP currently addresses the inclusion of these items in cash flow testing; therefore, NAIC committee support have proposed adding that requirement.

Gann stated that there were also general questions regarding the effectiveness test and how it would be applied in practice. She stated that based on these comments, revisions have been proposed to the SSAP and issue paper, and NAIC committee support recommend exposing the guidance with the proposed modifications, with a revised effective date of Jan. 1, 2028, so it aligns with the IMR standard. Gann stated that, with this exposure, NAIC committee support proposes moving forward with a blanks proposal to add new Schedule DB reporting lines for these derivatives, as well as a referral to the Life Actuarial (A) Task Force to review the guidance and possibly conduct a pilot regarding the effectiveness test to ensure the guidance is clear on how that test would operate.

Tom Karafin (Prudential), representing the ACLI, stated that the ACLI fully supports the SSAP and issue paper exposure drafts and requests that the Working Group continue to advance this solution. He noted that the revisions in the draft do not appear to create any issues at this time and that the ACLI believes the mechanics of the exposure draft are critical for the functioning as a hedge and are consistent with SSAP No. 86. He stated that the ACLI understands the reasons for deferring the adoption date and is prepared to assist as needed by providing additional information, examples, Q&A materials, or other requested support.

Clark stated that an ad hoc group of accountants and actuaries may be formed to review the effectiveness tests. He asked Karafin whether the ACLI had identified parties willing to meet with regulators in a regulator-only session to demonstrate the effectiveness of the testing process. Karafin stated that ACLI members are currently working on a pilot program that should be available for review within the next couple of months.

Walker made a motion, seconded by Hudson, to expose the revised SSAP and the corresponding ALM derivative issue paper, with a referral to the Life Actuarial (A) Task Force, requesting it review and assess the guidance and consider facilitating a pilot review in early 2027. The motion passed unanimously.

5. Exposed Items on the Active Maintenance Agenda—Pending List

The following items were exposed for a public comment period ending Oct. 2.

A. Ref #2026-08

Clark directed the Working Group to agenda item *2026-08: SSAP No. 21 - ICOLI*. Gann stated that this agenda item addresses insurance company-owned life insurance (ICOLI) or corporate-owned life insurance (COLI). It was developed at the request of regulators and relates to *SSAP No. 21—Other Admitted Assets*, specifically paragraph 9. She stated that under the current guidance, the amount realizable from a life insurance policy when the reporting entity is the owner, beneficiary, or otherwise has rights to control the policy may be reported as an admitted asset and classified as an other-than-invested asset. As an other-than-invested asset, it is generally outside the investment RBC calculation and reported outside the asset classifications.

Gann stated that this topic was previously addressed in 2018 in response to regulatory concerns regarding investment risk and the use of cash surrender values to access alternative investment vehicles. As part of those revisions to SSAP No. 21, the Working Group incorporated the Internal Revenue Code definition of life insurance. She stated that, previously, the guidance simply referenced life insurance under statutory accounting, under which any amount of death benefit could qualify as life insurance. She stated that some of the structures observed in 2018 had very limited death benefits and functioned primarily as investment vehicles and that to address those concerns, the Internal Revenue Code definition was incorporated. In addition, a disclosure requirement was added requiring companies to identify the underlying investments backing these policies, including cash, bonds, stocks, or Schedule BA items.

Gann stated that investments in Schedule BA assets underlying these arrangements have increased significantly over the last four years, and, based on the disclosure information collected, some of these products are being marketed as a way for companies to access private credit investments without holding RBC for the underlying investment risk. She stated that the agenda item proposes moving these assets to Schedule BA, with reporting lines based on the investment's underlying characteristics, as this would allow RBC treatment to reflect the underlying investment risk. She stated that the agenda item recommends a referral to the Capital Adequacy (E) Task Force to inform them of the proposal and request feedback regarding its potential inclusion. She stated that NAIC committee support recommend comments be received before the item is formally moved to the Working

Group's active agenda. Gann stated that while that approach is somewhat unusual, it would allow comments to be considered before any determination is made regarding whether the project should proceed.

Clark stated that this item has already received significant attention across the industry and is being presented as a concept agenda item because there may be some education needed on how these products work, including the investment risks involved and any mitigating factors in place. He stated that the goal is to develop a better understanding of the products moving forward, and he encouraged comments during the exposure period that include as much background information as possible so that the Working Group can fully consider that feedback.

Bruggeman stated that the referral inclusion of these items as invested assets with an assessment of RBC factors should probably be more generic, not necessarily as an investment, but rather whether they should be considered as one of the RBC charges. He stated that there has also been discussion about conducting a gap analysis across several areas, so perhaps a more targeted referral would be to include this as part of that gap analysis. He stated that there is a general RBC charge for other assets on the property/casualty (P/C) side, but not on the life or health side, and making it consistent may be appropriate.

Bruggeman stated that he has heard that some companies are advertising that they can set up a COLI arrangement specifically to provide insurers with an RBC advantage, and that some companies are using the value inside of COLIs for cash flow testing. He stated that both situations are incorrect. He stated that these comments are one why these discussions arose. He stated that when the Working Group discussed this with the industry in 2018 under agenda item 2018-08, it was understood that the parties had reached an agreement. He stated that the industry did not get everything it wanted, and neither did regulators, but it seemed a good compromise was reached. However, when companies go beyond the established principle, the issue must be addressed again. He requested that, if industry representatives become aware of situations in which companies are going beyond the established principles, whether on this topic or any other, they should attempt to stop those practices. Otherwise, this type of issue arises, and it is unfair to companies that are following the rules. He stated that this is more than just an ICOLI or COLI issue and is a general regulatory perspective. He stated that there are purposes for a specialized ICOLI product, and if products are structured differently than what was contemplated, the Working Group should take a closer look at them. Accordingly, the recommendation is to expose the agenda item for comment as described.

Jim McKeone (Institutional Insurance Group—IIG) stated that IIG designs and administers these types of programs, including for many of the companies that have purchased them over the past 10 years. IIG believes the companies that have purchased these programs have conducted extensive due diligence, and in some cases, it has taken years to implement them properly and in the spirit of SSAP No. 21. However, IIG does not agree that there have been situations that fell outside those lines. He stated that first and foremost, and on behalf of its clients and suppliers, IIG believes that an ICOLI policy is an insurance contract. It has economics, risks, cash flows, and guarantees that differ fundamentally from a traditional invested asset. If the Working Group believes it is important to have a separate write-in treatment because the current write-in treatment is not sufficient, IIG supports that. He stated that a separate line item that recognizes it as insurance would be appropriate. He stated that if the size of the programs is a concern, IIG believes there should be limits and should tie back to employee benefit financing, which is exactly what was discussed in 2018. It should also be expressed as a percentage of capital with appropriate guardrails in place.

He stated that if there are concerns about investment risk, it is important to recognize, as Bruggeman stated, that not all products are the same. The underlying guarantees of the product, the volatility-reduction features of certain products, and how the products perform under various stress-testing scenarios should all be considered when evaluating capital charges and applicable risk factors. He stated that if there are other concerns about the

ICOLI market, IIG believes there is room for best practices, and its clients would be happy to collaborate on developing guidance. IIG believes these ICOLI products can and should remain a viable option for companies seeking to finance employee benefits over the long term. However, additional guidance and somewhat stronger documentation requirements would be healthy for the market. The report released made many good points that IIG supports. IIG respects the role and position of regulators and the work they are accomplishing and is here to help.

Clark stated that he encourages the IIG to provide its comments in writing, along with as much background information as possible. He stated that the information on the differentiation of investment risk, the types of guarantees involved, and any related considerations would be very helpful as the Working Group evaluates this during the exposure period.

Kelly Rabin (Hannover Re) stated regarding any existing change to RBC consideration of the impact on the in-force business, from the perspective of the issuers of these products rather than the buyers of these products, her concern would be that, if there was a potential impact on lapses and, therefore, solvency of the writers of these companies, should there be a retroactive change.

Clark stated that this item will include a referral to the Capital Adequacy (E) Task Force, so some of that discussion will take place there. He stated that parties should follow both groups if they are interested in this topic.

Bruggeman made a motion, seconded by Stolte, to expose agenda item 2026-08 and to send a referral to the Capital Adequacy (E) Task Force, informing it of this exposure and requesting initial feedback on the potential inclusion of these items as invested assets, with assessment of RBC factors. The motion passed unanimously.

B. Ref #2026-09

Clark directed the Working Group to agenda item 2026-09: *SSAP No. 86 – RSATs*. Gann stated that this agenda item concerns replication of synthetic asset transactions (RSATs). She stated that it is a concept in SSAP No. 86. Gann stated that this agenda item was drafted in response to a recent notable uptick in RSAT transactions, as well as a review of the IMR guidance and revisions to SSAP No. 86 for IMR. She stated that NAIC committee support reviewed the guidance for RSATs and realized it was not clear and required clarification. She stated that SSAP No. 86 is limited in its guidance and points only to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) for RSAT guidance, which is not the correct location for statutory accounting guidance. She stated that RSAT securities must be filed with the SVO and reviewed, which is possibly why that guidance was previously included in the P&P Manual.

Gann stated that, regarding RSATs, there are concepts of a cash component that support the derivative, but there is currently no guidance on what qualifies as a cash component. She stated that examples frequently mention the use of a treasury; however, NAIC committee support have learned that this is not always the case. Therefore, one of the proposed revisions is to specify exactly what can be a cash component. She stated that the proposal is for cash components to be investment-grade treasuries, municipals, and corporate bonds.

Gann stated that, regarding revisions, the replicated asset is currently considered a permissible asset. She stated that the term is not actually defined in statutory accounting but is meant to be something that an insurance company could own, in accordance with their state investment laws. Presumably, if it were to activate or take possession of the RSAT asset that it is replicating, it would be allowed to hold it. She stated that if it is a lower-investment-grade asset, it would still be within its state investment law limits.

Gann stated that this is a concept agenda that proposes substantive revisions, pulling the guidance into SSAP No. 86, putting parameters on what is allowed to be a cash component, parameters on what is allowed to be the replicated asset transaction, and then specifying how the reporting should be reflected within the applicable investment schedule, as well as within the RBC formula. She stated that NAIC committee support have seen situations where companies are participating in RSAT transactions that provide RBC benefits. She stated that they subtract the cash component, add the replication asset component, and, if they use a lower-quality cash component, they receive an RBC benefit. So, NAIC committee support are proposing to specify how this should work and look for RSAT transactions.

Hudson made a motion, seconded by Sherman, to expose the proposed concept changes for the accounting and reporting guidance for RSATs. The motion passed unanimously.

C. Ref #2026-10

Clark directed the Working Group to agenda item *2026-10: SSAP No. 26 – Embedded ALM Risk*. Gann stated that this agenda item was drafted to address certain financial asset-backed security structures in which the underlying collateral comprises multiple asset types. She stated that asset-backed securities are typically supported by a single type of collateral. For example, a residential mortgage-backed security (RMBS) is backed entirely by residential mortgages. However, the structures addressed in the agenda item include different types of collateral with varying maturity dates. She stated that the debt security itself may have a 20-year term, while the underlying self-liquidating collateral may mature in five years. This creates reinvestment risk within the asset-backed security structure, as additional assets must be acquired to continue supporting the longer-term debt security obligations. Gann stated that this concept was considered for non-financial asset-backed securities in the principles-based bond definition but did not address it for financial asset-backed security structures.

Gann stated that the proposed edits include two additional changes to the principles-based bond definition. The first revision addresses financial asset-backed security structures that are not self-liquidating. She stated that if they are not self-liquidating and do not otherwise qualify as equity-backed, the proposal would require them to comply with the equity-backed provisions of the principles-based bond definition to ensure they qualify as bonds. The second revision addresses self-liquidating structures, where significant embedded ALM and reinvestment risk may exist. Gann stated that under the proposal, if significant ALM risk exists within those structures, they would not qualify under the principles-based bond definition.

Cataldo made a motion, seconded by Malm, to expose revisions to *SSAP No. 26—Bonds* to expand on the requirements that asset-backed securities are required to meet to qualify for bond reporting. The motion passed unanimously.

D. Ref #2026-11

Clark directed the Working Group to agenda item *2026-11: Residential Mortgage Loan Definition*. Oden stated that this agenda was drafted in response to a referral from the Investment Analysis (E) Working Group and to regulatory comments. He stated that the analysis conducted by the Investment Analysis (E) Working Group on residential mortgage loans (RMLs) identified significant increases in RML balances since 2014, both in overall insurer exposure to these assets and in the size of individual loans. He stated that the referral raised concerns that existing guidance lacks clearly defined boundaries between traditional RMLs and other loan types currently classified as such. These different loan types may exhibit risk characteristics that differ significantly from those traditionally associated with residential mortgage loans. He stated that another issue identified in the referral is that the reporting lacks granularity. As long as a loan is classified as a residential mortgage loan, it is subject to the

same basis-point capital charge for life insurers, regardless of underlying risk factors such as the borrower's FICO score, owner-occupancy status, loan-to-value ratio, and similar characteristics.

Oden stated that this agenda item proposes incorporating a formal definition of residential mortgage loans into SSAP No. 37—*Mortgage Loans*. He stated that this would help ensure that loans reported as RMLs are appropriately secured by residential property. SSAP No. 58—*Mortgage Guaranty Insurance*, NAIC *Investment of Insurers Model Act (Defined Limits Version)* (#280), and the annual statement instructions each indicate that a residential mortgage loan is secured by one-to-four-family property. However, part of the confusion identified in the referral is that this term is not currently defined in SSAP No. 37. He stated that NAIC committee support research indicates that the term "one-to-four-family property" likely originated from Title 12 of the Code of Federal Regulations. He stated that, while this term has likely been relied upon indirectly because it is commonly used, it would be considered, at best, Level 5 guidance under the statutory hierarchy. As a result, NAIC committee support recommend using this definition as a starting point for incorporation into SSAP No. 37, along with reviewing the multifamily property definition in Title 12 of the Code of Federal Regulations.

Oden stated that a second area of focus is whether underlying risk factors should be incorporated into Schedule B reporting through new columns, reporting codes, or separate loan reporting. Potential risk factors to consider include lien position, such as first or second lien status, loan-to-value ratio, owner-occupancy status, FICO score, and other relevant characteristics. He stated that NAIC committee support are requesting comments on these factors, as well as any additional risk characteristics that should be considered for reporting purposes.

Marc Altschull, representing the ACLI, stated that the ACLI has organized a group and is collecting feedback to share with the Working Group.

Hudson made a motion, seconded by Bruggeman, to receive the referral from the Investment Analysis (E) Working Group (Attachment One-H) and to expose agenda item 2026-11 to clarify the existing definition of "one-to-four family properties" as the definition of a residential mortgage loan and then assess different characteristics and risk components of properties that meet that definition for more granular reporting and/or accounting guidance. The motion passed unanimously.

E. Ref #2026-12

Clark directed the Working Group to agenda item 2026-12: *Retroactive Reinsurance Exception*. Marcotte stated that this item addresses the retroactive reinsurance exception in SSAP No. 62—*Property and Casualty Reinsurance*, paragraph 36d. She stated that regulators requested this agenda item to consider an exception to retroactive reinsurance accounting, which allows retroactive reinsurance contracts between insurers that are 100% owned by a common parent or ultimate controlling person to be treated as prospective reinsurance, provided there is no gain in surplus as a result of the transaction. She stated that a more punitive accounting treatment applies when a surplus gain exists. Marcotte stated that this intercompany exception has existed since before statutory codification and, since 1995, it has allowed reinsurance contracts covering prior-year business to be treated as prospective reinsurance. As a result, large blocks of prior-year business can be shifted within an insurance group. She stated that the exception is often used in intercompany pooling arrangements or when new members are added to a pooling agreement in order to reallocate prior-year reserves and premiums within a group. Marcotte stated that previous informal discussions have indicated that, although this exception is more permissive, these transactions remain subject to regulatory review under the *Insurance Holding Company System Regulatory Act* (#440). She stated that Working Group members requested a public discussion of the broader issue. She stated that comments are requested on whether the existing exception should remain unchanged, be narrowed, or

eliminated. She stated that, if warranted by the discussion and comments received, the agenda item could subsequently be reclassified as a new SSAP concept. Marcotte stated that NAIC committee support are recommending a disclosure requirement to identify contracts applying this exception, as there is currently no disclosure that captures such transactions.

Stolte made a motion, seconded by Sherman, to expose agenda item 2026-12 with a request for comment regarding whether the existing exception to retroactive accounting in SSAP No. 62, paragraph 36.d, should remain unchanged, be considered for elimination, or be narrowed. The motion passed unanimously.

F. Ref #2026-13

Clark directed the Working Group to agenda item *2026-13: Medicaid Updates*. Marcotte stated that questions were received from three states and industry representatives regarding statutory accounting for Medicaid state-directed payments and separate payment terms. She stated that Medicaid recently revised its program guidance, resulting in certain payments that were previously classified as pass-through payments now being considered at-risk payments under Medicaid guidance. Under *SSAP No. 54—Individual and Group Accident and Health Contracts* and *SSAP No. 47—Uninsured Plans*, if a payment is considered at risk, it is reported as premium under insured plan guidance rather than as an uninsured plan arrangement and, as a result, these changes affect statutory reporting.

Marcotte stated that NAIC committee support are recommending exposure of revisions to SSAP No. 47 and SSAP No. 54 to add a high-level, principles-based statement that Medicaid contract payments classified as capitated payments are included within insured plan guidance. This approach is intended to address the Medicaid revisions without providing detailed guidance for every Medicaid program change. Instead, it establishes a broad framework that would cover state-directed payments and separate payment terms while avoiding overly prescriptive guidance. She stated that NAIC committee support also recommend notifying the Health Risk-Based Capital (E) Working Group of the exposure because industry representatives indicated that their primary concern is not the accounting treatment but the RBC implications. She stated that although these payments are now considered at risk under Medicaid guidance, the actual level of risk is often very low. Some industry representatives indicated that payment variability may be as little as approximately 1% from expected amounts. As a result, questions have been raised regarding the appropriate health RBC charge when these payments are no longer treated as pass-through payments.

Malm made a motion, seconded by Andersen, to expose agenda item 2026-13, including revisions to SSAP No. 47 and SSAP No. 54 to add a principles-based statement that Medicaid contract payments classified as capitated payments are included in insured plans and make a referral to the Health Risk-Based Capital (E) Working Group for consideration of the related RBC implications. The motion passed unanimously.

G. Ref #2026-14

Clark directed the Working Group to agenda item *2026-14: Updates to INT 18-03 for OBBBA*. Jake Stultz (NAIC) stated that this agenda item addresses changes to *INT 18-03: Additional Elements Under the Tax Cuts and Jobs Act*. In 2018, the Working Group adopted INT 18-03 to address three primary items: the repatriation transition tax, the alternative minimum tax (AMT) credit, and the Global Intangible Low-Taxed Income (GILTI). He stated that the repatriation transition tax was expected to run for eight years and is scheduled to end in 2026, and the AMT credit effectively phased out in 2021, when the remaining credits would have been utilized. More recently, changes to federal tax law made GILTI permanent and renamed it Net Controlled Foreign Corporation Tested

Income (NCTI). He stated that this agenda item proposes nullifying INT 18-03, effective Jan. 1, 2027, and incorporating the updated NCTI guidance into *SSAP No. 101—Income Taxes*.

Kasinow made a motion, seconded by Travis, to expose agenda item 2026-14, including revisions to nullify INT 18-03, effective Jan. 1, 2027, and to add language in *SSAP No. 101* for NCTI. The motion passed unanimously.

H. Ref #2026-15

Clark directed the Working Group to agenda item *2026-15: SSAP No. 23—Canadian Translations*. Gann stated that this agenda item proposes eliminating what is commonly referred to as the Canadian exception in *SSAP No. 23—Foreign Currency Transactions and Translations*. She stated that under *SSAP No. 23*, foreign currency translations are generally required to be performed on a line-by-line basis, consistent with U.S. GAAP. However, when statutory codification was adopted, a Canadian exception was incorporated for entities meeting certain materiality thresholds specified in the *SSAP*. Gann stated that, over time, this exception has created issues, particularly with line items not reconciling consistently. As a result, questions have been raised about whether the Canadian exception remains necessary. She stated that when the exception was originally adopted, the Canadian and U.S. currencies were relatively close in value, and that is no longer the case. Accordingly, this agenda item proposes that all foreign currency translations be performed consistently under the standard and that the Canadian exception be eliminated.

Hudson made a motion, seconded by Arfanis, to expose agenda item 2026-15, including revisions to *SSAP No. 23* to remove the Canadian exception for foreign currency translation. The motion passed unanimously.

6. Considered Maintenance Agenda—Active Listing

A. Ref #2025-22

Clark directed the Working Group to agenda item *2025-22: IMR Impact to Reinsurance Collateral*. Gann stated that this item also addresses IMR, but not the calculation of IMR itself. Instead, this item focuses on how derecognized IMR is factored into the reinsurance collateral calculation under *SSAP No. 61*. She stated that current guidance provides that derecognized IMR in a liability position increases the reinsurance collateral requirement for entities that are required to post collateral. However, the guidance does not address how net-negative IMR should be treated upon derecognition as part of a reinsurance transaction. Gann stated that this issue was identified during the IMR project and resulted in significant discussion. The original proposal from the IMR Ad Hoc Group, exposed by this Working Group, was to apply an asymmetrical approach. Under this approach, derecognized IMR in a liability position would continue to increase the reinsurance collateral requirement, while derecognized net negative IMR would not decrease the collateral requirement.

Ganns stated that comments were received from the ACLI supporting a symmetrical approach, under which derecognized net-negative IMR would decrease the collateral requirement. A referral was previously made to the Reinsurance (E) Task Force, and it has since provided its response. She stated that NAIC committee support are recommending that the Working Group receive the referral response from the Reinsurance (E) Task Force, supporting the asymmetrical treatment that was originally exposed by the Working Group, and proceed with adoption of the previously exposed revisions to *SSAP No. 61*, supporting the asymmetrical treatment. She stated that, under that approach, derecognized IMR in a liability position would increase collateral requirements, while derecognized net negative IMR would not decrease collateral requirements. Gann stated that, if the Working Group supports this approach, NAIC committee support believe the revisions can be adopted without re-exposure. She stated that NAIC committee support are aware that the ACLI supports symmetrical treatment, as ACLI

comments were provided both to the Working Group and the Reinsurance (E) Task Force. As the proposal has already been exposed, NAIC committee support anticipate that re-exposure would simply result in additional comments supporting the previously communicated position.

Avery stated that the ACLI supports the symmetrical approach and continues to believe it reflects the more appropriate economic outcome. He stated that the ACLI believes the symmetrical approach better aligns the valuation of assets and liabilities with market value, particularly given that collateral is often held at market value. At the same time, it recognizes and appreciates the recommendation from the Reinsurance (E) Task Force and the discussion that has taken place on this issue. He stated that it also understands that the Reinsurance (E) Task Force recommendation was based on current circumstances and that the options presented were largely binary. As such, it encourages the Working Group to revisit this issue in the future if conditions change, whether through modifications to the IMR cap or broader environmental changes.

Clark stated that the response from the Reinsurance (E) Task Force indicated that removing the admittance cap could affect the conclusion. He stated that the primary issue is that, with the admittance cap in place, fully symmetrical treatment of the collateral requirement could create an incentive for reinsurance transactions that generate an immediate surplus benefit for amounts that were previously nonadmitted. For that reason, it is generally understood that this issue would be revisited if the admittance cap were ever removed. He stated that the Working Group would also be open to considering other proposals in the future if they are developed and offer an alternative approach to addressing this issue.

Hudson made a motion, seconded by Kasinow, to adopt agenda item 2025-22, including the previously exposed revisions to SSAP No. 61 to reflect the asymmetrical approach. (Attachment One-I). The motion passed unanimously.

7. Discussed Errors/Noncompliance in Statutory Financial Statements

Gann stated that this matter is about the misreporting of non-bond debt securities with SVO-assigned designations. When the principles-based bond definition was adopted, securities that do not qualify as bonds were directed to Schedule BA. Within Schedule BA, there are separate reporting lines for securities with SVO-assigned designations and those without. Securities reported with SVO-assigned designations flow through AVR and receive RBC treatment based on the assigned designation. She stated that only securities that have received an actual SVO-assigned designation from the SVO may be reported on those lines. Securities relying on credit rating provider (CRP) ratings, modeled determinations, initial filings, or other items that the SVO has not designated should not be reported on those lines.

Gann stated that NAIC committee support identified a significant percentage of misreported items in those categories, with approximately 57% of the items reported on the applicable Schedule BA lines identified as errors for year-end 2025, as they did not reflect an SVO-assigned designation. She stated that NAIC committee support have shared these findings with regulators, including the names of the affected companies, and the NAIC Quality Assurance team is also contacting those companies directly to notify them of the issue. Gann stated that most responding companies acknowledged the reporting error and indicated that they will correct it going forward. She stated that regulators requested NAIC committee support to highlight this issue, particularly as companies prepare for year-end reporting, to emphasize that only securities with a distinct SVO-assigned designation may be reported on those lines. She stated that the security must have been filed with the SVO and have received an assigned designation. She stated that if a security is in its initial year and has not yet received an SVO designation, it cannot be reported on that line using a self-assigned designation.

Bruggeman stated that this is a specific example of a broader issue. He requested industry input on whether outreach, education, and training on these issues should be improved to ensure that people understand what is changing and how those changes affect reporting. He stated that in many cases, these discussions occur at a fairly technical level, but the individuals ultimately preparing and reporting the information in the financial statements may not always receive it. He stated that there should be a way to ensure it reaches the appropriate level within organizations, and this is not the only area where regulators have seen similar issues. He stated that, while this example is a good one to highlight, it reflects a broader concern. He stated that he is aware that NAIC committee support already provide education sessions that cover not only this topic but many others as well, but his concern is simply that there is so much happening that a different approach may be necessary to ensure the information reaches the people who need it.

8. Received a Life Risk-Based Capital (E) Working Group Referral—Collateral Loan Reporting

Gann stated that this item is to receive a referral response from the Life Risk-Based Capital (E) Working Group on collateral loans. She stated that the Life Risk-Based Capital (E) Working Group adopted revisions to its RBC formula for collateral loans from a prior Statutory Accounting Principles (E) Working Group referral. She stated that they provided a referral response, informing them of the changes made, and also recommended additional disclosures in the statutory financial statements proposed by the ACLI. Gann stated that an agenda item for these items is anticipated for the Fall National Meeting. For this national meeting, NAIC committee support are asking that the Working Group receive the referral and direct NAIC committee support to move forward with an agenda item for potential exposure at the NAIC Fall National Meeting. The Working Group received the referral (Attachment One-J).

9. Received an Update on SSAP No. 48 Discussions and Revisions

Gann stated that NAIC committee support have continued to meet regularly with industry representatives on clarifications to *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies*, and proposed edits for exposure consideration are expected at the Fall National Meeting.

10. Received an Update on the Commitments and Contingencies Disclosures

Oden stated that NAIC committee support have continued to meet regularly with industry representatives on clarifications of commitments and contingencies in the SSAPs and annual statement instructions, and proposed edits for exposure consideration are expected at the Fall National Meeting.

11. Received an Update on U.S. GAAP Exposures

Marcotte identified U.S. GAAP items currently exposed by the Financial Accounting Standards Board (FASB) (Attachment One-K). She stated that comments are not recommended at this time, and NAIC committee support recommend a review of the final issued ASUs under the SAP maintenance process as detailed in Appendix F—Policy Statements.

12. Discussed the Life Actuarial (A) Task Force VM Coordination Memo

Marcotte stated that the Life Actuarial (A) Task Force coordination memo (Attachment One-L) was posted after the initial agenda posting and is now available on the website. She stated that the memo outlines the items the Task Force has adopted and highlights two areas that are relevant to this Working Group. First, the Task Force coordinated with NAIC committee support to update VM guidance on credit rating mappings to align with the

annual statement reporting framework. Second, the Task Force adopted revisions to VM-21, Requirements for Principle-Based Reserves for Variable Annuities, and VM-22 to reflect the concept that IMR is associated with a group of policies rather than with specific assets. Marcotte stated that, at this time, NAIC committee support do not believe any direct action is necessary; however, they are recommending the Working Group direct NAIC committee support to review these Task Force revisions as part of the ongoing IMR exposure process to determine whether any corresponding updates or coordination of language are needed within the statutory accounting guidance.

13. Heard an IAIS Audit and Accounting Working Group Update

Gann stated that the next meeting of the International Association of Insurance Supervisors (IAIS) Audit and Accounting Working Group is scheduled for Sept. 16–17, and that an update will be provided at the Fall National Meeting.

Having no further business, the Statutory Accounting Principles (E) Working Group adjourned.

Draft: 6/13/26

Statutory Accounting Principles (E) Working Group
Virtual Meeting
May 18, 2026

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force met May 18, 2026. The following Working Group members participated: Kevin Clark, Chair (IA); Dale Bruggeman, Vice Chair (OH); Sheila Travis and Richard Russell (AL); Kim Hudson (CA); William Arfanis and Michael Estabrook (CT); Rylynn Brown (DE); Cindy Andersen (IL); Shantell Taylor and Tom Travis (LA); Steve Mayhew and Kristin Hynes (MI); Ned Cataldo (NH); Bob Kasinow (NY); Diana Sherman (PA); Jamie Walker (TX); Doug Stolte and Jennifer Blizzard (VA); and Amy Malm and Levi Olson (WI).

1. Reviewed Non-Contested Positions

The Working Group reviewed comments received on previously exposed items (Attachment One-A1).

A. Agenda Item 2025-13

Clark directed the Working Group to agenda item *2025-13: Residential Mortgage Loans Held in Statutory Trusts*. Wil Oden (NAIC) stated that at the Spring National Meeting, the Working Group exposed a draft issue paper for public comment that addressed the recently adopted guidance for residential mortgage loans held in statutory trusts. He stated that statutory trust guidance was added at the 2025 Summer National Meeting, with an effective date of Jan. 1, 2027, though early adoption is permitted. Oden stated that no comments were received from interested parties and that NAIC committee support recommended that the Working Group adopt the exposed *Issue Paper No. 172—Qualifying Statutory Trusts*.

B. Agenda Item 2026-03EP

Clark directed the Working Group to agenda item *2026-03EP: 2026 Spring Editorial and Maintenance Update*. Julie Gann (NAIC) stated that there were three revisions reflected in this item. The first was the deletion of the word “funding” in two locations in *Statement of Statutory Accounting Principles (SSAP) No. 15—Debt and Holding Company Obligations* and *SSAP No. 52—Deposit-Type Contracts* to prevent mischaracterizations of funding agreements that are, in fact, debt borrowings from the Federal Home Loan Banks (FHLBs). The second revision replaces the term “CUSIP” with “security identifier.” Gann stated that the Working Group received a referral from the Investment Designation Analysis (E) Working Group shortly after the Spring National Meeting (Attachment One-A2). She stated that NAIC committee support had been collaborating with the Investment Designation Analysis (E) Working Group throughout the process, so the editorial changes had already been incorporated. The action to adopt this item would include formal receipt of the referral. Lastly, Gann stated that a reference was added to U.S. generally accepted accounting principles (GAAP) to clarify that specific references to generally accepted accounting principles are appropriate, and NAIC committee support are recommending adoption of these revisions.

Walker made a motion, seconded by Hynes, to adopt the previously exposed clarifications to statutory accounting guidance in agenda items 2025-13 (Attachment One-A3) and 2026-03EP (Attachment One-A4). The motion passed unanimously.

2. Reviewed Comments on Exposed Items

The Working Group reviewed comments received on previously exposed items (Attachment One-A1).

A. Agenda Item 2026-01

Clark directed the Working Group to agenda item 2026-01: *Disclosure of FABNs and Similar Structures*. Gann stated that this item originated from a Macroprudential (E) Working Group referral (see *NAIC Proceedings – Spring 2026, Accounting Practices and Procedures (E) Task Force, Attachment One-M*), and at the Spring National Meeting, the Statutory Accounting Principles (E) Working Group exposed revisions to incorporate disclosures consistent with its recommendations for funding agreement-backed notes (FABNs) and other similar structures. She stated that the proposed disclosures were aligned with the referral, with two additional items. First, a requirement was added to capture any collateral pledged by the reporting entity to the special purpose vehicle (SPV) in connection with funding agreement-backed structures. Second, it was proposed to add a glossary to SSAP No. 52 to define the different types of structures.

Gann stated that comments were received from interested parties, primarily focused on paragraph 23.a. and the draft glossary. She stated that this resulted in a streamlined rewrite that preserved the original intent while improving clarity. Gann stated that additional edits included revising a footnote that referenced book value, which did not align with the intended meaning. She advised that all revisions were reviewed by NAIC committee support from the Macroprudential (E) Working Group. Gann stated that NAIC committee support recommend that the Statutory Accounting Principles (E) Working Group adopt the exposed revisions with the proposed modifications and support the related blanks proposal sponsored by the Macroprudential (E) Working Group, and that NAIC committee support will notify them of these changes to ensure corresponding blanks edits are aligned. She stated that the proposed disclosures would be effective for year-end 2026.

Tip Tipton (American Council of Life Insurers—ACLI), representing interested parties, stated that regulators and the industry collaborated on education sessions to learn more about the various types of funding agreements backing these SPV issuances, which is important in identifying specific disclosures. He thanked NAIC committee support for incorporating their comments on this exposure, as it provided clarification on the categories being addressed.

Kasinow made a motion, seconded by Malm, to adopt as final revisions to SSAP No. 52, modified as discussed during the meeting, to incorporate disclosures for FABNs and other similar structures, as well as a glossary to define the different structures (Attachment One-A5). The motion passed unanimously.

B. Agenda Item 2026-02

Clark directed the Working Group to agenda item 2026-02: *Valuation of Funds Withheld*. Robin Marcotte (NAIC) stated that this item was exposed at the Spring National Meeting to address inconsistent guidance on valuing the liability for funds withheld in life and health reinsurance agreements. She stated that these assets are often held by the ceding entity as reinsurance collateral or to mitigate credit-risk exposure with all types of reinsurers, and to comply with the *Credit for Reinsurance Model Law* (#785). She advised that the assets withheld are reported on the ceding entity's investment schedules at their statutory book-adjusted carrying value in accordance with the applicable SSAPs, and the guidance related to the corresponding liability was inconsistent.

She stated that the exposure proposed revisions to *SSAP No. 61—Life, Deposit-Type, and Accident and Health Reinsurance* and the annual statement instructions to require reporting the funds-withheld liability to be consistent with the book-adjusted carrying value of the assets withheld. Marcotte stated that the Reinsurance (E)

Task Force was notified of the exposure.

Marcotte stated that interested parties and the ACLI provided comments and noted that interpretations vary depending on the terms of individual reinsurance agreements. Their comments noted that although the funds-withheld liability often equals the carrying value of the invested assets on the ceding entity's balance sheet, there are instances where this is not the case.

Marcotte stated that NAIC committee support recommend exposing modified guidance with direction for NAIC committee support to continue working with the industry to refine the language. She stated that a corresponding blanks proposal is currently exposed with a Dec. 31 effective date, and that, with this re-exposure, the proposal may need to be revised to reflect a later effective date. She stated that no separate comments were submitted to the Blanks (E) Working Group on proposal 2026-10BWG and that, with the re-exposure, the Statutory Accounting Principles (E) Working Group will need to either defer or provide updated direction to the Blanks (E) Working Group for its May 28 meeting. Marcotte provided a summary of the proposed edits from both interested parties and NAIC committee support.

Hans Avery (ACLI), representing interested parties, stated that interested parties agree with the exposure and its overall intent. He stated that the remaining question is simply how best to implement these clarifications so that it is clear to all parties what should be reported and so that everyone arrives at the same outcome.

Clark stated that, over time, questions have arisen about the instructions for determining the basis for reporting funds-withheld assets on the liability side. He stated that the existing instructions were somewhat confusing, so the goal was to clarify the guidance going forward in a simplified way. He stated that there is more nuance to the topic than initially expected, but he does not anticipate that resolving those issues will require significant time or effort. Clark stated that, to his knowledge, there is no urgent need to finalize this for 2026 reporting, and the Working Group can continue working through the remaining points.

Walker made a motion, seconded by Taylor, to expose modified guidance to SSAP No. 61. The exposure includes modifying the effective date and deferring the corresponding blanks proposal currently exposed with a Dec. 31 effective date. The motion passed unanimously.

C. Agenda Item 2025-27

Clark directed the Working Group to agenda item 2025-27: *SSAP No. 1/FWH Code*. Jake Stultz (NAIC) stated that this agenda item was last exposed at the Spring National Meeting and concerns comments received regarding the restricted asset note (Note 5L) updates adopted in 2025. As part of those changes, some of the language needed to be incorporated into *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures*, and while doing that, the Working Group also discussed the possibility of updating or adding new codes for the restricted asset reporting within the investment schedules. Stultz stated that the prior exposure included the SSAP No. 1 change, a recommendation to the Blanks (E) Working Group to add the additional investment schedule codes, and a question to regulators about how the investment code column is being used, whether it provides value, and whether Note 5L meets the need for restricted asset disclosures.

Stultz stated that interested parties agreed with removing the codes from the investment schedules, consistent with their earlier comments that the codes could be eliminated. He stated that the Maryland Insurance Administration submitted written comments stating that the restricted asset codes in the investment schedules have value because they serve as pointers during examinations. While the disclosure is imperfect, an asset may fall under multiple codes, but only one can be selected; therefore, it still provides a useful starting point.

Stultz stated that NAIC committee support recommend adopting the update to SSAP No. 1 to add the categories and align the Note 5L disclosure with SSAP No. 1, so everything is consistent. He stated that the remaining issue is how to handle the investment-code column, and that NAIC committee support recommend deferring action on that piece. He stated that NAIC committee support recommend the adoption of the SSAP No. 1 revisions now and recommends that the Blanks (E) Working Group postpone making changes regarding the investment codes to allow more time to determine the best path forward. He stated that the SSAP No. 1 change would apply in 2026, would not create any issues for 2026 reporting, and would allow everything to be ready for 2027 reporting.

Tipton stated that interested parties support removing the restricted code column from the investment schedules. He stated that they believe both the data in the new Schedule S, Part 8, which reflects assets supporting modified coinsurance (modco) and funds-withheld reinsurance agreements, and the revised Note 5L for restricted assets, provide the necessary information. He stated that interested parties have worked with NAIC committee support on these two revisions and support the information they believe will be valuable to NAIC committee support and regulators.

Clark stated that, given that at least one regulator is using the code disclosure, the Working Group needs additional discussion before moving forward with deleting that reporting column. He stated that he continues to have concerns about both the usefulness and the accuracy of the disclosure. He stated that, if you have a single Committee on Uniform Security Identification Procedures (CUSIP), for example, a \$100 investment where \$10 is pledged to the FHLB, \$10 is pledged under a derivative-collateral arrangement, and \$10 is subject to a modco agreement, you can only select one code. That means you are either indicating that 100% of the balance is subject to that one code, which is what many are doing, or you are selecting "other" if multiple restrictions apply to the same CUSIP. He stated that the alternative would be to break out that single CUSIP into multiple lines on Schedule D or any of the investment schedules, which would significantly increase the size of the schedules and could even create issues with reporting software. As such, discussion is needed on how to make the restricted asset code more useful if it is retained. Clark stated that he agrees with the NAIC committee support recommendation that the Working Group adopt the SSAP No. 1 disclosure, which simply aligns with the note disclosure adopted in 2025, and should continue working on the collateral-code reporting within the investment schedules.

Walker made a motion, seconded by Bruggeman, to adopt the revisions to SSAP No. 1 (Attachment One-A6). This adoption action was recommended to occur regardless of the decision to retain the investment asset code category within the investment schedule, so that the disclosure in SSAP No. 1 will match the already adopted reporting components detailed in Note 5. The motion also included retaining the restricted asset code column in the investment schedules and deferring action on the blanks proposal revisions to the collateral codes pending further Working Group discussion. The motion passed unanimously.

D. Agenda Item 2024-15

Clark directed the Working Group to agenda item *2024-15: Asset Liability Management Derivatives*. Gann stated that during the Spring National Meeting, the Working Group exposed proposed new statutory accounting guidance and an issue paper to incorporate new concepts for interest-rate-hedging derivatives used for asset-liability management. She stated that the proposed guidance was initially developed with the ACLI, so the Working Group did not receive many comments during the exposure period regarding revisions. She stated that the primary comment received concerned the transition guidance with a request to make it surplus-neutral.

Gann stated that this is a new standard that creates significant new guidance for derivatives. The initial concept arose when NAIC committee support observed that some companies, upon termination of the derivative arrangement, were taking derivative gains and losses that were economically effective, but not accounting-effective, to the interest maintenance reserve (IMR) (reversing the previously recognized fair value

surplus impact) and then amortizing them over time. She stated that under the IMR project, revisions were proposed to explicitly prohibit that treatment under *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve* and instead require those derivative structures to qualify under the new guidance and be recognized as a deferred derivative, outside the scope of IMR.

Gann stated that the comments from interested parties resulted in only minor changes to the transition guidance to ensure surplus neutrality. However, NAIC committee support recommend that the Working Group expose this item and the revised transition guidance to give regulators additional time to review the guidance and to consider adoption in alignment with the SSAP No. 7 IMR revisions, which are currently exposed with a 35-day public comment period ending June 22 and will be discussed at the Summer National Meeting.

Tom Karafin (Prudential) stated that Prudential is fully supportive of this latest transition adjustment. Since these are hedges of surplus, they believe that making the adoption surplus-neutral is appropriate and support the proposed (SSAP) in its entirety.

Bruggeman made a motion, seconded by Malm, to expose the draft SSAP and issue paper with revisions to the transition guidance with a 35-day public comment period ending June 22. Discussion of the guidance is planned for the Summer National Meeting in conjunction with the discussion of the edits to SSAP No. 7 and the overall revisions to IMR. Exposure is recommended to allow revisions to coincide with the IMR project and to provide additional time for regulators to assess the proposed derivative concepts and provide confirmation or comments on the transition, reporting, and admission provisions. The motion passed unanimously.

3. Considered Maintenance Agenda—Pending Listing

A. Agenda Item 2026-04

Clark directed the Working Group to agenda item 2026-04: *ASU 2025-10, Accounting for Government Grants Received by Business Entities*. Oden stated that this agenda item addresses *ASU 2025-10, Accounting for Government Grants Received by Business Entities* (Topic 832), which establishes new U.S. GAAP guidance for U.S. government grants received by business entities. He stated that this includes grants related to both assets and income. Oden stated that ASU 2025-10 continues to use the existing U.S. GAAP disclosures for U.S. government grants initially established under *ASU 2021-10, Disclosures by Business Entities about Government Assistance* (Topic 832). He stated that those disclosures originally applied to U.S. government-grant or assistance transactions accounted for by analogy under either the grant-accounting model of *IAS 20, Accounting for Government Grants and Disclosure of Government Assistance*, or the contribution model of *FASB-ASC Topic 958, Not-for-Profit Entities*. He stated that ASU 2025-10 retains those disclosures but incorporates them into the new scope created under this ASU, limiting them to U.S. government grants as defined in Topic 832.

Oden stated that the Working Group previously addressed and rejected ASU 2021-10, determining that neither the grant nor the contribution method of accounting for U.S. government grants or assistance is permitted under statutory accounting principles (SAPs). Instead, U.S. government grants or assistance must be recorded in accordance with the gain-contingency guidance in *SSAP No. 5—Liabilities, Contingencies and Impairments of Assets*, and are subject to the reporting and disclosure requirements of both SSAP No. 5 and *SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items*.

Oden stated that the original disclosure requirements during COVID were based on ASU 2021-10 and applied only to U.S. government grants/assistance, which were accounted for by analogy using *IAS 20 Government Grant Revenues, ASC 958-605 Not-For-Profit Entities — Revenue Recognition*, or *ASC 450-30 Gain Contingencies*. He

stated that under ASU 2025-10, U.S. GAAP has formalized its accounting for U.S. government revenues/assistance by adopting a modified version of the grant-accounting method for U.S. GAAP. For SAP purposes, NAIC committee support recommend rejecting ASU 2025-10 within SSAP No. 24. Oden stated that NAIC committee support also recommend updating SSAP No. 24 to change the terminology from “government assistance” to “government grants,” consistent with current U.S. GAAP terminology, even though the guidance itself is not being adopted. Additionally, NAIC committee support recommend adding a sentence to SSAP No. 24 clarifying that U.S. government grants must be recorded in accordance with gain-contingency guidance. He stated that this provides clear direction on where these transactions should be recorded, consistent with prior questions and discussions on this topic.

Malm made a motion, seconded by Bruggeman, to expose revisions to SSAP No. 24 with a 35-day public comment period ending June 22 to reject *ASU 2025-10, Accounting for Government Grants Received by Business Entities*. NAIC committee support also 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 recommend adding an additional sentence to clarify that U.S. government grants are to be recorded in accordance with gain contingency guidance. The motion passed unanimously.

B. Agenda Item 2026-05

Clark directed the Working Group to agenda item *2026-05: Securities Lending Restricted Asset Reporting*. Gann stated that this agenda item addresses securities-lending restricted asset reporting. She stated that this is intended to be a clarification of what should be reported for securities-lending transactions. Gann stated that, historically, in SSAP No. 1, the annual statement blanks, and various instructions, there has been a reporting line for “collateral held under securities-lending agreements.” However, the asset that should be coded as restricted is the asset that was lent under the securities-lending agreement.

She stated that under *SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, if the collateral received cannot be sold or re-pledged, it is off-balance-sheet. If the collateral received can be sold or re-pledged, it is on-balance-sheet, and there is a separate restricted asset reporting line for collateral recognized when there is a liability to return it. Gann stated that when the Working Group expanded the restricted asset disclosure and consolidated everything into one chart, including both collateral held under securities lending and collateral recognized with a liability to return, the Working Group received many questions because securities lending collateral was reported twice. Gann stated that this was not the intent; the first reporting line was meant to capture the asset that was lent, which remains on the books during the securities-lending transaction.

Gann stated that the agenda item includes additional background on the securities-lending reporting process, but the recommended revision to SSAP No. 1 clarifies that the first restricted asset reporting line should refer to assets lent under securities-lending agreements. Gann stated that the agenda item also outlines the corresponding revisions needed to the blanks instructions and the Risk-Based Capital (RBC) instructions. Gann stated that in RBC, both terms appear in different places, and some references mirror the blanks language regarding collateral held, while the RBC formula itself refers to the asset lent, so the revisions are somewhat technical. However, these changes should not materially affect the application and simply clarify terminology to prevent double-reporting of securities lending collateral.

Hynes made a motion, seconded by Sherman, to expose revisions to SSAP No. 1 to clarify that the restricted asset reporting for securities lending transactions shall reflect the asset lent by the reporting entity that is still reflected on the reporting entity’s financial statements and not the collateral held, with a 35-day public comment period ending June 22. NAIC committee support also recommend that the Working Group sponsor a blanks proposal to make corresponding revisions to Note 5L and the General Interrogatories. Upon adoption, NAIC committee

support recommend that the Working Group send a referral to the Capital Adequacy (E) Task Force to clarify references as appropriate within the RBC instructions. The motion passed unanimously.

C. Agenda Item 2026-06

Clark directed the Working Group to agenda item 2026-06: *Fair Value Disclosures*. Gann stated that this agenda item was the result of recent questions regarding fair value disclosures and the financial instrument fair value disclosure reported in Note 20C. She stated that when the fair value standard was issued in 2009, the Working Group essentially adopted the U.S. GAAP disclosures verbatim. At that time, the Working Group was unsure how those disclosures, such as level 3 fair values, would work in practice, as those topics were largely new at the time. Gann stated that the financial instrument disclosure for fair value excluded items held under the equity method. She stated that NAIC committee support received questions about this because items captured in *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* and *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* would not be included in the financial instrument fair value disclosure. She stated that this resurfaced when NAIC committee support were asked whether those items should be included in the new public/private security disclosure, since they were excluded from Note 20C even though their fair value is captured in the investment schedules.

Gann stated that NAIC committee support are proposing a revision to eliminate that exclusion for statutory accounting purposes. She stated that with this change, items captured in *SSAP No. 48* and *SSAP No. 97* will be included in the Note 20C fair value financial instrument disclosure. Gann stated that NAIC committee support also expect additional revisions to Note 20C. Gann stated that currently, it is a variable reporting line, meaning each insurer can define its own financial instrument groupings. She stated that the Invested Assets (E) Task Force has noted the wide variation in categories used. Gann stated that this makes cross-company comparison difficult. She stated that NAIC committee support are not proposing a change for now, but further revisions may be necessary. Gann stated that because Note 20C uses variable reporting lines, blanks revisions are not required, and companies can simply add the needed reporting categories. Therefore, NAIC committee support recommend this change be effective for year-end 2026.

Gann stated that one additional item included in this agenda item, although no revisions are proposed, is regarding Note 20A. She stated that Note 20A applies only to items measured and reported at fair value. She stated that under U.S. GAAP, fair value is a common measurement method, whereas under statutory accounting, it is not. As a result, Note 20A effectively includes predominantly common stock and derivatives. She stated that NAIC committee support receive many questions on that disclosure because only items measured and reported at fair value are required to be captured, and ultimately, that means that the disclosure excludes most of the investments held by insurance entities. She stated that NAIC committee support receive many questions on what is or is not included and questions whether that disclosure is beneficial for regulators.

Gann stated that this agenda item recommends eliminating the exclusion for investments accounted for under the equity method from the financial instrument fair value disclosure (Note 20C) and invites comments on Note 20A and the current provision that requires disclosure of only items measured and reported at fair value.

In response to an inquiry from Clark, Gann stated that Note 20C applies to all financial instruments, regardless of their measurement method. She stated that it is organized by financial instrument category, and that is where equity-method investments are currently excluded. So, by removing the exclusion, those equity-method investments will now be included in the Note 20C disclosure.

Kasinow made a motion, seconded by Andersen, to expose revisions to *SSAP No. 100—Fair Value* to eliminate the disclosure exclusion for “investments accounted for under the equity method” from the fair value financial

instrument disclosure. This disclosure revision is proposed to be effective Dec. 31. The motion also requested that the Working Group sponsor a blanks proposal to include a reference to SSAP No. 48 and SSAP No. 97 investments within the disclosure illustration to provide further clarity that those investments should be included. With the exposure of this agenda item, comments are requested on the other disclosures in SSAP No. 100, particularly the disclosures limited to items measured and reported at fair value, and how those disclosures are utilized by regulators, and if further revisions would provide enhanced benefits to regulators. The exposure period includes a 35-day public comment period ending June 22. The motion passed unanimously.

D. Agenda Item 2026-07

Clark directed the Working Group to agenda item 2026-07: *Referral on AVR Affiliated Common Stock*. Marcotte stated that this agenda item responds to a referral from the Life Risk-Based Capital (E) Working Group, received at the 2025 Summer National Meeting (see *NAIC Proceedings – Summer 2025, Accounting Practices and Procedures (E) Task Force, Attachment One-S*). The referral forwarded comments on RBC proposal 2025-04 regarding long-term assets. The ACLI raised questions about the asset valuation reserve (AVR) equity reporting lines for subsidiary, controlled, and affiliated (SCA) common stock on the AVR schedule in the Life, Accident & Health/Fraternal Annual Statements, and requested clarification of the AVR blanks and instructions.

Marcotte stated that the main issue is that, based on both the line names and the instructions, it has been difficult to distinguish between affiliated SCA common stock, certain other subsidiaries, and SCA common stock “affiliated other.” She stated that, over time, the distinctions between these reporting categories have become unclear. Marcotte stated that the referral included helpful research, and NAIC committee support supplemented it by reviewing historical materials from the NAIC Research Library, including the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual), AVR instructions, annual statement schedules, and the *Accounting Practices and Procedures Manual*. Based on this review, NAIC committee support recommend that the “affiliated certain other” category was originally intended to include U.S. life insurance companies reported using an equity method, similar to concepts with current SSAP No. 97, paragraph 8.b.i. and non-insurance companies reported using concepts similar to SSAP No. 97, paragraph 8.b.ii, which is audited U.S. GAAP with limited statutory adjustments.

Marcotte stated that the original guidance in the P&P Manual and AVR instructions was introduced in 1992. Over time, references to specific P&P Manual sections were removed, and the line was revised to reference the P&P Manual as a whole. She stated that, in 2017, responsibility for reviewing SCA common stock moved from the Securities Valuation Office (SVO) to the NAIC Financial Regulatory Services Division, and the guidance was incorporated into SSAP No. 97 as an appendix, and that this issue was never addressed during that transition. She stated that the other two referenced lines relate to investments with underlying characteristics of common stock and continued to use “affiliated certain other” and “affiliated other.”

Marcotte stated that NAIC committee support recommend exposing revisions to the annual statement blank and instructions and notifying the Life Risk-Based Capital (E) Working Group of the exposure. She stated that NAIC committee support do not recommend revisions to the SSAPs. She stated that, after exposure, NAIC committee support recommend sponsoring a future blanks proposal to incorporate the instruction changes to the AVR reporting lines and reviewing other AVR reporting lines to ensure accuracy. Marcotte stated that one area needing improvement is the current combined instruction for lines 68 and 69, which covers multiple lines and should be more detailed. She stated that NAIC committee support have additional research available and are willing to share it with the industry if questions arise during the exposure period.

Walker made a motion, seconded by Sherman, to expose revisions to the Life, Accident & Health/Fraternal Annual Statement Blank and Instructions as described in agenda item 2026-07. In addition, the Life Risk-Based Capital (E)

Working Group should be notified of the exposure. No revisions to SSAPs are recommended. After exposure of this agenda item, NAIC committee support recommend the Working Group sponsor a blanks proposal to incorporate instruction changes to the noted AVR reporting lines and review other AVR reporting lines to ensure the instructions are accurate. The exposure period includes a 35-day public comment period ending June 22. The motion passed unanimously.

Having no further business, the Statutory Accounting Principles (E) Working Group adjourned.

[https://naiconline.sharepoint.com/teams/frsstatutoryaccounting/national meetings/a. national meeting materials/2026/08-12-26 summer national meeting/hearing/03 - interim meeting minutes 05-18-26.docx](https://naiconline.sharepoint.com/teams/frsstatutoryaccounting/national%20meetings/a.%20national%20meeting%20materials/2026/08-12-26%20summer%20national%20meeting/hearing/03%20-%20interim%20meeting%20minutes%2005-18-26.docx)

**Statutory Accounting Principles (E) Working Group
Interim Meeting on May 18, 2026
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

Rose Albrizio, CPA
Vice President
Accounting Practices
AXA Equitable.
201-743-7221
Email: rosemarie.albrizio@axa-equitable.com

May 1, 2026

Mr. Kevin Clark, Chairman
Statutory Accounting Principles Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

RE: Interested Parties Comments on Items Exposed for Comment by the Statutory Accounting Principles Working Group (SAPWG) with Comments due May 1

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 exposed for comment by the Working Group during the NAIC 2026 Spring National Meeting.

Ref #2024-15: Asset Liability Management Derivatives

The Working Group exposed a draft SSAP and issue paper to establish statutory accounting guidance for interest-rate hedging derivatives used for asset liability management as directed from the 2025 Fall National Meeting. In addition to the proposed clean version of the SSAP guidance, a version of the document showing tracked changes from the ACLI's September 10, 2025, proposed guidance was included to clearly illustrate changes. With the exposure and request for comments, the components addressing transition, reporting and admitted asset classification were specifically highlighted.

The American Council of Life Insurers (ACLI) appreciates the opportunity to comment on the SAPWG exposure draft Ref #2024-15 Asset Liability Management (ALM) Derivatives. We strongly support this exposure draft of statutory accounting guidance for interest-rate hedging derivatives used for ALM, also referred to as "ALM Derivatives".

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

- Regarding the transition guidance in paragraph 24, we recommend that transition be a surplus neutral event on the transition date. ALM Derivative hedges are designed to hedge surplus, i.e., keep surplus / liquidation value unchanged due to market interest rate changes. Accordingly, for transition, we suggest the following adjustment to paragraph 24 of the exposure draft:
 - ✓ 24. On the effective date, reporting entities with open derivatives in an existing approved program that qualifies as a highly effective hedge in scope of this statement are permitted to make a one-time adjustment to reclassify recognized unrealized gains and losses from derivative fair value changes to deferred assets and deferred liabilities ~~deferred assets and deferred liabilities~~ realized gains/losses in the statement of operations. This is permitted even though the derivative is still open. With the reclassification, the derivative's then current fair value shall represent the initial amortized cost basis. This cost basis should be amortized into the statement of operations over the remaining life of the derivative instrument not to exceed a 10-year period. The derivative and should and follow the provisions of this statement for future measurement. As such, future fair value fluctuations in the derivative shall not be recognized as unrealized gains or losses unless the derivative no longer qualifies in scope of this statement. At derivative maturity or qualifying de-designation (rebalancing), the change in fair value from initial application and the maturity/de-designation date shall be recognized as a deferred asset or liability pursuant to paragraphs 15.a and 15.b.

Once again, the ACLI appreciates the opportunity to provide comments and looks forward to continued dialogue on new statutory guidance for ALM Hedges.

Ref #2025-13: Residential Mortgage Loans Held in Statutory Trusts

The Working Group exposed a draft issue paper to detail for historical purposes the discussions and conclusions that occurred when developing the guidance for residential mortgage loans held in qualifying statutory trusts.

Interested parties have no comment on this item.

Ref #2025-27: SSAP No. 1 Modco/FWH Code

The Working Group re-exposed this agenda item with a specific request for regulator comments on the use of the restricted asset code in the investment schedules. The discussion identified that the restricted asset code is attributed to the entire reported investment, whereas only a portion of the investment may be restricted, and with substitutability requirements, the asset noted as restricted in the year-end investment schedules may not be the asset restricted subsequently. With the financial statement note disclosures, that identifies the amount of restricted assets by broad category, consideration will occur to delete the restricted asset codes from the investment

schedules. However, before proceeding with that potential deletion, confirmation is first requested on any regulatory use and benefits of the codes.

Interested parties agree with the removal of the codes consistent with our prior comments on this proposal.

Ref #2026-01: Disclosure of FABNs and Similar Structures

The Working Group moved this item to the active listing, classified as a SAP clarification, and exposed revisions to *SSAP No. 52—Deposit-Type Contracts*, as illustrated above, to incorporate disclosures and a glossary for funding agreement backed notes and other similar structures. The proposed disclosures predominantly reflect revisions recommended by the Macroprudential (E) Working Group. The Macroprudential (E) Working Group is also sponsoring a blanks proposal to incorporate the disclosure changes for year-end 2026.

The ACLI appreciates the opportunity to provide comments on the Statutory Accounting Principles (E) Working Group (SAPWG) Ref #2026-01 regarding the disclosure of Funding Agreement-Backed SPV Issuances.

ACLI suggests that the ‘Issue’ at the beginning of the exposure be changed to “Disclosure of Funding Agreement-Backed SPV Issuances” to better reflect the changes being made.

ACLI recommends the following revisions to paragraph 23a in SSAP No. 52 to enhance clarity as to what is being reported. This will be consistent with our comments on the corresponding Blanks (E) Working Group exposure:

~~Balance of funding agreements per type of issuance, per type of issuance where the transaction contains a put feature or embedded option, and per type of issuance where the terms of the SPV Issuance differ from the terms of the corresponding funding agreement, and the BACV amount of collateral pledged by the reporting entity by type of transaction:~~

For each type of issuance, report the total balance of funding agreements, the balance where the transaction contains a put feature or embedded option¹, the balance where the terms of the SPV Issuance differ from the terms of the corresponding funding agreement², and the book adjusted carrying value (BACV) amount of invested assets collateral (i.e., not including the funding agreements) pledged by the reporting entity by type of transaction:

ACLI recommends the following edits to certain items under the proposed Glossary in SSAP No. 52 for clarification:

Funding Agreement-Backed Commercial Paper: Under funding agreement-backed commercial paper (FABCP) structures, the insurer issues a master funding agreement to an SPV. The FABCP master funding agreement contains a deposit schedule that is updated to reflect the terms of each new deposit under an FABCP program (each, a “Deposit”). The terms of a Deposit mirror the terms of a corresponding FABCP Issuance. ~~The assets backing the master funding agreement consist of commercial paper with maturities of 360 days or less that are purchased by the insurer with the FABCP investors’ cash proceeds. The principal and interest payments on FABCPs are generally structured to align with the dollar amount of commercial paper backing the transaction. However, the insurer may not always be able to fully invest the proceeds due to the short maturities and frequent rollovers of commercial paper, which can create a duration mismatch. The short term nature and high liquidity of the underlying commercial paper partially mitigate this ALM mismatch.~~

Funding Agreement-Backed Repurchase Agreements: In a funding agreement-backed repurchase (FABR) agreement transaction, an SPV purchases a funding agreement issued by an insurer and then uses that funding agreement to enter into a repurchase agreement (repo) with a bank counterparty. In addition, the insurer pledges collateral into an account controlled by the SPV to support the repurchase transaction. The bank counterparty may rehypothecate, or repledge, all or a portion of the collateral pool. ~~This FABN structure expands repurchase capacity and balance sheet flexibility for the insurer while reducing the bank counterparty’s regulatory capital charge.~~

Funding Agreement-Backed Loans: ~~Funding agreement-backed loan (FABL) structures work similarly to FABNs, except the SPV is established by the bank counterparty, not the insurer. Another key difference from FABNs is that the FABL SPV enters into a loan directly with a bank instead of issuing notes. Effectively, though, the cash flows of the loan and notes operate similarly.~~ Funding agreement-backed loans (FABL) are loans issued to bankruptcy-remote SPVs that are secured by funding agreements (FA) issued by the sponsoring insurance company to the SPV. Additionally, with FABLs, the insurer may pledges securities ~~to a collateral~~ into an account, for which the bank counterparty has a security interest pursuant to an account control agreement.

Funding Agreement-Backed Municipal Pre-Pay/Energy Bonds ~~*Funding Agreements Issued into Muni Prepay Structures:*~~ Funding agreement-backed municipal gas and electric prepayment bonds (FABMBs) ~~These~~ are a specialized segment of the municipal bond market that allows municipalities to secure a long-term, discounted supply of energy from a utility company. As part of this transaction an insurer issues a funding agreement to an SPV. The municipality issues a tax-exempt bond to investors and uses the proceeds to prepay for typically 20 to 30 years of energy delivery. The insurer’s funding agreement provides known scheduled principal payments to the SPV that supports the purchase of energy. ~~provides interest payments on the bonds until such payments are recouped from consumers paying their utility bills. The SPV’s is a single purpose entity whose sole purpose is to execute the~~

prepayment with the commodity supplier, ~~which is typically the commodity trading entity of an investment bank.~~

We welcome the opportunity to discuss our comments further and to support SAPWG's continued work on this issue.

Ref #2026-02 – Valuation of Funds Withheld

The Working Group moved this item to the active agenda, classified as a SAP clarification, and exposed revisions to *SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance* and the life annual statement instructions for various reporting schedules, to clarify the reporting of funds withheld under reinsurance contracts. With exposure, the Working Group also sponsored a blanks proposal to incorporate the revisions to the annual statement instructions.

The ACLI appreciates the opportunity to comment on the Statutory Accounting Principles (E) Working Group (SAPWG) Ref #2026-02, Valuation of Funds Withheld. While the ACLI agrees with the spirit of the exposed changes, we believe the proposed edits to SSAP No. 61 and the annual statement instructions require some modifications. The suggestions offered below are designed to provide for the diversity in funds withheld reinsurance transactions and ensure consistent accounting guidance for all funds withheld transactions regardless of the details of their structure.

Our suggestions, which are provided in Attachment A, would revise the description of the funds withheld liability in paragraphs 41.a and 53 of SSAP No. 61. While we appreciate the simplicity of the language proposed in the exposure, we found that interpretations vary with the terms of companies' reinsurance agreements. Although the funds withheld liability will often equal the carrying value of the invested assets held on the ceding entity's balance sheet, there are instances where that is not the case.

The funds withheld liability is a contractual liability, and it is determined based on the terms of the underlying reinsurance agreement. Some agreements do not associate the funds withheld liability with a specific quota share of invested assets, do not segregate invested assets, or have timing considerations that would make a literal interpretation of the proposed language more difficult. For example, some agreements that are not required to transfer investment risk, such as those covering term life insurance, may not specify which assets are associated with the funds withheld liability.

We believe these suggestions represent a conceptual change to the proposed language in SSAP No. 61, and we would appreciate the opportunity to discuss the appropriate implementation of these concepts in the annual statement instructions. ACLI members stand ready to discuss these details with NAIC staff and regulators.

In closing, we would like to thank SAPWG members and NAIC staff for the time they have already taken to discuss these issues with us, and for proactively working to improve statutory accounting guidance. We would welcome further discussion on the best way to ensure clear and

consistent reporting for funds withheld liabilities.

Ref #2026-03EP: Various Editorial Revisions

The Working Group exposed editorial revisions to the AP&P Manual to: 1) replace the term “CUSIP” with “Security Identifier”; 2) add “U.S.” before “generally accepted accounting principles (GAAP) or “GAAP” as appropriate; and 3) remove the word “funding” from the beginning of the paragraph that describes Federal Home Loan Bank (FHLB) agreements.

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. We would recommend working with NAIC staff prior to a blanks exposure to refine clarity as much as possible prior to the exposure. 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

Attachment A

ACLI suggests updating the proposal as follows. Please note that the section below reflects NAIC staff additions in italics and the ACLI additions in bold:

1. SSAP No. 61

Accounting for Coinsurance With Funds Withheld Arrangements

40. The following accounting applies to coinsurance arrangements with funds withheld:
- Ceding Entity—Premiums paid or payable to the reinsurer net of any experience refunds shall reduce premium income. Policy benefit payments paid by the reinsurer shall reduce the ceding entity's reported policy benefits. Expense allowances paid by the reinsurer shall be reported separately in the summary of operations as they are earned. A net reduction to policy reserves shall be taken for the portion of the obligation assumed by the reinsurer. ~~Any amounts withheld by the ceding entity shall be recorded as a separate liability. The liability is based on the book adjusted carrying value of the assets held by the ceding entity to the extent that such funds were included as a part of the total assets and were not offset by a directly related credit on the asset page.~~ **A funds withheld liability is established, which is determined based on the terms of the reinsurance agreement. The assets held on the ceding entity's balance sheet to support the funds withheld liability are accounted under the appropriate statutory accounting principles for the specific asset(s).** Reporting entities filing the annual statement for life and accident and health insurers shall record any interest due or payable on the amounts withheld as a component of aggregate write-ins for miscellaneous deductions. Reporting entities filing the health annual statement shall record any interest due or payable on the amounts withheld as a component of aggregate write-ins for other income or expense.
 - Assuming Entity (Reinsurer)—Premiums received or receivable by the reinsurer net of any experience refunds shall increase premium income and policy benefit payments paid by the reinsurer shall increase the reported policy benefits. Expense allowances paid by the reinsurer shall be reported separately in the summary of operations when payable. The reinsurer shall record its share of the statutory policy reserves attributable to the business identified in the contract. Any funds withheld by the ceding entity shall be recorded as an accounts receivable. For reporting entities filing the annual statement for life and accident and health insurers shall record any interest earned or receivable on the funds withheld as a component of aggregate write-ins for miscellaneous income. Reporting entities filing the health annual statement shall record any interest earned or receivable on the funds withheld as a component of aggregate write-ins for other income or expense.

Funds Held Under Reinsurance Treaties with Unauthorized Reinsurers or Certified Reinsurers

53. This liability is established for funds deposited by or contractually withheld from unauthorized reinsurers or certified reinsurers. ~~The liability is based on the book adjusted carrying value of the assets held by the ceding entity to the extent that such funds were included as a part of the total assets and were not offset by a directly related credit on the asset page.~~ **The funds withheld liability is determined based on the terms of the reinsurance agreement.**



May 1, 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 the opportunity to comment on the Statutory Accounting Principles (E) Working Group (SAPWG) Ref #2026-02, Valuation of Funds Withheld. While the ACLI agrees with the spirit of the exposed changes, we believe the proposed edits to SSAP No. 61 and the annual statement instructions require some modifications. The suggestions offered below are designed to provide for the diversity in funds withheld reinsurance transactions and ensure consistent accounting guidance for all funds withheld transactions regardless of the details of their structure.

Our suggestions, which are provided in Attachment A, would revise the description of the funds withheld liability in paragraphs 41.a and 53 of SSAP No. 61. While we appreciate the simplicity of the language proposed in the exposure, we found that interpretations vary with the terms of companies' reinsurance agreements. Although the funds withheld liability will often equal the carrying value of the invested assets held on the ceding entity's balance sheet, there are instances where that is not the case.

The funds withheld liability is a contractual liability, and it is determined based on the terms of the underlying reinsurance agreement. Some agreements do not associate the funds withheld liability with a specific quota share of invested assets, do not segregate invested assets, or have timing considerations that would make a literal interpretation of the proposed language more difficult. For example, some agreements that are not required to transfer investment risk, such as those covering term life insurance, may not specify which assets are associated with the funds withheld liability.

We believe these suggestions represent a conceptual change to the proposed language in SSAP No. 61, and we would appreciate the opportunity to discuss the appropriate implementation of these concepts in the annual statement instructions. ACLI members stand ready to discuss these details with NAIC staff and regulators.

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

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.

In closing, we would like to thank SAPWG members and NAIC staff for the time they have already taken to discuss these issues with us, and for proactively working to improve statutory accounting guidance. We would welcome further discussion on the best way to ensure clear and consistent reporting for funds withheld liabilities.

Sincerely,



Shannon Jones
Sr. Director – Financial Reporting Policy
ShannonJones@acii.com
202-624-2029



Hans Avery
Actuary
HansAvery@acii.com
202-624-2012

Cc: Julie Gann, NAIC
Robin Marcotte, NAIC

Attachment A

ACLI suggests updating the proposal as follows. Please note that the section below reflects NAIC staff additions in italics and the ACLI additions in bold:

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Funds Held Under Reinsurance Treaties with Unauthorized Reinsurers or Certified Reinsurers

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May 1, 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 referred to above that was released for comment on March 23, 2026. We strongly support this exposure draft of statutory accounting guidance for interest-rate hedging derivatives used for ALM, also referred to as “ALM Derivatives”.

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

- Regarding the transition guidance in paragraph 24, we recommend that transition be a surplus neutral event on the transition date. ALM Derivative hedges are designed to hedge surplus, i.e., keep surplus / liquidation value unchanged due to market interest rate changes. Accordingly, for transition, we suggest the following adjustment to paragraph 24 of the exposure draft:
 - 24. On the effective date, reporting entities with open derivatives in an existing approved program that qualifies as a highly effective hedge in scope of this statement are permitted to make a one-time adjustment to reclassify recognized unrealized gains and losses from derivative fair value changes to ~~deferred assets and deferred liabilities~~ realized gains/losses in the statement of operations. This is permitted even though the derivative is still open. With the reclassification, the derivative's then current fair value shall represent the initial amortized cost basis. This cost basis should be amortized into the statement of operations over the remaining life of the derivative instrument not to exceed a 10-year period. The derivative should ~~and~~ follow the provisions of this statement for future measurement. As such, future fair value fluctuations in the derivative shall not be recognized as unrealized gains or losses unless the derivative no longer qualifies in scope of this statement. At derivative maturity or qualifying de-designation (rebalancing), the change in fair value from initial application and the maturity/de-designation date shall be recognized as a deferred asset or liability pursuant to paragraphs 15.a and 15.b.

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

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Once again, the ACLI appreciates the opportunity to provide comments and looks forward to continued dialogue on new statutory guidance for ALM Hedges. If you have any questions regarding this letter, please do not hesitate to contact us.

Sincerely,



Shannon Jones
Senior Director – Financial Reporting Policy
202-624-2029



Hans Avery
Actuary
202-624-2012

Cc: Julie Gann, NAIC
Robin Marcotte, NAIC

Comments received via email from the Maryland Insurance Administration

I wanted to reach out and let you know that we're in favor of keeping restricted asset codes in the investment schedules. We've found them to be very useful as part of my annual review of investment company investments, and also in support of the exam teams.

For example, part of our regular review and exams include ensuring that securities held for statutory deposits consist of eligible securities, e.g. cash, Treasuries, etc. By keeping the restricted asset code, it allows us to quickly match the deposits listed in Schedule E3 with securities listed in Schedule D. It also allows us to do a similar exercise when it comes to reconciling other collateral, e.g. sec lending, etc.

Gilbert Mendoza
Investment Specialist
Financial Regulation
Maryland Insurance Administration

TO: Ben Slutsker, Chair, Capital Adequacy (E) Task Force
Kevin Clark, Chair, Statutory Accounting Principles (E) Working Group
Roy Eft, Chair, Blanks (E) Working Group

FROM: Charles A. Therriault, Director, NAIC Securities Valuation Office
Marc Perlman, Managing Investment Counsel, NAIC Securities Valuation Office

CC: Carrie Mears, Chair, Invested Assets (E) Task Force
Ken Contron, Chair, Investment Designation Analysis (E) Working Group
Julie Gann Director, NAIC Solvency Policy - Financial Regulatory Affairs
Jake Stultz, Manager II, NAIC Accounting Policy - Financial Regulatory Affairs
Maggie Chang, Manager III, NAIC RBC & Solvency Policy - Financial Regulatory Affairs
Eva Yeung, Sr. RBC Analyst/Technical & Team Lead, NAIC Financial Regulatory Affairs
Mary Caswell, Sr. Manager II, NAIC Financial Regulatory Affairs
Jill Youtsey, Manager I - FDR Data Quality, NAIC Financial Regulatory Affairs

RE: Referral: Combining Security Identifiers and Adding a Security Identifier Type Field to the Annual and Quarterly Financial Statements

DATE: March 27, 2026

Summary: At the NAIC's 2025 Fall National Meeting and 2026 Spring National Meeting the Securities Valuation Office (SVO) put forward a recommendation that the annual and quarterly financial statement investment schedules be updated to combine investment security identifiers such as the Committee on Uniform Securities Identification Procedures (CUSIP), CUSIP International Numbering System (CINS), Private Placement Number (PPN) and the International Securities Identification Number (ISIN) into a single reporting field called Security Identifier paired with a Security Identifier Type field. They further recommended adding one new identifier, S&P Global's LoanX ID (LXID) (formerly IHS Marketit LoanX ID), which are unique identifiers developed to track individual loans, borrowers, and lenders in the syndicated loan and private credit markets. The objective of combining these fields is to improve investment security identification and integration with other NAIC systems, data, and reporting. The SVO has been working with the Blanks (E) Working Group support staff, American Council of Life Insurers (ACLI), Private Placement Investors Association (PPIA) and North American Securities Valuation Association (NASVA) on this proposal.

The Investment Designation Analysis (E) Working Group and Invested Assets (E) Task Force approved this referral to Blanks (E) Working Group to effect these changes and informational referrals to the Capital Adequacy (E) Task Force and Statutory Accounting Principles (E) Working Group to notify them and solicit their feedback.

Recommendation: The SVO recommends combining the current CUSIP “like” fields (e.g. CUSIP, CINS, PPN) with the electronic only ISIN field and the new LXID into a single Security Identifier field (Security ID). This would be accompanied by a new field to identify the Security ID Type. All of these identifiers are included in S&P Global’s Global Instruments Cross Reference Service (GICRS) database of global security identifiers that cross-references approximately 92 million instruments. The NAIC is in the process of integrating the GICRS data into its systems.

The Security ID Type field would be an abbreviation to denote the type of security identifier being reported: C=CUSIP and CINS (including syndicated loans with an CUSIP), I=ISIN (including syndicated loans with an ISIN), P=PPN and L=LXID. This change would permit additional security identifiers to be added in the future, as needed. The table below would be an example of the new fields. The reporting instructions for the annual and quarterly statement instructions should include the following preferred order of prioritization or usage of these security identifiers: CUSIP, CINS, ISIN, PPN and LXID.

Two special situation Security IDs are requested to accommodate common reporting issues. The first would be for securities acquired within the initial reporting year end of the financial statement reporting date that have not yet been issued an NAIC recognized Security ID but where one was requested. A temporary Security ID of “000000000” would be used for that initial reporting year end until the Security IDs is assigned. The temporary Security ID of “000000000” could only be used one time, in the initial reporting year end, but would need to be changed to an identifier of “999999999” in any subsequent reporting year end. The second special situation Security ID would be for securities that the insurer does not expect to receive a Security ID and an identifier of “999999999” would be used to clearly identify these securities as not having an NAIC recognized Security ID. The Security ID of “000000000” and “999999999” would not have a Security ID Type. Securities with the Security IDs of “000000000” and “999999999” would still need to follow the P&P Manual guidance to determine the NAIC Designation Category and the appropriate use of the administrative symbols.

Security ID	

Please reach out to Charles Therriault or Marc Perlman with any questions about this referral.

Statutory Issue Paper No. 172

Qualifying Statutory Trusts

STATUS

Finalized May 18, 2026

Current Authoritative Guidance: SSAP No. 2, SSAP No. 37, and SSAP No. 40

Type of Issue:

Common Area

SUMMARY OF ISSUE

1. The purpose of this issue paper is to document for the historical record the conceptual changes to statutory accounting guidance detailed in agenda item 2025-13: Residential Mortgage Loans Held in Statutory Trusts.
2. The conceptual revisions are primarily to *Statement of Statutory Accounting Principles (SSAP) No. 37—Mortgage Loans* which established new accounting guidance for residential mortgage loans held within qualifying statutory trusts effective January 1, 2027. The adopted revisions to *SSAP No. 2—Cash, Cash Equivalents, Drafts, and Short-Term Investments*, *SSAP No. 37*, and *SSAP No. 40—Real Estate Investments* are illustrated as tracked changes in Exhibit A, respectively.
3. Agenda item 2025-13 was drafted in response to interested parties' comments on agenda item 2024-21: Investment Subsidiaries. Comments from interested parties noted that a significant portion of the increase in investment subsidiaries is primarily due to increased usage of Delaware Statutory Trusts (DSTs). DSTs are distinct from common-law trusts as they are established under Delaware statutory laws, which allows for significant flexibility in structuring the trust. There are several reasons for reporting entities to hold residential mortgage loans in statutory trusts rather than through direct investment, but one of the main reasons communicated by industry is that the use of statutory trust to hold residential mortgages eliminates certain administrative issues. Were an insurer to invest directly in residential mortgages, they would have to maintain a state lending license for each state where they hold residential mortgage loan investments. However, if the insurer uses a statutory trust to hold its residential mortgage loan investments, a national or federal savings bank can be appointed as the trustee. Federal preemption exempts national banks and federal savings banks from state lending license requirements. When such an institution serves as trustee of a statutory trust, the origination, holding, and administration of residential mortgage loans by the trust are conducted in the bank's fiduciary capacity. Because the statutory trust holds legal title to the mortgage loans and the trustee bank exercises its federally authorized powers in administering those assets, the bank's activities are subject to federal banking law rather than state law.

DISCUSSION

Initial Draft

4. The initial draft of this project was directed by the Working Group at the 2025 Spring National Meeting and was initially specific to DSTs. The primary objective was to create a narrow exception within SSAP No. 37 that

would allow reporting entities to hold residential mortgage loans in certain kinds of trusts. Regulators emphasized the need for sufficient guardrails to prevent this exception from inadvertently creating new regulatory challenges or allowing risk-based capital (RBC) arbitrage involving risky or nonadmitted assets held in qualifying statutory trusts. These guardrails led to the development of the qualifying statutory trust concept, which places restrictions on the types of assets and mortgage loans permitted within qualifying statutory trusts and prohibits both activities unrelated to the ownership and management of the residential mortgages and nested subsidiaries (the trust owning limited liability companies (LLCs) within LLCs). The goal and purpose of the qualifying statutory trust concept is to ensure that only statutory trusts meeting strict structural and operational criteria fall under the scope of SSAP No. 37.

5. The revisions initially proposed to SSAP No. 37 were developed through research and discussions with both the Working Group and interested parties. This draft allowed for certain statutory trusts holding exclusively residential mortgage loans to be within scope of SSAP No. 37 and reported on Schedule B - Mortgage Loans. While performing research, it was noted that several states have statutory trust laws with varying levels of similarity to Delaware. In consideration of this, the proposed guidance was expanded to include statutory trusts domiciled in other U.S. states. The initial draft also introduced the concept of a qualifying statutory trust, under which a statutory trust must meet and maintain specific qualifying characteristics to be within the scope of SSAP No. 37.

Foundational Concepts

6. The following are concepts foundational to understanding statutory trusts and the adopted guidance:

- a. **Statutory Trusts** – A statutory trust is an unincorporated association created pursuant to a state trust statute operating within a defined statutory framework governing formation, governance, liability limitations, and fiduciary oversight. Statutory Trusts typically involve three principal parties: the Trust itself, the Trustee who administers the trust, and Beneficial Owners who hold beneficial interests in the trust. Statutory trust may also have another separate party involved, the sponsor. The sponsor forms the trust and selects properties for acquisition, and while the trustee and sponsor are often the same entity, this is not always the case. One important consideration is that statutory trusts are highly flexible structures that may be customized through their governing instruments. The specific rights, powers, and obligations of the trustee and beneficial owners are determined by the trust agreement, subject to compliance with applicable statutory requirements. As a result, trust structures and governing provisions may vary significantly from one statutory trust to another. In a typically statutory trust structure, the Trust itself owns its assets, while the Trustee holds title only in a representative capacity on behalf of the Trust. Income generated by the Trust's are allocated and distributed to Beneficial Owners of the Trust in accordance with the terms of the trust agreement.
- b. **Beneficial Interest/Ownership** – Beneficial ownership refers to an investor's interest in a statutory trust and their associated right to share in the economic benefits of the trust's assets, including profits, losses, and distributions. As provided in the trust agreement, beneficial owners are entitled to receive allocations of profits and losses, distributions, and other economic returns in proportion to their beneficial interests. Beneficial ownership confers economic and contractual rights only and does not include legal title to, or direct control over, the statutory trust's assets, which are owned by the trust and administered by the trustee in a fiduciary capacity.

- c. **Series Statutory Trusts** – Some statutory trusts may be formed with designated separate series, where each series is intended to operate distinctly from the statutory trust as a whole and from other series within the same trust. Typically, the creation, rights, and limitations of series statutory trusts are to be expressly established in the statutory trust agreement, and each series is required to maintain separate and distinct records, assets, and liabilities, segregated from those of the overall trust and from other series. One of the key features of a series statutory trust is its ability to insulate each of the series from liabilities incurred by other series.

It should be noted that inter-series limitation of liability is a conditional feature of a statutory trust. To be valid, series statutory trusts must be in compliance with applicable state statutory requirements, including explicit authorization in the governing instrument and maintenance of segregated books, records, and asset accounting. Statutory trust statutes vary by state, so investors and other stakeholders should review the specific statutory provisions and any additional requirements in the jurisdiction of domicile to determine what conditions must be met for a series to have enforceable liability segregation.

SSAP No. 37, footnote 3, provides the criterion which must be met and maintained for a series statutory trust to be considered qualifying.

Scope of Adopted Revisions

7. In the initial draft of the exposed revisions to SSAP No. 37, the proposed guidance limited qualifying statutory trusts to holding only fully owned first lien residential mortgage loans. Interested parties provided comments noting that the same requirements that apply to residential mortgage loans directly held and accounted for under SSAP No. 37 should apply to the residential mortgage loans (RMLs) owned through a trust. As all the risks and rewards related to ownership of the RMLs pass through to the insurer, this makes the most sense from a reporting perspective. Therefore, second lien loans should be allowed and RML participations of less than 100% should be allowed as well, consistent with SSAP No. 37. The Working Group agreed with this change and updated the draft revisions to allow that qualifying statutory trusts may hold any kind of RML which is already allowed under the scope of SSAP No. 37 as long as the residential mortgage loans are legally separate and divisible.

8. Interested parties requested at various points in the public comment process that the Working Group expand the scope of the proposed guidance to allow for both common law trusts and statutory trusts as both types can be used to hold RMLs on behalf of the insurer. The Working Group disagreed with this recommendation and did not incorporate this revision into the proposed guidance. The following was part of the Working Group discussion points regarding these comments:

- a. Statutory trusts are created under and governed by specific state statutes, are recognized as separate entities, and typically require formal registration or filing with a state authority, such as the Secretary of State. These trusts operate within a clearly defined legal framework that establishes governance, liability protections, and oversight requirements. This statutory structure provides greater legal certainty, consistency across jurisdictions, and more reliable protections for both the trust and its beneficiaries or investors.
- b. In contrast, common law trusts are established under general legal principles derived from case law and judicial precedent. Formation does not require registrations with state agencies and can be formed simply through a trust agreement or declaration. Common law trusts are also often

not treated as separate entities, but rather as a fiduciary relationship depending on the jurisdiction. Common law trusts offer broader structural flexibility, but this comes at the cost of legal certainty, consistency, and enforceability. Liability protections are less robust, and courts in other jurisdictions may not recognize the trust as a distinct entity or uphold provisions such as limited liability for investors.

- c. The primary concern with allowing common law trusts is the potential for regulatory uncertainty and increased risk. Their flexible nature and lack of standardized governance could result in inconsistent treatment, complicate oversight, and increase the risk profile of the assets held in trust. There is also a material risk that certain jurisdictions may refuse to recognize the trust structure entirely or may not enforce key provisions, undermining regulatory safeguards and investor protections.

9. During discussions it was noted that there was no specific guidance for RMLs held in trusts that do not meet the qualifying statutory trust criteria or any indication of which SSAP the insurer should reference. The draft revisions were updated to clarify that non-qualifying statutory trusts must comply with the applicable SSAP; however, no single SSAP was referenced as trust structures and their uses vary widely. As a result, referencing only one SSAP would be inappropriate, and it would be impractical to address every possible trust type with a specific SSAP reference.

10. The revisions adopted to SSAP No. 37 require reporting entities to apply the guidance to all qualifying statutory trusts. In other words, application of the adopted guidance is not optional for statutory trusts which meet the qualifying criteria. This is consistent with the approach used for real estate held in LLCs in scope of SSAP No. 40. In addition, the adopted revisions also effectively remove qualifying statutory trusts from the subsidiary audit requirement that exists for SSAP No. 48 investments; however, the investments and related activity are required to be reported as if directly held by the reporting entity and would be subject to audit testing procedures as part of the reporting entity's audit.

Allowable Assets

11. During discussions, industry provided both formal and informal comments on which assets should be permitted in a qualifying statutory trust and on the appropriate reporting for real estate foreclosed upon by the statutory trust. Industry's position was that any real estate, cash and cash equivalents, or other assets related to investing in the RMLs, such as receivables and associated liabilities, should be reported as if held directly by the reporting entity since the investor bears all risks and rewards of ownership. The Working Group agreed that the assets allowed within a qualifying statutory trust should be expanded beyond those proposed in the initial draft, but emphasized that the guidance should reflect that qualifying statutory trusts are not to be used for purposes beyond holding and servicing RMLs and related activities. Accordingly, the Working Group made revisions to the proposed guidance to permit qualifying statutory trusts to hold cash equivalents (expanded from cash only) and to allow real estate to be held but only if it was acquired via foreclosure from a mortgage loan held by the trust (expanded from fully disallowed).

12. Additionally, the Working Group did not incorporate revisions proposed by industry to allow other assets to be received as income from RMLs held by the qualifying statutory trusts. The concern was that such language could effectively permit almost any type of asset to be held and reported within a qualifying statutory trust, so long as it is originated from RML proceeds.

13. The criterion described in SSAP No. 37, paragraph 2.b.v. prohibits a qualifying statutory trust from engaging in activities unrelated to the ownership and management of the residential mortgages. While foreclosed real estate may be held within qualifying statutory trusts, the trust's direct ownership of real estate is intended to be a temporary arrangement lasting only as long as is necessary to dispose of the property. Holding and operating a real estate property within the trust for an extended period of time would almost certainly generate operational and financial activity that would cause the statutory trust to lose its qualifying status.

14. One topic discussed at length by industry and the Working Group was whether qualifying statutory trusts should be allowed to hold foreclosed real estate within wholly owned LLCs. Interested parties noted that it is common practice for statutory trusts to set up an LLC to own foreclosed real estate. Since SSAP No. 40 permits single, wholly-owned real estate held in an LLC to be directly reported on Schedule A – Real Estate, the argument was made that a similar look-through provision should apply here, with the insurer reporting the real estate as directly owned. While bank trustees are generally comfortable holding legal title to mortgage loans and serving as lender of record, some are reluctant to hold title to foreclosed real estate due to potential property-related liabilities. As a result, trustees commonly transfer title of such assets to a single-member LLC 100% owned by the trust prior to foreclosure. Initially, regulators rejected this proposal due to the concerns that allowing LLCs within a qualifying statutory trust would increase complexity and reduce transparency. There were also concerns that companies could nest LLCs within a qualifying statutory trust, making it difficult to determine the actual assets held.

15. Following further discussions with regulators and industry after the 2025 Summer National Meeting, it was determined that restricting qualifying statutory trusts to only direct ownership of foreclosed real estate would lead to several legal and operational challenges, including lack of liability protection, trustee restrictions on holding real estate directly, and potential state transfer taxes and fees. While the Working Group recognized that allowing wholly-owned LLCs within qualifying statutory trusts adds complexity, it concluded that using wholly-owned LLCs to hold foreclosed real estate was the most practical approach to mitigate these risks and avoid costs that could otherwise undermine the statutory trust structure's purpose. The adopted revisions allow qualifying statutory trusts to utilize wholly owned LLCs solely to hold foreclosed real estate and expressly prohibit nested LLCs by requiring that LLCs be owned directly by the statutory trust.

Reporting and Disclosures

16. During the initial drafting process, consideration was given to whether residential loans held in qualifying statutory trusts should be reported separately or on an aggregate basis on Schedule B. Aggregate reporting (i.e., by trust) was initially considered due to the high volume of residential mortgage loans and the relatively low individual loan balances compared to the mortgage loans typically purchased by reporting entities. However, it was ultimately determined that aggregate reporting would require significant structural changes to Schedule B. Even if the substantial reporting changes identified were implemented, the discussion identified unresolved questions which remained regarding whether individual mortgage additions and subtractions within a trust would still need to be reported separately. Regulators also expressed concerns that, while more streamlined, aggregate reporting would provide limited actionable information, potentially requiring routine requests for detailed mortgage activity listings to adequately evaluate activity within the trust. Based on this analysis, the initial draft required separate reporting of mortgage loans held within qualifying statutory trusts on Schedule B. This approach offers two major benefits in that regulators will have ready access to detailed mortgage loan information, and separate reporting does not require major structural changes to Schedule B.

17. The initial draft exposure included a disclosure of the fees paid to the servicer, which was intended to allow regulators to easily identify excessive fees. Interested parties noted that this information is confidential and could impact competitive market practices among servicers and that such a disclosure was not required for RMLs/CMLs directly owned and managed by a third-party servicer. The Working Group agreed that the disclosure was not necessary and removed it from the proposed revisions. The Working Group also noted that the potential for excessive fees would be most likely in situations where the servicer was an affiliate or related party, in which case the expenses would already be subject to the related party and affiliate disclosure required by SSAP No. 25. To clarify this point, the following paragraph was added to the draft revisions:

“Revenue and expenses shall be accounted for as if they were directly incurred by the insurer and, accordingly, are subject to the same reporting and disclosure requirements that would normally apply. This includes, but is not limited to, the related party and affiliate disclosures required under SSAP No. 25, Affiliates and Other Related Parties.”

Admittance and Pledging

18. Under the adopted guidance, assets held within a qualifying statutory trust would generally be reported as admitted. However, if the statutory trust itself pledges or otherwise encumbers trust assets to a third party, not on behalf of the insurer, the insurer’s investment in those assets is nonadmitted. This guidance is intended to prevent situations in which a third party could obtain a claim on trust assets. Accordingly, reporting entities should carefully consider the qualifying statutory trust admittance guidance when choosing between a leveraged statutory trust structure and an all-cash statutory trust structure. In practice:

- a. If the qualifying statutory trust pledges its assets as collateral to obtain financing for the trust, the insurer’s interest in the trust’s assets would be nonadmitted.
- b. If the insurer reporting entity pledges its beneficial interest in the qualifying statutory trust’s assets as collateral for its own borrowings (for example, pledging residential mortgage loans pledged as collateral for Federal Home Loan Bank borrowings), the trust assets remain admitted but are required to be reported as restricted assets.

Effective Date of Adopted Guidance

19. Interested parties recommended that the adopted guidance have an effective date of January 1, 2027, but also requested that early adoption be permitted. They noted that statutory trusts holding residential mortgage loans are already held by some reporting entities, and for reporting entities entering into these investments, early adoption would allow reporting on Schedule B, thereby avoiding future transfers between schedules to comply with statutory reporting requirements. This recommendation was discussed by the Working Group, and ultimately regulators agreed that since these investments are already being inconsistently reported by insurers, allowing early adoption is appropriate. This would enable balances to be reported and accounted for consistently among early adopters.

While the adopted revision includes changes to the Blanks to improve reporting of mortgage loans and foreclosed real estate held within qualifying statutory trust, no new reporting lines or columns were added. The proposed Schedule B reporting codes could not be added to the Blanks until the 2026 year-end reporting period; however, the Working Group does not anticipate any structural issues for companies electing early adoption in 2025 or throughout 2026. Once a reporting entity adopts the guidance, the qualifying statutory trust investments must be moved from their prior reporting location,

such as Schedule BA for trusts structured as SSAP No. 48 entities or from Schedule D-2-2 for those structured as SCAs. The adopted revisions include transition guidance specifying movement at book adjusted carrying value (BACV) to avoid a gain or loss when transferring the investments.

ACTIONS OF THE STATUTORY ACCOUNTING PRINCIPLES (E) WORKING GROUP

20. On May 22, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions *SSAP No. 37—Mortgage Loans* to expand the scope to include qualifying investment trusts holding residential mortgage loans for reporting on Schedule B – Mortgage Loans.

21. On July 8, 2025, the Statutory Accounting Principles (E) Working Group received formal comments from interested parties on the draft exposed on May 22. These comments were in addition to informal interim discussions on the draft prior to the comment letter. A summary of those comments and responses from NAIC staff are detailed within the agenda item.

22. On August 11, 2025, the Statutory Accounting Principles (E) Working Group exposed an updated draft of revisions to expand the scope of SSAP No. 37 to include qualifying investment trusts holding residential mortgage loans to be reported Schedule B – Mortgage Loans. Key revisions include:

- a. Proposed updates to permit qualifying statutory trusts to hold cash and cash equivalents, and real estate obtained through foreclosure, along with clarification on the applicability of SSAP No. 2 and SSAP No. 40.
- b. Replacement of the restriction to first-lien mortgages with broader language permitting any single residential mortgage loan eligible under SSAP No. 37 to be held in a qualifying statutory trust, and removal of the requirement for statutory trust series to hold the entire tranche of each residential loan.
- c. Additional criteria for a qualifying statutory trust series which requires the qualifying trust to maintain separate and distinct records from the overall statutory trust and other series.
- d. Clarification that an insurer may pledge qualifying statutory trust assets as collateral; however, assets encumbered or pledged to a third party by action of the statutory trust itself are nonadmitted.
- e. Eliminated the management fee disclosure as this information was determined to not be of significant importance to regulators.
- f. New requirement to disclose a summary of assets and liabilities held within qualifying statutory trusts. Since such balances are to be reported as if directly held by the insurer, this disclosure is intended to provide regulators with a high-level overview of the balances held within the trust(s).

23. On October 22, 2025, the Statutory Accounting Principles (E) Working Group received formal comments from interested parties on the draft exposed on Aug. 10. All of the revisions recommended by interested parties in these comments were incorporated into the proposed revisions.

24. On December 9, 2025, the Statutory Accounting Principles (E) Working Group adopted revisions to broaden the scope of SSAP No. 37 to include qualifying investment trusts that hold RMLs and require reporting of RMLs held in qualifying statutory trusts on Schedule B – Mortgage Loans. Additional revisions to SSAP No. 2 and

SSAP No. 40 establish guidance for the reporting of cash and cash equivalents and foreclosed real estate held within a qualifying statutory trust. The adopted guidance included the following key revisions:

- a. Added guidance to SSAP No. 37 and SSAP No. 40 permitting real estate acquired through foreclosure to be held within an LLC that is wholly and directly owned by a qualifying statutory trust. The proposed revisions to SSAP No. 40 further clarify that real estate must be owned by an LLC directly and wholly owned by either the reporting entity or a qualifying statutory trust. This means LLCs must be held directly by the qualifying statutory trust and cannot be layered (for example, an LLC wholly-owned by an LLC wholly-owned by the qualifying statutory trust).
- b. Added an additional reporting code to Schedule A to indicate whether a real estate investment is directly held by a qualifying statutory trust or an LLC directly held by a qualifying statutory trust.
- c. The proposed Schedule B reporting column for “State of Domicile” was deleted. Upon further review, NAIC concluded that this detail is more appropriately included as a note in the financial statements, rather than being required for each residential mortgage loan on Schedule B.
- d. Transition guidance was added for statutory trusts held prior to the effective date and considered qualifying by the guidance proposed by this agenda item. The transition guidance requires that reporting entities with qualifying statutory trusts transfer all trust activities, assets, and liabilities at book value and ensure each is properly reported in accordance with SSAP No. 37.

25. On March 23, 2026, the Statutory Accounting Principles (E) Working Group exposed a draft of the Statutory Trusts Issue Paper.

26. On March 5, 2026, the Blanks (E) Working Group adopted 2025-28BWG Modified which contained recommendations for the annual statement instructions for Schedule A and Schedule B.

27. On May 18, 2026, the Statutory Accounting Principles (E) Working Group adopted Issue Paper No. 172 Qualifying Statutory Trusts.

RELEVANT STATUTORY ACCOUNTING AND U.S. GAAP GUIDANCE

Statutory Accounting

- *SSAP No. 2—Cash, Cash Equivalents, Drafts, and Short-Term Investments*
- *SSAP No. 37—Mortgage Loans,*
- *SSAP No. 40—Real Estate Investments*

<https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2026/05-18-2026/Adoptions/25-13a-StatutoryTrustsIssuePaper#172.docx>

EXHIBIT A - ADOPTED REVISIONS TO STATEMENTS OF STATUTORY ACCOUNTING PRINCIPLES:

SSAP No. 2—Cash, Cash Equivalents, Drafts, and Short-Term Investments **SCOPE OF STATEMENT**

1. This statement establishes statutory accounting principles and related reporting for cash, cash equivalents, drafts and short-term investments. Cash and cash equivalents, which are beneficially owned by the insurer through an investment in a qualifying statutory trust, as defined under SSAP No. 37—Mortgage Loans, fall within the scope of this statement and shall be reported as if directly held by the reporting entity. If the qualifying statutory trust is part of a trust series where cash is held in a joint account and each series holds a beneficial interest, only the portion beneficially owned by the insurer through the qualifying statutory trust shall be reported.

SSAP No. 40—Real Estate Investments **SUMMARY CONCLUSION**

3. Real estate investments also include:
- a. ~~€~~Certain acquisition, development and construction arrangements (ADC) as defined in SSAP No. 38—Acquisition, Development and Construction Arrangements;
 - ~~a.~~ b. Real estate held within a qualifying statutory trust(s), as defined in SSAP No. 37—Mortgage Loans, that was acquired through an in-substance repossession or foreclosure in accordance with SSAP No. 37, paragraph 18.

4. A single real estate property investment that is wholly owned by an LLC that is directly and wholly owned either by the reporting entity or a qualifying statutory trust shall be captured within this statement and reported on Schedule A, Real Estate, if all of the following criteria are met. Real estate owned through an LLC that meets the stated criteria shall follow all statutory requirements within this statement. Real estate owned through an LLC that does not meet the criteria shall be reported on Schedule BA, Other Long-Term Invested Assets. Regardless of whether reported on Schedule A or Schedule BA, all LLC's owned by the reporting entity shall be detailed in Schedule Y.

DISCLOSURES

27. An entity that holds real estate investments through an LLC, which qualifies for inclusion in this statement because all the criteria in paragraph 4 are met, shall separately report each investment on Schedule A, and code the real estate as wholly-owned through an LLC. A reporting entity that holds real estate investments through a qualifying statutory trust in accordance with SSAP No. 37 shall separately report each investment on Schedule A.

38. The guidance on residential mortgage loans within qualifying statutory trusts adopted in SSAP No. 37—Mortgage Loans also addresses certain types of foreclosed real estate within such trusts that are held, either directly or through an LLC that is directly and wholly owned by a qualifying statutory trust. The effective date and transition guidance for impacted real estate within these structures shall follow the guidance detailed in SSAP No.

37.

SSAP No. 37—Mortgage Loans
SCOPE OF STATEMENT

1. This statement establishes statutory accounting principles for the accounting and reporting of mortgage loans and related fees.

SUMMARY CONCLUSION

2. A mortgage loan is defined as a debt obligation that is not a security, which is secured by a mortgage on real estate. In addition to mortgage loans directly originated, a mortgage loan also includes mortgage loans acquired or obtained through assignment, syndication or participation,¹ or mortgage loans acquired through an investment in a qualifying statutory trust as defined in paragraph 2.b. Investments that reflect “participating mortgages,” “mortgage loan fund,” “bundled mortgage loans”² or the “securitization of assets” are not considered mortgage loans within scope of this SSAP. Nonqualifying statutory trusts shall be accounted for and reported in

¹ Examples of agreements intended to be captured within this statement:

- a. Reporting entity is a “co-lender” in a single mortgage loan agreement that identifies more than one lender (which includes the reporting entity) with the real estate collateral securing all lenders identified in the agreement. For these single-mortgage loan agreements, each lender is incorporated directly into the loan documents. The key differentiating characteristic of a mortgage loan provided under a group “mortgage loan co-lending agreement” rather than a solely owned mortgage loan is that no one lender of the lending group may unilaterally foreclose on the mortgage. With these agreements, the lenders must foreclose on the mortgage loan as a group.
- b. Reporting entity has a “participation agreement” to invest in a single-mortgage loan. The reporting entity is not the lender of record named as a payee on the mortgage loan, but the lender of record sells a portion of the mortgage loan to the reporting entity through an assignment or participation interest under the participation agreement. Under a participation agreement, the reporting entity acquires an undivided interest in the single mortgage loan proceeds to be received by the lender of record. Under a participation agreement, single mortgage loan proceeds include the periodic mortgage loan principal and interest payments received by the lender of record, and all rights and proceeds received in the foreclosure of a mortgage, deed of trust, deed in lieu of foreclosure, or other similar proceeding by the lender of record. The amount of the proceeds to be received by the reporting entity is based on the ratio of its participation interest to the then-outstanding single mortgage loan balance. To qualify as a mortgage loan under the scope of this statement, the reporting entity must have a signed participation agreement with the lender of record named in the mortgage loan, the financial rights and obligations of the reporting entity under the participation agreement are the same as the lender of record, the reporting entity’s participation interest in the single mortgage loan proceeds must be pari-passu with the lender of record named on the mortgage loan agreement, and the participation agreement must be properly and promptly recorded on the lender or record’s books and records. For the purposes of this footnote, “financial rights” may include the right to take legal action against the borrower, or participate with the other lenders in determining whether legal action should be taken, but typically does not include the right to solely initiate legal action, foreclosure, or under normal circumstances, communicate directly with the borrower.

² The scope of this SSAP is limited to single mortgage loan agreements. Although single mortgage loan agreements can potentially have more than one lender (e.g., co-lenders/participations) and more than one borrower (such as in a tenancy-in-common arrangement), the concept of a “single mortgage loan” does not include arrangements in which a reporting entity acquires more than one mortgage loan in a sole transaction. (For example, if a reporting entity was to acquire an interest in a “bundle” of mortgage loans with various unrelated borrowers and collateral, this agreement would be outside of the scope of this SSAP. However, a bundle of mortgage loans does not include a “bulk purchase” where the reporting entity’s interest in each mortgage loan is legally separate and divisible and the purchase just facilitates the acquisitions of multiple single mortgage loan agreements.)

accordance with the applicable statement of statutory accounting principles. Regardless of whether reported on Schedule B or another schedule, all statutory trusts beneficially or directly owned by the reporting entity shall be detailed in Schedule Y. The accounting, reporting, and admittance guidance reflected for qualifying statutory trusts should not be inferred to apply to nonqualifying statutory trusts or any other type of trust.

- a. A security is a share, participation, or other interest in property or in an entity of the issuer or an obligation of the issuer that has all of the following characteristics:
 - i. It is either represented by an instrument issued in bearer or registered form, or if not represented by an instrument, is registered in books maintained to record transfers by or on behalf of the issuer.
 - ii. It is of a type commonly dealt in on securities exchanges or markets or, when represented by an instrument, is commonly recognized in any area in which it is issued or dealt in as a medium for investment.
 - iii. It either is one of a class or series or by its terms is divisible into a class or series of shares, participations, interests, or obligations.
- b. A statutory trust is an unincorporated association created as a trust under state statute, a common example of which would be Delaware statutory trusts. To be considered a qualifying statutory trust and reported as a mortgage loan within scope of this statement, the statutory trust being invested in must have and maintain all of the following characteristics:
 - i. The statutory trust must be domiciled in a U.S. state.
 - ii. The reporting entity must hold a 100% undivided beneficial ownership interest in all assets of the statutory trust, or in all assets of a specific series of a statutory trust that has separate series.³ Such beneficial ownership interest must be evidenced by a certificate or registered as an uncertificated interest within the statutory trust register.
 - iii. Assets of the statutory trust may only consist of single residential mortgage loan agreements (meaning each to be legally separate and divisible) of a type that could otherwise be directly held by the reporting entity under SSAP No. 37; residential real estate ~~of~~ which the statutory trust has acquired in accordance with paragraph 18 through

³ Some statutory trusts are formed with designated separate series where each series maintains distinct and separate records, assets, and liabilities—either directly or indirectly (including through a nominee or otherwise)—from those of the overall trust and any other series. For ownership in a series of a statutory trust to meet the criterion described in paragraph 2.b.ii., the trust agreement must explicitly provide that the liabilities of each series are enforceable only against the assets of that series, the reporting entity must hold 100% undivided beneficial ownership interest in all assets of that series, the reporting entity's ownership and ability to divest its interest in the series must not be contingent upon its ownership interest in any other series of the statutory trust, and the series trust must maintain distinct and separate records from those of the overall trust and other series.

For example, if a statutory trust has Series A through C and the reporting entity has a 100% beneficial ownership interest in Series A but only a 50% ownership interest in Series B, only the investment in Series A would meet this criterion.

an in-substance repossession or foreclosure; or cash and cash equivalents that constitute proceeds of such mortgage loans or are required for the acquisition, ownership, and management of such mortgage loans. The insurer shall also report and account for assets and liabilities of the statutory trust as if they were directly held by the insurer:

- (a) Mortgage loans held by the qualifying statutory trust shall be reported on Schedule B in accordance with this statement.
- (b) Cash and cash equivalents held by the qualifying statutory trust shall be reported in accordance with SSAP No. 2—Cash, Cash Equivalents, Drafts and Short-Term Investments.
- (c) Real estate held by the qualifying statutory trust shall be reported on Schedule A and classified as “Held for Sale” in accordance with SSAP No. 40—Real Estate Investments. Such properties must either be directly owned by the qualifying statutory trust or held by the qualifying statutory trust as single residential real estate investments that are directly and wholly owned through a limited liability company (LLC), provided they meet all requirements outlined in SSAP No. 40, paragraph 4.
- (d) Liabilities of the qualifying statutory trust shall be reported in accordance with the applicable statement of statutory accounting principles.
- (e) Revenue and expenses of the qualifying statutory trust shall be accounted for as if they were directly incurred by the insurer and, accordingly, are subject to the same reporting and disclosure requirements that would normally apply. This includes, but is not limited to, the related party and affiliate disclosures required under SSAP No. 25—Affiliates and Other Related Parties.
- iv. The statutory trust must maintain all requisite documents and records in accordance with the applicable state statutes.
- v. The statutory trust has no transactions of its own other than transactions associated with an ownership structure utilized only for the ownership and management of the residential mortgages exclusively for the reporting entity (e.g., service fees, real estate taxes, facilitating financing arrangements, etc.). Transactions of the qualifying statutory trust shall be reported as transactions of the reporting entity pursuant to the guidance in this statement.
- i.vi. All cash flows from the single residential mortgage loan agreements must flow through the statutory trust directly to the reporting entity, with the exception of customary and reasonable fees to the statutory trust manager/servicer, trustee, custodian or similar third-party service providers, or to make payment on any financing secured by the residential mortgages.

3. Mortgage loans meet the definition of assets as specified in *SSAP No. 4—Assets and Nonadmitted Assets* and are admitted assets to the extent they conform to the requirements of this statement.

- a. Assets of a qualifying statutory trust that are pledged as collateral or otherwise encumbered through action of the insurer, or by the trustee acting on the insurer's behalf, shall be reported as restricted assets and are permitted for admittance subject to the provisions of *INT 01-31: Assets Pledged as Collateral*. Statutory trust assets that are pledged or otherwise encumbered to a third party due to actions taken by the qualifying statutory trust (including pledges of trust assets not on behalf of the insurer) shall be nonadmitted in accordance with *SSAP No. 4*, footnote 2.

Disclosures

27. The following disclosures shall be made for mortgage loans acquired through a qualifying investment in a qualifying statutory trust:

- a. A description of the qualifying statutory trust(s). Mortgage loans held in qualifying statutory trusts must be separately reported on Schedule B in accordance with the annual statement instructions.
 - i. If the qualifying statutory trust(s) holds any amount of subprime mortgages, the reporting entity must disclose this fact in the description of the qualifying statutory trust(s) and complete the subprime mortgage disclosures as detailed in *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures*. Transactions of the qualifying statutory trusts within the scope of *SSAP No. 25* shall also be disclosed.
 - ii. The description of each qualifying statutory trust must specify its state of domicile as well as each U.S. state~~(s)~~ and/or foreign country, if applicable, in which the qualifying statutory trust holds residential mortgage loans.
 - iii. Summary of assets and liabilities held within qualifying statutory trusts; aggregated by total residential mortgage loans, real estate acquired through foreclosure, cash and cash equivalents, and liabilities (if any) to be shown by reporting line.
- b. Disclosure of material litigation and any kind of material state or federal regulatory review and/or action concerning the qualifying statutory trust(s).
- c. Disclosure of financing transactions of any sort which are secured, directly or indirectly, by statutory trust assets.
- d. Total of residential mortgages held in qualifying statutory trusts, disaggregated by loan standing: In Good Standing, Restructured, Overdue Interest Over 90 Days Not in the Process of Foreclosure, and In the Process of Foreclosure.

Effective Date and Transition

32. This statement is effective for years beginning January 1, 2001. Initial recognition of the impairment losses resulting from the application of this statement shall apply to mortgage loans held at January 1, 2001, and be based on management's best estimates as of that date. Insurers shall release all unamortized amounts included in IMR related to prepayment penalties upon adoption of Codification and recognize such change in accordance with SSAP No. 3—Accounting Changes and Corrections of Errors. 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 this paragraph related to unamortized amounts included in IMR was originally contained within INT 99-04: Recognition of Prepayment Penalties Upon Adoption of Codification and was effective March 8, 1999.

33. The adoption of ASU 2014-14 and the adoption with modification of ASU 2014-04 (detailed in paragraphs 18-22 and 26.e.) shall be applied prospectively from the date of adoption (March 28, 2015). With this prospective application, guidance adopted from ASU 2014-14 applies to all foreclosures that occur after the date of adoption, and guidance from ASU 2014-04 applies to all instances of the reporting entity receiving physical possession of real estate property collateralized by mortgage loans that occur after the date of adoption.

34. The guidance for qualifying statutory trusts adopted on December 9, 2025, shall be applied prospectively as of January 1, 2027, with early adoption permitted. For statutory trusts held prior to the effective date and considered qualifying per this statement, the insurer shall transfer all trust activities, assets, and liabilities at book/adjusted carrying value and ensure each is reported in accordance with this statement. A change resulting from the adoption of this guidance shall be accounted for as a change in accounting principle in accordance with SSAP No. 3—Accounting Changes and Corrections of Errors. Subsequent measurement of transferred assets and liabilities are subject to the applicable SSAPs as described in paragraphs 5.b.iii.(a) through paragraph 5.b.iii.(d).

**NAIC Accounting Practices and Procedures Manual
Editorial and Maintenance Update
2026 Spring National Meeting**

Maintenance updates provide revisions to the *Accounting Practices and Procedures Manual* (Manual), such as editorial corrections, reference changes and formatting.

SSAP/Appendix	Description/Revision
SSAP No. 15 SSAP No. 52	<i>SSAP No. 15—Debt and Holding Company Obligations</i> <i>SSAP No. 52—Deposit-Type Contracts</i> Delete the word “Funding” at the beginning of the paragraph that describes FHLB agreements. Only FHLB agreements that are deposit-type contracts shall be captured as “funding agreements.” This has caused confusion with reporting. As noted in both paragraphs, agreements in debt form are captured in SSAP No. 15.
Various	<i>Revise “CUSIP” to “Security Identifier”</i> As investments are reported using other indicators besides a CUSIP (e.g., CINS, PPN, ISIN, etc.), an initiative is to replace terminology to reflect “Security Identifier” to reflect all possible sources.
Various	Revisions to add “U.S.” before generally accepted accounting principles or GAAP as appropriate.

Staff Recommendation:

NAIC staff recommend that the Statutory Accounting Principles (E) Working Group move this agenda item to the active listing, categorize as a SAP clarification, and expose editorial revisions as illustrated within.

1. SSAP No. 15—Debt and Holding Company Obligations and SSAP No. 52—Deposit-Type Contracts:

Delete the word “funding” at the beginning of the paragraph. Only FHLB agreements that are deposit-type contracts shall be captured as “funding agreements.”

SSAP No. 15—Debt and Holding Company Obligations:

19. ~~Funding~~ ^AAgreements issued to a federal home loan bank (FHLB) shall be evaluated on an individual basis, and shall be accounted for according to the substance of the individual arrangement and entity licensing. If the arrangement is in substance a funding agreement, including that the funds are used in an investment spread capacity, it shall be accounted for consistent with other funding agreements in accordance with *SSAP No. 52—Deposit-Type Contracts*. If the arrangement is in substance a borrowing agreement, it shall be accounted for in accordance with this statement, consistent with other borrowed money.

SSAP No. 52—Deposit-Type Contracts:

17. ~~Funding-a~~Agreements issued to a Federal Home Loan Bank (FHLB) shall be evaluated on an individual basis and shall be accounted for according to the substance of the individual arrangement and entity licensing. If the arrangement is in substance a funding agreement, including that the funds are used in an investment spread capacity, it shall be accounted for consistent with other funding agreements in accordance with this statement. If the arrangement is in substance a borrowing agreement, it shall be accounted for in accordance with *SSAP No. 15—Debt and Holding Company Obligations*, consistent with other borrowed money.

2. *Various SSAP Reference to Replace CUSIP with Security Identifier:*

SSAP No. 21—Other Admitted Assets: Paragraph 27.n.

27.n. For securities sold, redeemed, or otherwise disposed as a result of a callable feature (including make whole call provisions), disclose the number of ~~investments~~CUSIPs sold ~~(by Security Identifier)~~, disposed or otherwise redeemed and the aggregate amount of investment income generated as a result of a prepayment penalty and/or acceleration fee.

SSAP No. 26—Bonds: Paragraphs 35.b. & 35.c., 40.I., footnote 23, and Exhibit B Table Header:

35.b. Designated use of a systematic value is an irrevocable election per qualifying investment (by ~~Security Identifier~~CUSIP) at the time investment is originally acquired¹⁹. Investments owned prior to being identified by the SVO as a qualifying SSAP No. 26 investment are permitted to be subsequently designated to the systematic value measurement method. This designation shall be applied as a change in accounting principle pursuant to SSAP No. 3—Accounting Changes and Corrections of Errors, which requires the reporting entity to recognize a cumulative effect to adjust capital and surplus as if the systematic value measurement method had been applied retroactively for all prior periods in which the investment was held. The election to use systematic value for investments shall be made before the yearend reporting of the investment in the year in which the SVO first identifies the investment as a qualifying SSAP No. 26 investment.

35.c. Once designated for a particular investment, the systematic value measurement method must be retained as long as the qualifying investment is held by the reporting entity and the investment remains within the scope of this statement with an allowable NAIC designation per paragraph 35.a. Upon a full sale/disposal of an SVO-identified investment (elimination of the entire ~~CUSIP~~ ~~Security Identifier~~ investment), after 90 days the reporting entity can reacquire the SVO-identified investment and designate a different measurement method. If the reporting entity was to reacquire the same investment within 90 days after it was sold/disposed, the reporting entity must utilize the measurement method previously designated for the investment. Subsequent/additional purchases of the same SVO-identified investment (same ~~CUSIP~~~~Security Identifier~~) already held by a reporting entity must follow the election previously made by the reporting entity. If an investment no longer qualifies for a systematic value measurement because the NAIC designation has declined, then the security must be subsequently reported at the lower of “systematic value” or fair value. If the security has been removed from the SVO-identified listings, and is no longer in scope of this statement, then the security shall be measured and reported in accordance with the applicable SSAP.

- 40.I. For securities sold, redeemed or otherwise disposed as a result of a call or tender offer feature (including make-whole call provisions), disclose the number of ~~investments~~~~CUSIPs~~ sold ~~(by Security Identifier)~~, disposed or otherwise redeemed and the aggregate amount of investment income generated as a result of a prepayment penalty and/or acceleration fee;

Footnote 23: The guidance in this statement allows different measurement methods by qualifying investment (~~by Security Identifier~~~~CUSIP~~), but it is anticipated that companies will generally utilize a consistent approach for all qualifying investments.

Exhibit B Table Header:

~~CUSIP~~ ~~Security Identifier~~	ASOF_DATE	CALL_TYPE	CASHFLOW_DATE	INTEREST	PRINCIPAL	CASHFLOW

SSAP No. 34—Investment Income Due and Accrued: Footnote 1

Footnote 1: In disclosing the cumulative amount of PIK interest, identify the specific amounts of PIK interest by lot and aggregate the amounts by ~~CUSIP/PPN~~~~Security Identifier~~ that have a net increase to the original par value. The net increase includes PIK interest added to the par value less disposals (i.e., repayments; sales) that are first applied to any PIK interest outstanding. As a practical expedient, an insurer may calculate the cumulative amount of PIK interest on a bond by subtracting the original principal/par value from the current principal/par value, but not less than \$0.

SSAP No. 43—Asset-Backed Securities: Paragraphs 39.a., 40.b., 40.c, 44.o., QA Question 8

- 39.a. Financial Modeling: Pursuant to the P&P Manual, the NAIC identifies select securities where financial modeling must be used to determine the NAIC designation. For a modeled RMBS/CMBS legacy security, meaning one which closed prior to January 1, 2013, the NAIC designation is based on financial modeling incorporating the insurers' carrying value. For a modeled RMBS/CMBS non-legacy security, meaning one which closed after December 31, 2012, or modeled CLO, the NAIC designation and NAIC designation category assigned by the NAIC Securities Valuation Office must be used. For those RMBS/CMBS legacy securities that are financially modeled, the insurer must use NAIC ~~CUSIP~~~~Security Identifier~~ specific modeled breakpoints provided by the modelers in determining initial and final designation for these identified securities. As specified in the P&P Manual, a modeled legacy security RMBS or CMBS tranche that has no expected loss, as compiled and published by the NAIC Securities Valuation Office, under any of the selected modeling scenarios would be assigned an NAIC 1 designation and NAIC 1.A designation category regardless of the insurer's book/adjusted carrying value. The three-step process for modeled RMBS/CMBS legacy securities is as follows:
- Step 1: Determine Initial Designation – The current amortized cost (divided by remaining par amount) of an asset-backed security is compared to the modeled breakpoint values assigned to each NAIC designation and NAIC designation

- category for each ~~CUSIP~~-Security Identifier to establish the initial NAIC designation.
- ii. Step 2: Determine Carrying Value Method – The carrying value method, either the amortized cost method or the lower of amortized cost or fair value method, is then determined as described in paragraph 11 based upon the initial NAIC designation from Step 1.
 - iii. Step 3: Determine Final Designation – The final NAIC designation is determined by comparing the carrying value (divided by remaining par amount) of a security (based on paragraph 39.a.ii.) to the NAIC ~~CUSIP~~-Security Identifier specific modeled breakpoint values assigned to the NAIC designation and NAIC designation category for each ~~CUSIP~~-Security Identifier or is mapped to an NAIC designation category, according to the instructions in the P&P Manual. This final NAIC designation shall be applicable for statutory accounting and reporting purposes and the NAIC designation category will be used for investment schedule reporting and establishing RBC and AVR charges. The final NAIC designation is not used for establishing the appropriate carrying value method in Step 2 (paragraph 39.a.ii.).
40. For securities that will be financially modeled under paragraph 39, the guidance in this paragraph shall be applied in determining the reporting method for such securities acquired in the current year for quarterly financial statements. Securities reported as of the prior-year end shall continue to be reported under the prior year end methodology for the current year quarterly financial statements. For year-end reporting, securities shall be reported in accordance with paragraph 39, regardless of the quarterly methodology used.
- a. Reporting entities that acquired the entire financial modeling database for the prior-year end are required to follow the financial modeling methodology (paragraph 39.a.) for all securities acquired in the subsequent year that were included in the financial modeling data acquired for the prior year-end.
 - b. Reporting entities that acquired identical securities (identical ~~CUSIP~~Security Identifier) to those held and financially modeled for the prior year-end are required to follow the prior year-end financial modeling methodology (paragraph 39.a.) for these securities acquired subsequent to year-end.
 - c. Reporting entities that do not acquire the prior-year financial modeling information for current-year acquired individual ~~CUSIP~~Investments (by Security Identifier), and are not captured within paragraphs 40.a. or 40.b., are required to follow the analytical procedures for non-financially modeled securities (paragraph 39.b. as appropriate) until the current year financial modeling information becomes available and then follow the procedures for financially modeled securities (paragraph 27, as appropriate). Reporting entities that do acquire the

individual [investment \(by Security Identifier\)](#) ~~CUSIP~~-information from the prior-year financial modeling database shall use that information for interim reporting.

- d. Reporting entities that acquire securities not previously modeled at the prior year-end are required to follow the analytical procedures for non-financially modeled securities (paragraph 39.b. as appropriate) until the current year financial modeling information becomes available and then follow the procedures for financially modeled securities (paragraph 27, as appropriate).

- 44.o. For securities sold, redeemed or otherwise disposed as a result of a callable feature (including make whole call provisions), disclose the number of ~~investments~~~~CUSIPs~~ sold [\(by Security Identifier\)](#), disposed or otherwise redeemed and the aggregate amount of investment income generated as a result of a prepayment penalty and/or acceleration fee;

QA - Question 8:

8. Question – Do ABS purchased in different lots result in a different NAIC designation for the same ~~CUSIP~~[Security Identifier](#)? Can reporting entities use a weighted average method determined on a legal entity basis?

- 8.1 Under the financial modeling process (applicable to qualifying RMBS/CMBS reviewed by the NAIC Structured Securities Group), the amortized cost of the security impacts the “final” NAIC designation used for reporting and RBC purposes. As such, securities subject to the financial modeling process acquired in different lots can result in a different NAIC designation for the same ~~CUSIP~~[Security Identifier](#). In accordance with the current instructions for calculating AVR and IMR, reporting entities are required to keep track of the different lots separately, which means reporting the different designations. For reporting purposes, if a SSAP No. 43 security (by ~~CUSIP~~[Security Identifier](#)) has different NAIC designations by lot, the reporting entity shall either 1) report the aggregate investment with the lowest applicable NAIC designation or 2) report the investment separately by purchase lot on the investment schedule. If reporting separately, the investment may be aggregated by NAIC designation. (For example, all acquisitions of the identical ~~CUSIP~~[investment \(by Security Identifier\)](#) resulting with an NAIC 1 designation may be aggregated, and all acquisitions of the identical ~~CUSIP~~[investment \(by Security Identifier\)](#) resulting with an NAIC 3 designation may be aggregated.)

INT 07-01: Application of the Scientific (Constant Yield) Method in Situations of Reverse Amortization:
Paragraph 14 Example

14. Parity occurs because the accrual date, usually the last day of the month, is many days prior to the payment date, typically 15, or 25 days for a mortgage backed security, and up to 45, or 55 days (or longer) for a collateralized mortgage obligation. The following is a simplified example using a mortgage backed security. The assumption is that the security is purchased at a slight premium (price = 100.1000). Because of day delay, however, the parity price is not 100, but is approximately 99.90.

[CUSIP Security Identifier](#): 123456-AB-1 (Made up)

Description: Sample Mortgage Backed Security

Final payment date: 01/15/2006

Int Rate: 5.50%

Day Delay: 44

CPR: 6%

Purchase Date: 2/15/2004

Purchase Price: 100.1000

Par Purchased: 1,000,000.00

Annual Yield (SIA) 5.16841%

Periodic (monthly) Yield 0.43070%

Interest Rate 5.500%

INT 19-02: Freddie Mac Single Security Initiative: Paragraph 2.b.

- 2.b. Most elements of the new 55-day security received upon exchange will exactly match those of the PC or Giant being exchanged – most fundamentally, the cash flows of the 55-day security will ultimately be backed by the same loans as the original PC or Giant. Each new 55-day security will mostly have the same characteristics as the corresponding PC such as unpaid principal balance, pool factor, and weighted average coupon. The 55-day security will have a new [CUSIP Security Identifier](#), prefix, pool number, and issuance date.

INT 22-01: Freddie Mac When Issued K-Deal (WI Trust) Certificates: Paragraphs 3.f., 8, and 9

- 3.f. In the event that the investor elects to exchange the WI Trust certificates to the K-Deal SPCs, the investor receives an equivalent principal amount of the K-Deal SPCs of the same class. Although the investment will have a change in [CUSIP Security Identifier](#), any such exchange is not deemed to be a taxable event as described in the respective Offering Circular Supplements for the WI Certificates. As such investors will not recognize a gain or loss on the exchange and investors will be treated as continuing to own the interests that were owned immediately prior to the exchange. Stated differently, any gains or losses on the exchanged WI-Certificates are “rolled into” the investors’ new K-Deal Certificate position.

8. If a reporting entity elects to convert WI Trust SPC securities into K-Deal SPC securities, the guidance in the Annual Statement Instructions, Schedule D, Part 3 and Part 4, shall be followed. Per that guidance, the transition from a WI Trust to a K-Deal shall not be reported as a disposal or acquisition. As the terms and cost basis of the SPC certificates would be identical, and the change would only reflect a ~~CUSIP number~~Security Identifier change, a disposal and reacquisition shall not be recorded.

9. Excerpt from Annual Statement Instructions, Schedule D, Part 3 and 4:

This schedule should include a detailed listing of all securities that were purchased/acquired during the current reporting year that are still owned as of the end of the current reporting year (amounts purchased and sold during the current reporting year are reported in detail on Schedule D, Part 5, and only in subtotal in Schedule D, Part 3). This should include all transactions that adjust the cost basis of the securities. Thus, it should not be used for allocations of TBAs to specific pools subsequent to initial recording in Schedule D, Part 3, or other situations such as ~~CUSIP number~~Security Identifier changes.

Status:

On March 23, 2026, the Statutory Accounting Principles (E) Working Group exposed editorial revisions as detailed in this agenda item.

On May 18, 2026, the Statutory Accounting Principles (E) Working Group adopted the editorial revisions as detailed in this agenda item.

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National Meetings/A. National Meeting Materials/2026/05-18-2026/Adoptions/26-03EP Spring 2026.docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National%20Meetings/A.%20National%20Meeting%20Materials/2026/05-18-2026/Adoptions/26-03EP%20Spring%202026.docx)

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

Issue: Disclosure of FABNs and Similar Structures

Check (applicable entity):

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

Description of Issue: This agenda item has been prepared to consider a February 17, 2026, referral received from the Macroprudential (E) Working Group to incorporate proposed disclosures for funding agreement backed notes (FABNs) and other funding agreement backed structures.

FABNs are debt instruments issued by Special Purpose Vehicles (SPVs) generally formed by life insurance companies. A life insurance company issues a funding agreement to the SPV, which is accounted for in accordance with SSAP No. 52—*Deposit-Type Contracts*, and the SPV then issues debt instruments (FABNs) that are backed by the principal and interest of the issued funding agreement. Although all funding agreements issued by the insurer are required to be captured in current reserves and detailed in Exhibit 7 – Deposit-Type Contracts, there is no current reporting of whether the issued funding agreements back FABNs or other similar structures. The Macroprudential (E) Working Group requests disclosures of this activity to allow for monitoring under their financial stability monitoring objectives. The referral identifies that the proposed disclosure will provide the Financial Stability (E) Task Force with the ability to identify transmission channels of potential risk to and from the insurance industry and the interconnectedness to the capital markets.

In accordance with the Macroprudential (E) Working Group’s review, it was identified that different structures exist that are backed by funding agreements. Their proposed reporting captures the total of all funding agreements that back SPV issuances, with additional reporting that divides the amount based on the type of agreement:

- Funding Agreement Backed Notes
- Funding Agreement Backed Commercial Paper
- Funding Agreement Backed Repurchase Agreements
- Funding Agreement Backed Loans
- Funding Agreements Issued into Muni Prepay Structures
- Other Funding Agreements Backing SPV Issuances

These additional structures are detailed as follows:

- *Funding Agreement-Backed Commercial Paper:* Under funding agreement-backed commercial paper (FABCP) structures, the insurer issues a master funding agreement to an SPV. The assets backing the master funding agreement consist of commercial paper with maturities of 360 days or less that are purchased by the insurer with the FABCP investors’ cash proceeds. The principal and interest payments

on FABCPs are generally structured to align with the dollar amount of commercial paper backing the transaction. However, the insurer may not always be able to fully invest the proceeds due to the short maturities and frequent rollovers of commercial paper, which can create a duration mismatch. The short-term nature and high liquidity of the underlying commercial paper partially mitigate this ALM mismatch.

- **Funding Agreement-Backed Repurchase Agreements:** In a funding agreement-backed repurchase (FABR) agreement transaction, an SPV purchases a funding agreement issued by an insurer and then uses that funding agreement to enter into a repurchase agreement (repo) with a bank counterparty. In addition, the insurer pledges collateral into an account controlled by the SPV to support the repurchase transaction. The bank counterparty may rehypothecate, or repledge, all or a portion of the collateral pool. This FABN structure expands repurchase capacity and balance sheet flexibility for the insurer while reducing the bank counterparty's regulatory capital charge.
- **Funding Agreement-Backed Loans:** Funding agreement-backed loan (FABL) structures work similarly to FABNs, except the SPV is established by the bank counterparty, not the insurer. Another key difference from FABNs is that the FABL SPV enters into a loan directly with a bank instead of issuing notes. Effectively, though, the cash flows of the loan and notes operate similarly. Additionally, with FABLs, the insurer pledges securities to a collateral account, for which the bank counterparty has a security interest pursuant to an account control agreement.
- **Funding Agreement-Backed Municipal Pre-Pay/Energy Bonds:** Funding agreement-backed municipal gas and electric prepayment bonds (FABMBs) are a specialized segment of the municipal bond market that allows municipalities to secure a long-term, discounted supply of energy from a utility company. The municipality issues a tax-exempt bond to investors and uses the proceeds to prepay for typically 20 to 30 years of energy delivery. The SPV is a single-purpose entity whose sole purpose is to execute the prepayment with the commodity supplier, which is typically the commodity trading entity of an investment bank. The insurer's funding agreement provides interest payments on the bonds until such payments are recouped from consumers paying their utility bills.

The proposed disclosure also captures details on whether the SPV-issued debt instruments are puttable, and if the terms of the issued debt agreement differ from the backing funding agreement. The disclosure captures information on the maturity distribution of the funding agreements that back SPV issuances, including whether the funding agreement has a fixed or floating rate. Lastly, as the SPV could issue debt instruments backed by a non-US currency, the disclosure proposes to capture info on currency denominations and whether the foreign currency exposure is hedged.

Existing Authoritative Literature:

SSAP No. 52—Deposit-Type Contracts provides guidance for all contracts classified as deposit-type contracts as they do not subject the reporting entity to any risks arising from policyholder mortality or morbidity.

Although issued funding agreements are captured in scope of SSAP No. 52 for accounting and reporting, there are no disclosures on whether the issued funding agreements back debt issuances from SPVs.

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): This agenda item responds to a referral and proposed disclosures received from the Macprudential (E) Working Group on Feb. 17, 2026.

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 receive the Macroprudential (E) Working Group referral, move this item to the active listing categorized as a SAP clarification and expose proposed revisions to *SSAP No. 52—Deposit Type Contracts* to incorporate the recommended disclosures pursuant to the Macroprudential (E) Working Group referral as well as to add details of the different structures into a glossary for *SSAP No. 52*. Further, due to the collateral pledged under FABR and FABL arrangements, the SAP staff has proposed an additional disclosure to capture the collateral pledged under the agreements. This revision is shown shaded to highlight the change from the referral. The Macroprudential (E) Working Group is also sponsoring a blanks proposal to incorporate the reporting revisions. The intent is for the disclosures to be effective for year-end 2026.

Proposed Revisions to *SSAP No. 52—Deposit-Type Contracts*:

Disclosures are captured in paragraphs 18-23. The new disclosures are proposed to be included after the FHLB agreement disclosure (after paragraph 21) and before the retained asset disclosure. The remaining SSAP paragraphs will be renumbered according.

22. For FHLB agreements accounted for under this statement, include information for the FHLB funding agreements with other reporting and disclosure requirements for deposit-type contracts under this statement and complete additional disclosure requirements in *SSAP No. 30—Unaffiliated Common Stock*, paragraph 20.
23. Each reporting entity shall disclose information on funding agreements issued by such reporting entity that support funding agreement backed SPV Issuances. (This disclosure is required for all known instances, even in situations in which the SPV was not sponsored or formed by the reporting entity and when the relevant SPV is bankruptcy remote from the reporting entity.) The balance of funding agreements supporting funding agreement backed SPV issuances shall be reported before reinsurance.
 - a. Balance of funding agreements per type of issuance, per type of issuance where the transaction contains a put feature or embedded option¹, and per type of issuance where the terms of the SPV

¹ As used herein, a funding agreement is “Puttable” or contains a “put feature or embedded option” if such funding agreement contains a provision that allows a contract holder to withdraw from their account value at [book value] at any time, without being tied to a specific triggering event; under such provision, the insurer has no contractual alternatives to paying out at [book value].

Issuance differ from the terms of the corresponding funding agreement², and the BACV amount of collateral pledged by the reporting entity by type of transaction:

- i. Funding Agreement Backed Notes (FABN)
 - ii. Funding Agreement Backed Commercial Paper (FABCP)
 - iii. Funding Agreement Backed Repurchase Agreements (FABR)
 - iv. Funding Agreement Backed Loans (FABL)
 - v. Funding Agreements Issued into Muni Prepay Structures
 - vi. Other Funding Agreements Backing SPV Issuances (Other)
- b. For instances in which the SPV is sponsored or formed by the reporting entity and the terms (e.g., principal, interest rate, maturity, rating, or currency) of a funding agreement differ from the terms of the corresponding SPV Issuance, include a narrative description identifying the different terms. For example, if the funding agreement matures in 3 years, but the FABL matures in 3 months, instances of different interest rates, etc. For FABCP, reporting entities shall identify instances in which the terms of the SPV issuance do not match the terms of the deposit made under an FABCP master funding agreement. This disclosure is not required for funding agreements backed by muni prepay structures as the terms of the funding agreement are designed to be different from the SPV issuances.
- c. Disclose the maturity distribution of funding agreements backing SPV Issuances, separately identifying the funding agreements issues as fixed or floating interest rate prior to execution of any interest rate swaps.
- d. For SPV issuances backed by funding agreements issued in a non-US currency, disclose the currency denominations and whether all foreign currency exposure related to each currency denomination is hedged.

Proposed Glossary to SSAP No. 52:

- Funding Agreement Backed Note: Funding agreement backed notes (FABNs) are notes or bonds issued by bankruptcy-remote special-purpose vehicles (SPVs) that are secured by funding agreements (FAs) issued by the sponsoring insurance company to the SPV. The insurance company pays principal and interest under the terms of the FA to the SPV, which the SPV uses to pay principal and interest on the FABN.
- Funding Agreement-Backed Commercial Paper: Under funding agreement-backed commercial paper (FABCP) structures, the insurer issues a master funding agreement to an SPV. The assets backing the master funding agreement consist of commercial paper with maturities of 360 days or less that are purchased by the insurer with the FABCP investors' cash proceeds. The principal and interest payments on FABCPs are generally structured to align with the dollar amount of commercial paper backing the transaction. However, the insurer may not always be able to fully invest the proceeds due to the short

² Instances in which the terms of the funding agreement are designed to be different from the SPV issuances should be reported as an Amount with Different Terms (even in instances where the SPV is not sponsored or formed by the reporting entity such as funding agreements issued into muni prepay structures).

maturities and frequent rollovers of commercial paper, which can create a duration mismatch. The short-term nature and high liquidity of the underlying commercial paper partially mitigate this ALM mismatch.

- *Funding Agreement-Backed Repurchase Agreements:* In a funding agreement-backed repurchase (FABR) agreement transaction, an SPV purchases a funding agreement issued by an insurer and then uses that funding agreement to enter into a repurchase agreement (repo) with a bank counterparty. In addition, the insurer pledges collateral into an account controlled by the SPV to support the repurchase transaction. The bank counterparty may rehypothecate, or repledge, all or a portion of the collateral pool. This FABN structure expands repurchase capacity and balance sheet flexibility for the insurer while reducing the bank counterparty's regulatory capital charge.
- *Funding Agreement-Backed Loans:* Funding agreement-backed loan (FABL) structures work similarly to FABNs, except the SPV is established by the bank counterparty, not the insurer. Another key difference from FABNs is that the FABL SPV enters into a loan directly with a bank instead of issuing notes. Effectively, though, the cash flows of the loan and notes operate similarly. Additionally, with FABLs, the insurer pledges securities to a collateral account, for which the bank counterparty has a security interest pursuant to an account control agreement.
- *Funding Agreement-Backed Municipal Pre-Pay/Energy Bonds:* Funding agreement-backed municipal gas and electric prepayment bonds (FABMBs) are a specialized segment of the municipal bond market that allows municipalities to secure a long-term, discounted supply of energy from a utility company. The municipality issues a tax-exempt bond to investors and uses the proceeds to prepay for typically 20 to 30 years of energy delivery. The SPV is a single-purpose entity whose sole purpose is to execute the prepayment with the commodity supplier, which is typically the commodity trading entity of an investment bank. The insurer's funding agreement provides interest payments on the bonds until such payments are recouped from consumers paying their utility bills.

The following illustrates the Macroprudential (E) Working Group's sponsored blanks proposal to capture the new disclosure information with the additional collateral pledged component. This is included for information purposes. Comments to the SAPWG should focus on the disclosure concepts. Comments on the format on the blanks proposal shall be directed to the Blanks (E) Working Group.

Note 11 - Debt

Note 11D – Instruction:

D. Disclose information on funding agreements issued by such reporting entity that support funding agreement backed special purpose vehicle (SPV) issuances. (This disclosure is required for all known instances, even in situations in which the SPV was not sponsored for formed by the reporting entity and when the relevant SPV is bankruptcy remote from the reporting entity.) The balance of funding agreements supporting funding agreement backed SPV issuances shall be reported before reinsurance.

(1) Balance of funding agreements (A) per type of issuance, (B) per type of issuance where the transaction contains a put feature or embedded option, and (C) per type of issuance

where the terms of the SPV issuance differ from the terms of the corresponding funding agreement:

- Funding Agreement Backed Notes (FABN)
- Funding Agreement Backed Commercial Paper (FABCP)
- Funding Agreement Backed Repurchase Agreements (FABR)
- Funding Agreement Backed Loans (FABL)
- Funding Agreements Issued into Muni Prepay Structures
- Other Funding Agreements Backing SPV Issuances (Other)

(2) Please provide a narrative description for instances in which the SPV is sponsored or formed by the reporting entity and the terms (e.g., principal, interest rate, maturity, rating, or currency) of a funding agreement differ from the terms of the corresponding SPV issuance, identifying the different terms. (For example, if the funding agreement matures in 3 years, but the FABL matures in 3 months, instances of different interest rates, etc.)

- With respect to FABCP, please respond to this question by identifying instances in which the terms of an SPV issuance do not match the terms of a deposit made under an FABCP master funding agreement.
- With respect to funding agreements issued into muni prepay structures, no response is necessary given that the terms of the funding agreement are designed to be different from the SPV issuances.

(3) Disclose the maturity distribution of funding agreements backing SPV issuances, separately identifying the funding agreements issues as fixed or floating interest rate prior to execution of any interest rate swaps. (The total reported should agree to the total reported for disclosure 11D(1).

(4) Identify if the SPV issuances backed by funding agreements are issued in a non-U.S. currency. If so, disclose the currency denominations and whether all foreign currency exposure related to each currency denomination is hedged.

(5) Is all foreign currency exposure related to funding agreements backing SPV issuances hedged via derivatives, asset matching, or otherwise mitigated? If not, please explain.

Note 11B – Illustration:

D. Funding agreements issued by such reporting entity that support funding agreement backed special purpose vehicle (SPV) issuances:

(1) Funding agreements Backing SPV Issuances

	<u>1</u> Total Amount	<u>2</u> Amount Puttable*	<u>3</u> Amount with Different Terms**	<u>4</u> BACV of Collateral Pledged by Reporting Entity
a. Funding Agreement Backed Notes (FABN)	\$.....	\$.....	\$.....	\$.....
b. Funding Agreement Backed Commercial Paper (FABCP)	\$.....	\$.....	\$.....	\$.....
c. Funding Agreement Backed Repurchase Agreements (FABR)	\$.....	\$.....	\$.....	\$.....
d. Funding Agreement Backed Loans (FABL)	\$.....	\$.....	\$.....	\$.....
e. Funding Agreements Issued into Muni Prepay Structures	\$.....	\$.....	\$.....	\$.....
f. Other Funding Agreements Backing SPV Issuances (Other)	\$.....	\$.....	\$.....	\$.....
g. Total (a+b+c+d+e+f)	\$.....	\$.....	\$.....	\$.....

Life Filers - 11D(1)g Column 1 should equal Exhibit 7 Footnote (b) Line 1

* As used herein, a funding agreement is “Puttable” or contains a “put feature or embedded option” if such funding agreement contains a provision that allows a contract holder to withdraw from their account value at (book value) at any time, without being tied to a specific triggering event; under such provision, the insurer has no contractual alternatives to paying out at book value.

** Instances in which the terms of the funding agreement are designed to be different from the SPV issuances should be reported as an Amount with Different Terms (even in instances where the SPV is not sponsored or formed by the reporting entity such as funding agreements issued into muni prepay structures).

(3) Maturity Distribution of Funding Agreements Backing SPV Issuances

	<u>1</u> Fixed Rate	<u>2</u> Floating Rate	<u>3</u> Total*
a. 1 year of Less	\$.....	\$.....	\$.....
b. After 1 year through 5 years	\$.....	\$.....	\$.....
c. After 5 years through 10 years	\$.....	\$.....	\$.....
d. After 10 years through 20 years	\$.....	\$.....	\$.....
e. Over 20 years	\$.....	\$.....	\$.....
f. Total (a+b+c+d+e)	\$.....	\$.....	\$.....

11D(3)f Column 3 should equal 11D(1)g Column 1

* Total should reflect the balance of all funding agreements backing SPV issuances reported as Deposit-Type Contracts. Include zero coupon funding agreements in the fixed rate column.

(4) Funding Agreements (FA) Backing SPV Issuances in currency denominations.

	<u>Funding Agreements Backing SPV Issuances (in USD)</u>
a. Year-End FA Balance (USD)	\$.....
b. Amount of FA Backing SPV Issuances in Foreign Currency:	
1. AUD	\$.....
2. CAD	\$.....
3. CHF	\$.....
4. EUR	\$.....
5. GBP	\$.....
6. Other	\$.....
7. Total Foreign Currency	
(1+2+3+4+5+6+7)	\$.....
c. Total FA Backing SPV Issuances (a+b7)	\$.....
<u>11D(4)c should equal 11D(1)g Column 1</u>	

Exhibit 7 – Deposit Type Contracts

The following is also proposed to be captured as a new footnote on Exhibit 7:

<u>(b) Funding agreements that back special purpose vehicle (SPV) issuances:</u>	
1. Total across all categories	\$.....
2. Of the total, funding agreements that support funding agreement backed SPV issuances whereby the funding agreement contains a put feature or embedded option	\$.....

Staff Review Completed by: Julie Gann, February 2026.

On March 23, 2026, the Statutory Accounting Principles (E) Working Group moved this item to the active listing, classified as a SAP clarification, and exposed revisions to *SSAP No. 52—Deposit-Type Contracts*, as illustrated above, to incorporate disclosures and a glossary for funding agreement backed notes and other similar structures. The proposed disclosures predominantly reflect revisions recommended by the Macroprudential (E) Working Group. The Macroprudential (E) Working Group is also sponsoring a blanks proposal to incorporate the disclosure changes for year-end 2026.

On May 18, 2026, the Statutory Accounting Principles (E) Working Group adopted revisions to *SSAP No. 52—Deposit-Type Contracts*, to incorporate disclosures and a glossary for funding agreement backed notes and other similar structures for year-end 2026. The guidance was revised from the exposure and reflected below:

Adopted Guidance to SSAP No. 52—*Deposit-Type Contracts*:

22. For FHLB agreements accounted for under this statement, include information for the FHLB funding agreements with other reporting and disclosure requirements for deposit-type contracts under this statement and complete additional disclosure requirements in *SSAP No. 30—Unaffiliated Common Stock*, paragraph 20.

23. Each reporting entity shall disclose information on funding agreements issued by such reporting entity that support funding agreement-backed SPV Issuances. (This disclosure is required for all known instances, even in situations in which the SPV was not sponsored or formed by the reporting entity and when the relevant SPV is bankruptcy remote from the reporting entity.) The balance of funding agreements supporting funding agreement backed SPV issuances shall be reported before reinsurance.

a. For each type of funding agreement-backed transaction, report the total balance (outstanding issued amount) of funding agreements, the balance where the transaction contains a put feature or embedded option^{FN1}, the balance where the terms of the SPV Issuance differ from the terms of the corresponding funding agreement^{FN2}, and the book adjusted carrying value (BACV) amount of invested assets (i.e., not including the funding agreements) pledged by the reporting entity by type of transaction:

- i. Funding Agreement-Backed Notes (FABN)
- ii. Funding Agreement-Backed Commercial Paper (FABCP)
- iii. Funding Agreement-Backed Repurchase Agreements (FABR)
- iv. Funding Agreement-Backed Loans (FABL)
- v. Funding Agreements Issued into Muni Prepay Structures
- vi. Other Funding Agreements Backing SPV Issuances (Other)

^{FN1} As used herein, a funding agreement is “Puttable” or contains a “put feature or embedded option” if such funding agreement contains a provision that allows a contract holder to withdraw from their account value at the amount specified in the issuance at any time, without being tied to a specific triggering event; under such provision, the insurer has no contractual alternatives to paying out at the amount specified in the issuance.

^{FN2} Instances in which the terms of the funding agreement are designed to be different from the SPV issuances should be reported as an Amount with Different Terms (even in instances where the SPV is not sponsored or formed by the reporting entity such as funding agreements issued into muni prepay structures).

b. For instances in which the SPV is sponsored or formed by the reporting entity and the terms (e.g., principal, interest rate, maturity, rating, or currency) of a funding agreement differ from the terms of the corresponding SPV Issuance, include a narrative description identifying the different terms. For example, if the funding agreement matures in 3 years, but the FABL matures in 3 months, instances of different interest rates, etc. For FABCP, reporting entities shall identify instances in which the terms of the SPV issuance do not match the terms of the deposit made under an FABCP master funding agreement. This disclosure is not required for

funding agreements backed by muni prepay structures as the terms of the funding agreement are designed to be different from the SPV issuances.

- c. Disclose the maturity distribution of funding agreements backing SPV Issuances, separately identifying the funding agreements issues as fixed or floating interest rate prior to execution of any interest rate swaps.
- d. For SPV issuances backed by funding agreements issued in a non-US currency, disclose the currency denominations and whether all foreign currency exposure related to each currency denomination is hedged.

Adopted Glossary to SSAP No. 52:

- *Funding Agreement-Backed Note:* Funding agreement backed-notes (FABNs) are notes or bonds issued by bankruptcy-remote special-purpose vehicles (SPVs) that are secured by funding agreements (FAs) issued by the sponsoring insurance company to the SPV. The insurance company pays principal and interest under the terms of the FA to the SPV, which the SPV uses to pay principal and interest on the FABN.
- *Funding Agreement-Backed Commercial Paper:* Under funding agreement-backed commercial paper (FABCP) structures, the insurer issues a master funding agreement to an SPV. The FABCP master funding agreement contains a deposit schedule that is updated to reflect the terms of each new deposit under an FABCP program (each, a “Deposit”). The terms of a Deposit mirror the terms of a corresponding FABCP Issuance.
- *Funding Agreement-Backed Repurchase Agreements:* In a funding agreement-backed repurchase (FABR) agreement transaction, an SPV purchases a funding agreement issued by an insurer and then uses that funding agreement to enter into a repurchase agreement (repo) with a bank counterparty. In addition, the insurer pledges collateral into an account controlled by the SPV to support the repurchase transaction. The bank counterparty may rehypothecate, or repledge, all or a portion of the collateral pool.
- *Funding Agreement-Backed Loans:* Funding agreement-backed loans (FABL) are loans issued to bankruptcy-remote SPVs that are secured by funding agreements (FA) issued by the sponsoring insurance company to the SPV. Additionally, with FABLs, the insurer pledges securities to a collateral account, for which the bank counterparty has a security interest pursuant to an account control agreement.
- *Funding Agreements Issued Into Muni Prepay Structures:* These are a specialized segment of the municipal bond market that allows municipalities to secure a long-term, discounted supply of energy from a utility company. As part of this transaction an insurer issues a funding agreement to an SPV. The insurer’s funding agreement provides known scheduled principal payments to the SPV that supports the purchase of energy. The SPV whose sole purpose is to execute the prepayment with the commodity supplier.

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2026/05-18-2026/Adoptions/26-01-FABN Disclosure.docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2026/05-18-2026/Adoptions/26-01-FABNDisclosure.docx)

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

Issue: SSAP No. 1 Modco/FWH Code

Check (applicable entity):

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

Description of Issue: The Working Group has recently adopted several changes to reporting of funds withheld and modco arrangements. This agenda item intends to update the required disclosures in *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures*, in the restricted assets disclosure, to separately show modco and funds withheld assets within the Note 5L disclosures and to add them as a reporting code category within the investment schedules within the annual statement blanks. During the most recent update to Note 5L for restricted assets, these categories had been added to the restricted asset note with the adoption of the Blanks (E) Working Group’s agenda item 2025-06BWG. There are two distinct actions with the agenda item. First, there are draft revisions to the restricted asset disclosure requirements in SSAP No. 1 to add categories for 1) modco assets, 2) funds withheld assets, and 3) collateral assets received and on the balance sheet, excluding collateral held under security lending and repurchase agreements reported on the balance sheet. These three categories had previously been added to the Note 5L disclosure, so this will just get SSAP No. 1 updated to match. Second, this agenda item includes a recommendation to the Blanks (E) Working Group to add these 3 categories into the restricted asset codes that are included in the investment reporting schedules.

Existing Authoritative Literature:

SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures (existing footnotes have been removed to save space.)

23. Reporting entities shall disclose(FN) the following information in the financial statements:
- Amounts not recorded in the financial statements that represent segregated funds held for others, the nature of the assets and the related fiduciary responsibilities associated with such assets. One example of such an item is escrow accounts held by title insurance companies; and
 - The total combined (admitted and nonadmitted) book adjusted carrying value (BACV) of restricted assets by category, with separate identification of the admitted and nonadmitted restricted assets by category, and nature of any assets pledged to others as collateral or otherwise restricted (e.g., not under the exclusive control, assets subject to a put option contract, etc.)(FN) in the general and separate accounts(FN) by the reporting entity in comparison to total assets and total admitted assets. (Pursuant to SSAP No. 4, paragraph 6, all assets pledged as collateral or otherwise restricted shall be reported in this disclosure regardless if the asset is considered an admitted asset.) Reporting entities shall also disclose differences in the amounts reported in this note versus the amounts reported for the same categories in the general interrogatories. This disclosure shall include the following restricted asset categories:

- i. Reported assets subject to contractual obligation for which liability is not shown;
- ii. Collateral held under security lending agreements;
- iii. Assets subject to repurchase agreements;
- iv. Assets subject to reverse repurchase agreements;
- v. Assets subject to dollar repurchase agreements;
- vi. Assets subject to dollar reverse repurchase agreements;
- vii. Assets placed under option contracts;
- viii. Letter stock or securities restricted as to sale(FN) – excluding FHLB stock;
- ix. FHLB capital stock;
- x. Assets on deposit with states;
- xi. Assets on deposit with other regulatory bodies;
- xii. Pledged as collateral to the FHLB (including assets backing funding agreements);
- xiii. Assets pledged as collateral not captured in other categories(FN); and
- xiv. Other restricted assets.

Note 5L(1) from the Life/Fraternal Annual Statement Blank, with adoptions from the Blanks (E) Working Group’s agenda item 2025-06BWG, adopted May 29, 2025.

L. Restricted Assets

(1) Restricted Assets (Including Pledged)

Disclose the total gross (admitted and nonadmitted) book/adjusted carrying value amount of restricted assets by category, with separate identification of the admitted and nonadmitted restricted assets by category and nature of any assets pledged to others as collateral or otherwise restricted (e.g., not under the exclusive control, assets subject to a put option contract, etc.) by the reporting entity. Provide the total gross amount of restricted assets (current year, prior year and the change between years), the total admitted of restricted assets and the percentage the restricted asset amount (gross and admitted) is of the reporting entity’s total assets amount reported on Line 28 of the asset page (gross and admitted respectively) by the following categories:

- a. Subject to contractual obligation for which liability is not shown
- b. Collateral held under security lending agreements

- c. Subject to repurchase agreements
- d. Subject to reverse repurchase agreements
- e. Subject to dollar repurchase agreements
- f. Subject to dollar reverse repurchase agreements
- g. Placed under option contracts
- h. Letter stock or securities restricted as to sale – excluding FHLB capital stock
- i. FHLB capital stock
- j. On deposit with states
- k. On deposit with other regulatory bodies
- l. Pledged collateral to FHLB (including assets backing funding agreements)
- m. Pledged as collateral not captured in other categories
- n. Other restricted assets
- o. Collateral Assets Received and on Balance Sheet

Exclude: Collateral under security lending and repurchase agreements reported on balance sheet.

- p. Assets held under Modco Reinsurance Agreements
- q. Assets held under Funds Withheld Reinsurance Agreements
- r. Total restricted assets

Items captured “pledged as collateral not captured in other categories” shall include, but not be limited to, assets pledged under derivative arrangements.

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): There have been several recent updates involving the reporting and disclosure of assets subject to a modco or funds withheld arrangement, and this current agenda item intends to clarify the restricted asset disclosure regarding these assets.

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: Jake Stultz – 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. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures* to expand paragraph 23b to add reporting for assets held under a modco and funds withheld arrangements, as illustrated below. These changes had been made previously when the Blanks (E) Working Group adopted blanks agenda item 2025-06BWG in Note 5L, so our recommendation is to add these categories to SSAP No. 1, to include disclosure of 1) modco assets, 2) funds withheld assets, and 3) collateral assets received and on the balance sheet, excluding collateral held under security lending and repurchase agreements reported on the balance sheet. Staff also recommend that these categories be added to the restricted asset disclosure in the investment schedules, as illustrated below.

23. Reporting entities shall disclose(FN) the following information in the financial statements:
- a. Amounts not recorded in the financial statements that represent segregated funds held for others, the nature of the assets and the related fiduciary responsibilities associated with such assets. One example of such an item is escrow accounts held by title insurance companies; and
 - b. The total combined (admitted and nonadmitted) book adjusted carrying value (BACV) of restricted assets by category, with separate identification of the admitted and nonadmitted restricted assets by category, and nature of any assets pledged to others as collateral or otherwise restricted (e.g., not under the exclusive control, assets subject to a put option contract, etc.)(FN) in the general and separate accounts(FN) by the reporting entity in comparison to total assets and total admitted assets. (Pursuant to SSAP No. 4, paragraph 6, all assets pledged as collateral or otherwise restricted shall be reported in this disclosure regardless if the asset is considered an admitted asset.) Reporting entities shall also disclose differences in the amounts reported in this note versus the amounts reported for the same categories in the general interrogatories. This disclosure shall include the following restricted asset categories:
 - i. Reported assets subject to contractual obligation for which liability is not shown;
 - ii. Collateral held under security lending agreements;
 - iii. Assets subject to repurchase agreements;
 - iv. Assets subject to reverse repurchase agreements;
 - v. Assets subject to dollar repurchase agreements;
 - vi. Assets subject to dollar reverse repurchase agreements;
 - vii. Assets placed under option contracts;
 - viii. Letter stock or securities restricted as to sale(FN) – excluding FHLB stock;
 - ix. FHLB capital stock;

- x. Assets on deposit with states;
- xi. Assets on deposit with other regulatory bodies;
- xii. Pledged as collateral to the FHLB (including assets backing funding agreements);
- xiii. Collateral assets received and on the balance sheet, excluding collateral held under security lending and repurchase agreements reported on the balance sheet.
- xiv. Assets held under modco reinsurance agreements.
- ~~xii.~~ xv. Assets held under funds withheld reinsurance agreements.
- ~~xiii.~~ xvi. Assets pledged as collateral not captured in other categories(FN); and
- xvii. Other restricted assets.

New codes that will be added to the annual statement blanks and instructions, in the investment schedules:

- CX - Collateral assets received and on the balance sheet, excluding collateral held under security lending and repurchase agreements reported on the balance sheet.
- MR - Assets held under modco reinsurance agreements.
- FWR - Assets held under funds withheld reinsurance agreements.

Status:

On December 9, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions to *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures* to expand paragraph 23.b to add a reporting code for assets held under a modco and funds withheld arrangements.

On March 23, 2026, the Statutory Accounting Principles (E) Working Group re-exposed this agenda item with a specific request for regulator comments on the use of the restricted asset code in the investment schedules. The discussion identified that the restricted asset code is attributed to the entire reported investment, whereas only a portion of the investment may be restricted, and with substitutability requirements, the asset noted as restricted in the year-end investment schedules may not be the asset restricted subsequently. With the financial statement note disclosures, that identifies the amount of restricted assets by broad category, consideration will occur to delete the restricted asset codes from the investment schedules. However, before proceeding with that potential deletion, confirmation is first requested on any regulatory use and benefits of the codes.

On May 18, 2026, the Statutory Accounting Principles (E) Working Group adopted revisions to *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures* to expand paragraph 23.b. to add categories to the disclosures for assets held under a modco and funds withheld arrangements; which makes the SSAP No. 1 categories consistent with Note 5(L)1. However, the Working Group deferred recommending that the Blanks (E) Working Group add investment schedule code changes to allow more time to assess whether the restricted asset codes should be retained.

Adopted May 18, 2026

SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures:

23. Reporting entities shall disclose(FN) the following information in the financial statements:
- a. Amounts not recorded in the financial statements that represent segregated funds held for others, the nature of the assets and the related fiduciary responsibilities associated with such assets. One example of such an item is escrow accounts held by title insurance companies; and
 - b. The total combined (admitted and nonadmitted) book adjusted carrying value (BACV) of restricted assets by category, with separate identification of the admitted and nonadmitted restricted assets by category, and nature of any assets pledged to others as collateral or otherwise restricted (e.g., not under the exclusive control, assets subject to a put option contract, etc.)(FN) in the general and separate accounts(FN) by the reporting entity in comparison to total assets and total admitted assets. (Pursuant to SSAP No. 4, paragraph 6, all assets pledged as collateral or otherwise restricted shall be reported in this disclosure regardless if the asset is considered an admitted asset.) Reporting entities shall also disclose differences in the amounts reported in this note versus the amounts reported for the same categories in the general interrogatories. This disclosure shall include the following restricted asset categories:
 - i. Reported assets subject to contractual obligation for which liability is not shown;
 - ii. Collateral held under security lending agreements;
 - iii. Assets subject to repurchase agreements;
 - iv. Assets subject to reverse repurchase agreements;
 - v. Assets subject to dollar repurchase agreements;
 - vi. Assets subject to dollar reverse repurchase agreements;
 - vii. Assets placed under option contracts;
 - viii. Letter stock or securities restricted as to sale(FN) – excluding FHLB stock;
 - ix. FHLB capital stock;
 - x. Assets on deposit with states;
 - xi. Assets on deposit with other regulatory bodies;
 - xii. Pledged as collateral to the FHLB (including assets backing funding agreements);
 - xiii. Collateral assets received and on the balance sheet, excluding collateral held under security lending and repurchase agreements reported on the balance sheet;
 - xiv. Assets held under modco reinsurance agreements;
 - ~~xiii~~xv. Assets held under funds withheld reinsurance agreements;

~~xiv~~xvi. Assets pledged as collateral not captured in other categories(FN); and

xvii. Other restricted assets.

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A. National Meeting Materials/2026/05-18-2026/Adoptions/25-27 - SSAP 1 ModcoFWH.docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2026/05-18-2026/Adoptions/25-27-SSAP1ModcoFWH.docx)

Draft: 4/23/26

Statutory Accounting Principles (E) Working Group
E-Vote
April 22, 2026

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force conducted an e-vote that concluded April 22, 2026. The following Working Group members participated: Kevin Clark, Chair (IA); Dale Bruggeman, Vice Chair (OH); Richard Russell (AL); Kim Hudson (CA); William Arfanis (CT); Rylynn Brown (DE); Cindy Andersen (IL); Shantell Taylor (LA); Kristin Hynes (MI); Ned Cataldo (NH); Bob Kasinow (NY); Jamie Walker (TX); Jennifer Blizzard (VA); and Amy Malm (WI).

1. Exposed Revisions to SSAP No. 7

The Working Group exposed a revised *Statement of Statutory Accounting Principles (SSAP) No. 7—Asset Valuation Reserve and Interest Maintenance Reserve* to capture accounting guidance within the SSAP rather than in the annual statement instructions. The draft SSAP reflects conclusions reached by the IMR Ad Hoc Group from the direction to complete a long-term interest maintenance reserve (IMR) project requested by the Working Group on Dec. 1, 2023. In addition to the revised SSAP, the exposure included an issue paper that detailed the discussions and conclusions reached by the IMR Ad Hoc Group, proposed revisions to other SSAPs, and proposed annual statement instructions and Blanks changes.

Hynes made a motion, seconded by Bruggeman, to expose the proposed revised SSAP No. 7, along with accompanying documents, for a 60-day public comment period ending June 22. The motion passed unanimously.

Having no further business, the Statutory Accounting Principles (E) Working Group adjourned.

[https://naiconline.sharepoint.com/teams/frsstatutoryaccounting/national meetings/a. national meeting materials/2026/08-12-26 summer national meeting/hearing/02 - evote minutes 04-22-2026.docx](https://naiconline.sharepoint.com/teams/frsstatutoryaccounting/national%20meetings/a.%20national%20meeting%20materials/2026/08-12-26%20summer%20national%20meeting/hearing/02%20-%20evote%20minutes%2004-22-2026.docx)

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

Rose Albrizio, CPA
Vice President
Accounting Practices
Equitable
201-743-7221
Email: 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
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,

A handwritten signature in black ink that reads "Shannon Jones".

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

A handwritten signature in black ink that reads "Hans Avery".

Hans Avery
Actuary
HansAvery@acli.com
202-624-2012

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

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.



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).

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

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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,

Sincerely,



Shannon Jones
Sr. Director – Financial Reporting Policy
ShannonJones@acli.com
202-624-2029



Hans Avery
Actuary
HansAvery@acli.com
202-624-2012

Cc: Julie Gann, NAIC
Robin Marcotte, NAIC



June 25, 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 #2023-14 – Interest Maintenance Reserve (IMR)

Submitted Electronically

Dear Chair Clark:

The American Council of Life Insurers (ACLI) appreciates the opportunity to comment on the exposed item Ref #2023-14 – *Interest Maintenance Reserve (IMR)* from the Statutory Accounting Principles (E) Working Group (SAPWG). This letter provides comments on the proposed exposures reflecting changes to the revised SSAP No. 7, Issue Paper for SSAP No. 7, Revisions to Other SSAPs and Proposed Reporting Changes.

ACLI appreciates the NAIC's development of the interim solution and the subsequent Ad Hoc Working Group process to address negative IMR. We believe this work is important to appropriately reflect surplus and, therefore, insurer solvency. Over the past several years, the dialogue among regulators, ACLI, and its member companies has been constructive, transparent, and productive.

IMR was developed during a period of declining interest rates and generally positive IMR balances. At that time, regulators were concerned that insurers could sell higher-yielding bonds and reinvest in lower-yielding bonds while recognizing gains that increased surplus or were distributed, even though the insurer's claims-paying ability had not improved. IMR addressed this concern by requiring realized gains to be deferred and amortized over the remaining life of the assets sold, thereby preserving surplus at a level consistent with the pre-sale position and maintaining consistency between asset yields and the discount rates used for related liabilities.

Although it was recognized in 1992 that IMR conceptually should operate symmetrically, SAP was initially updated to reflect deferral of net gains, with the expectation that negative IMR would be addressed at a later date. That issue became more significant in recent years as rising interest rates, following decades of declining rates, caused IMR balances to turn negative. Through the Ad Hoc Working Group process, NAIC staff, state regulators, ACLI, and its member companies have addressed a number of complex issues necessary to accommodate negative IMR and to strengthen the broader statutory framework. These issues include the treatment of reinsurance, the incorporation of IMR into PBR and asset adequacy testing, the interaction of derivatives with IMR, treatment in separate and general accounts, refinement of IMR-eligible gains and losses, and the support needed for symmetrical treatment of negative IMR. ACLI believes

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that symmetry is appropriately supported when lower-yielding assets are sold and proceeds are reinvested in higher-yielding assets, as demonstrated through proof of reinvestment. Consistent with positive IMR, deferring and amortizing realized losses over the remaining life of the assets sold helps preserve surplus at a level consistent with the pre-sale position and aligns asset yields in the financial statements with the liability discount rates established when the original assets were purchased.

For these reasons, ACLI supports full admittance of net negative IMR. This treatment is consistent with the adopted definition of IMR as a valuation adjustment intended to maintain consistency between insurance liabilities (for which the rate used to discount cash flows is often unchanged from origin), and the amortized cost of assets needed to support them (where the portfolio yield is updated any time there are fixed income realizations). While IMR was originally applied to realized gains, its broader purpose is to appropriately reflect surplus, and that objective applies equally to realized losses when supported by reinvestment.

The proof-of-reinvestment requirement provides an important safeguard by demonstrating that, in a higher interest rate environment, realized losses are offset by higher future yields with an equivalent present value, making the transaction non-economic from a surplus perspective. The framework should be durable and should not depend on the current interest rate environment. Otherwise, future changes in interest rates could recreate the same challenges as more life insurers experience negative IMR balances. Insurers should not be penalized, and policyowners should not be adversely affected, when insurer solvency is unchanged.

The accounting framework also should not discourage prudent investment activities, such as trades made for credit, duration, or other risk-management purposes—that benefit policyowners, insurers, and regulators. In this context, the framework, including the proof of reinvestment, provides a more targeted and economically grounded approach relative to the broader rules-based limitations, helping to avoid unintended distortions in surplus recognition and better align outcomes with insurers' asset-liability management practices and prudent interest rate risk management.

Summary of Additional Safeguards Proposed for IMR

1. Documented "proof of reinvestment" primarily derived from annual statement data provides evidence of reinvestment in fixed income securities with a higher yield.
2. Asymmetrical treatment of liquidity sales – all gains are deferred but not losses.
3. Requirement to record losses on liquidity sales immediately, have documented controls and procedures in place to identify them, and require related attestation.
4. Requirement to deduct admitted IMR from beginning invested assets used in cash flow testing—increases the likelihood of increasing asset adequacy reserves.
5. Actuarial opinion and memorandum requirement to reconcile admitted IMR to reported IMR for PBR and cash flow testing.
6. Changes to NAIC Designation guidance for determining IMR eligible losses – narrowing losses eligible for IMR but all gains still deferred.
7. Losses related to impairments or credit events are not eligible for IMR deferral.
8. Authorized control level risk-based capital of 300 required to admit negative IMR.
9. Expanded exhibit of capital gains and losses that provides additional discipline around IMR process – reconciles where all current year capital gains and losses are included within the financial statements.
10. Admitted negative IMR shown as a write-in for special surplus.

We look forward to discussing these issues with SAPWG members so we can clarify any points and answer any questions you may have.

The remainder of our letter includes more specifics to the various exposures. Comments of an editorial nature are in appendices although we highlight meaningful items due to their prominence.

Revised SSAP No. 7

The ACLI provides the following comments on key elements of the proposed changes to the accounting guidance for IMR as impacted by net negative IMR. We have also attached a markup version of the exposed SSAP No. 7 reflecting editorial revisions which have been discussed with NAIC staff.

- The editorial changes to SSAP No. 7 should be consistent as is reflected in the Issue Paper.
- For known liquidity sales in paragraph 13, companies must attest to this and additional clarity is needed. The proposal introduces disclosure concepts (paragraph 29b) while retaining principle-based definitions, which avoids rigid rules that could be exploited.
- ACLI proposes editorial changes to paragraphs 20-21 on reinsurance that will assist with the interaction with SSAP No. 61 – *Life, Deposit-Type and Accident and Health Reinsurance* and the Annual Statement Instructions. We support improving clarity and consistency for modified coinsurance (“Modco”) and funds withheld (“FWH”) reinsurance reporting using the Modco and Funds Withheld Reporting table as part of the Proposed Reporting Revisions. However, the table may be better located outside the IMR section (e.g., to Schedule S) to improve alignment and accessibility.

We also note that potential overlap with exposure SAPWG Ref #2026-02 and encourage consideration of these interdependencies. The table should include more precise line-item references and more clearly distinguish between Modco and FWH treatment. Given the complexity, we recommend continuing dialogue with ACLI, NAIC staff, and SAPWG to refine the guidance.

Issue Paper

The ACLI provides the following comments on key elements of the proposed changes to the IMR Issue Paper as part of SSAP No. 7. We have also attached a markup version of the exposed Issue Paper for SSAP No. 7 reflecting editorial revisions which have been discussed with NAIC staff.

- The editorial changes to the Issuer Paper should be consistent as is reflected in SSAP No. 7.
- The tables in paragraph 47 and the Appendices should be in the annual statement instructions as they are important to the implementation of changes to IMR.
- ACLI proposes a targeted adjustment to the proof of reinvestment to address known liquidity sale losses. Because these sales are reported in income, they should be excluded from the reinvestment requirement.

Revisions to Other SSAPs

The ACLI provides the following comments on key elements of the proposed changes to other SSAPs. We have also attached markup version of the exposed Revisions to Other SSAPs reflecting editorial revisions which were discussed with NAIC staff.

- We recommend revisions to SSAP No. 86, paragraph 24, and the related guidance in SSAP No. 86, Exhibit B, to clarify the application of the guidance in determining whether realized gains and losses on derivatives should be deferred in the IMR or reflected as an adjustment to the hedged item.

Proposed Reporting Changes

The ACLI provides the following comments on key elements of the Proposed Reporting Changes. We have also attached a markup version of the exposed Proposed Reporting Changes reflecting editorial revisions which have been discussed with NAIC staff.

- Incorporate tables from paragraph 47 and the Appendices in the Issue Paper into the annual statement instructions and modify the 'Modco and Funds Withheld Reporting' table as highlighted at the end of the proposal.
- We evaluated the Exhibit of Capital Gains and Losses as proposed and noted inconsistencies with other Annual Statement exhibits. While we support the Exhibit's intent, refinements are needed to the columns and descriptions. ACLI will continue to work with NAIC staff to create clarifications prior to this item being sent to the Blanks Working Group for exposure.
- We support the new "Form for Calculating the Interest Maintenance Reserve" and related instructions and respectfully suggest a few adjustments to ensure a complete rollforward and consistent reporting across all components.

Other comments

As ACLI has evaluated the proposed above changes to the accounting and reporting of IMR, our members have begun addressing the necessary system and process changes needed to comply with the updates to statutory reporting requirements. Based on discussions with investment accounting vendors, to comply with the 'Designation Change Guidance' located in the proposed SSAP No. 7, paragraph 31a, it will take significant effort to get certain investments held prior to 2020 to be tagged with the appropriate NAIC Designation Category. Vendors will also need to implement broader enhancements, including updates to calculation methodologies, reinvestment tracking, reporting outputs, and related controls.

Implementation will require coordination across multiple insurer systems, data sources, and control environments, including internal processes and reporting frameworks, along with sufficient time for integration, testing, and validation. To the extent these capabilities are not fully developed and deployed by vendors, the burden will shift to insurers to build interim solutions, increasing operational complexity and risk.

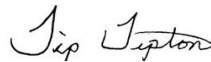
Since the effective date needs to be at the beginning of a calendar year, we believe consideration should be given to when is an optimal time to implement the changes, including delaying the implementation by one year to support orderly adoption and mitigate operational and reporting risks.

We welcome the opportunity to discuss our comments further and to address any questions you may have.

Sincerely,



Shannon Jones, CPA
Senior Director – Financial Reporting
ShannonJones@acli.com
202-624-2029



Tip Tipton, CPA
VP – Accounting Policy
TipTipton@acli.com
202-624-2015



June 25, 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 #2023-14: Interest Maintenance Reserve

Dear Mr. Clark:

We appreciate the opportunity to comment on the Statutory Accounting Principles (E) Working Group (“SAPWG”) SSAP No. 7 exposure of the revised guidance pertaining to the interest maintenance reserve (“IMR”) and asset valuation reserve (“AVR”).

Nationwide and its subsidiaries (“Nationwide”) form one of the largest insurance and financial services companies in the United States, operating both property and casualty and life insurance businesses with combined surplus of \$24.1 billion.

Nationwide supports the American Council of Life Insurers (“ACLI”) proposal of eliminating the 10% admissibility limitations for negative IMR under INT 23-01 and adopting full admittance of negative IMR.

Reasons for Full Admittance of Net Negative IMR

As clarified in the exposed SSAP No. 7, IMR is a valuation adjustment intended to maintain consistency between the valuation of insurance liabilities and the amortized cost basis of the supporting fixed-income assets. When a book-value IMR eligible asset is sold, IMR defers and systematically amortizes the recognition of non-economic realized gains and losses arising from investment activity that effectively unlocks interest rate–related unrealized gains and losses. This treatment aligns recognition of those amounts with the long-duration nature of insurance liabilities and the reinvestment of asset proceeds.

The proof of reinvestment appropriately emphasizes that the core premise of negative IMR is the reinvestment of proceeds from fixed-income asset sales into new fixed-income assets with higher yields. Nationwide agrees with this principle and believes that, when combined with the revised SSAP No. 7 guidance requiring immediate recognition of material liquidity sale losses and a formal attestation supporting that conclusion, the proof of reinvestment framework provides an adequate basis to support full admittance of net negative IMR. In our view, retaining a quantitative admissibility limitation would create an inconsistency between the valuation of liabilities and the valuation basis of the supporting assets, contrary to the stated purpose of IMR.

Asset adequacy testing provides another important safeguard supporting the full admittance of negative IMR. In asset adequacy testing, admitted negative IMR is incorporated as part of the assets supporting the liabilities, which can make it more difficult to demonstrate asset sufficiency and therefore increases the likelihood that an insurer would need to establish additional asset adequacy reserves. As a result, negative IMR is explicitly contemplated within the actuarial framework ensuring that assets, including negative IMR, are sufficient to meet policyholder obligations under a range of stress scenarios.

As originally highlighted within INT 23-01, we emphasize that limiting the admissibility of net negative IMR would not accurately reflect insurer investment performance, as it would, in cases where the cap is exceeded, result in an immediate reduction to surplus and risk-based capital when bonds are sold in a rising interest rate environment, despite the reinvestment of proceeds at higher prevailing yields. In general, rising interest rates are favorable to the financial health of the insurance industry and policyholders, but the accounting outcome would inappropriately suggest a deterioration in financial strength despite an improvement in future earnings and could encourage companies to avoid prudent investment transactions and strategies. Furthermore, such a limitation may introduce unintended consequences, including potential adverse interpretations by rating agencies and impacts on product pricing, ultimately affecting policyholders.

The current admissibility limitation also creates unintended consequences in the reinsurance market, particularly for U.S.-domiciled reinsurers. Depending on the underlying insurance liabilities transferred as part of a reinsurance transaction, and the issue year of those policies, the historical discount rate established at contract issue may be used for all or part of the post reinsurance measurement of those liabilities. These liabilities are not remeasured or “unlocked” as part of the transaction. In contrast, the supporting assets must be brought onto the reinsurer’s balance sheet at fair value, effectively resetting their measurement basis to current market interest rates. This asymmetry—where liabilities remain on a historical basis while assets are recorded at current value—can result in the generation of negative IMR when current market rates differ from the original issue-date assumptions, even though the underlying economics of the block and the asset portfolio have not changed. In this context, IMR serves its intended purpose as a valuation adjustment to restore consistency between the measurement of assets and liabilities. However, because the resulting IMR is treated as newly established on the reinsurer’s books, under the current proposal it can inappropriately contribute to the 10% admissibility cap despite reflecting no new economic loss or incremental risk. As a result, reinsurers would have to actively consider this artificial constraint when pricing transactions, which can increase the cost of reinsurance or limit capacity. This dynamic places U.S. reinsurers at a competitive disadvantage relative to offshore counterparties that are not subject to the same reserving requirements and, therefore, are unimpacted by IMR and related U.S. statutory admissibility limitations.

Additionally, reinsurance transactions are subject to regulatory review and approval and involve transferring an established block of business without altering the underlying liability structure, which fundamentally differentiates the resulting transactional IMR from the IMR generated through discretionary investment activity. For these reasons we believe that negative IMR arising

from reinsurance transactions should be fully admitted because it is solely the result of a measurement mechanic and not a change in the underlying risk of the block being transferred.

Based on the above reasons, we fully support the recommendation of the ACLI to eliminate the net negative IMR admissibility limitation from the revised SSAP No. 7 guidance.

Sincerely,

Andrea Iacoboni
Vice President, Controller – Financial Reporting and Accounting Policy
Nationwide

June 29, 2026

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

RE: Comments on SAPWG *Ref #2023-14* - Proposed Revisions to Statement of Statutory Accounting Principles (SSAP) No.7, Asset Valuation Reserve and Interest Maintenance Reserve and Related Issue Paper

Dear Mr. Clark:

MetLife, Inc. appreciates the opportunity to comment on the exposed item *Ref #2023-14 – Interest Maintenance Reserve (IMR) from the Statutory Accounting Principles (E) Working Group (SAPWG)* as referenced above.

MetLife supports the NAIC’s efforts to modernize the IMR framework and agrees that a well-designed proof of reinvestment test is a more principles-based approach to evaluating the deferral of realized losses. However, to fully achieve that objective, we believe (i) the existing 10 percent cap should be removed for losses that satisfy the proof, and (ii) the framework must be aligned with operational feasibility to avoid unintended reporting complexity, volatility, and implementation risk. This framework also plays an important role in the insurance context by supporting policyholder outcomes—promoting stability in earnings and capital recognition over time and reinforcing the alignment between assets and liabilities that underpins insurer solvency.

At the same time, the proposed framework introduces significant operational complexity and implementation risks, particularly with respect to current implementation timing, data availability, and reporting processes. Accordingly, MetLife encourages the NAIC to align policy design with operational feasibility to ensure that the framework can be implemented in a manner that supports high-quality, consistent, and decision-useful statutory reporting. MetLife also has significant concern with the unintended consequences of the proposal to reinsurance treaty accounting and the possible introduction of significant volatility to settlements.

Finally, MetLife worked closely with the ACLI in the development of specific feedback on draft SSAP 7, how it integrates with the Issues Paper, and various other relevant issues. MetLife supports the ACLI comment letter submitted in response to SAPWG Ref #2023-14. Our support is focused on the key IMR framework recommendations reflected in that letter.

We outline below more detailed considerations.

MetLife Supports Full Admittance of Net Negative IMR

MetLife supports the proof of reinvestment test in theory (with some operational considerations below) because it provides a robust and effective way to ensure appropriateness of deferring realized losses through IMR. In MetLife's view, the 10 percent cap on admitted net negative IMR was a useful temporary guardrail when there was insufficient time to develop and implement a proof of reinvestment approach and regulators sought to provide timely relief to the industry.

However, MetLife believes the 10 percent cap is no longer necessary once a proof of reinvestment framework is implemented as recommended by the ACLI in their comment letter, which reflects broad industry alignment on this issue. In this context, the proof of reinvestment serves as a more precise and economically grounded safeguard, replacing a broad, rules-based limitation with a targeted validation of reinvestment behavior.

In practice, the existence of the 10 percent cap could result in otherwise qualifying reinvestment losses being non-admitted, which MetLife believes is an unintended consequence of the framework. This potential outcome may be particularly relevant for certain products, such as pension risk transfer (PRT), where asset turnover and reinvestment dynamics during initial portfolio construction can give rise to temporary realized losses even when insurers are prudently managing interest rate risk and aligning assets with liabilities.

For example, in PRT transactions, insurers typically receive a large, one-time premium and subsequently invest those proceeds over a defined period to establish the intended long-term asset portfolio. To manage interest rate risk during this transition, insurers often

temporarily invest in duration-matched U.S. Treasury securities, which are then rotated into higher-yielding assets. If interest rates rise during this period, the sale of these temporary investments may generate realized losses, even though reinvestment into higher-yielding assets offsets those losses over time.

Under a proof of reinvestment framework, these outcomes would appropriately support deferral through IMR. However, the 10 percent cap could limit the ability to admit such losses, particularly in larger or longer-duration transactions, where relatively modest interest rate movements could consume the available buffer.

While the cap may be sufficient for lines of business with limited asset turnover, its application in these contexts may disproportionately affect certain products and discourage prudent interest rate risk management. Accordingly, MetLife respectfully recommends that the NAIC remove the 10 percent cap for net negative IMR, consistent with the ACLI recommendation.

MetLife recognizes the policy objective of maintaining guardrails around surplus recognition. However, where a robust proof of reinvestment test is satisfied, the continued application of a cap creates an additional constraint that does not enhance prudential outcomes but instead distorts economic alignment.

MetLife Has Significant Concern with Proof of Reinvestment Operational Complexities

At its core, the proposed framework introduces a structural sequencing mismatch—requiring end-of-period data to validate accounting determinations that must be executed early in the close process.

The proposed framework requires reporting entities to pass both a reinvestment test and a weighted average yield test before moving into, or increasing, a net negative IMR balance. If the proof is not satisfied, realized losses in excess of current-year gains would be recognized directly in surplus rather than deferred through IMR. More fundamentally, the framework requires reassessment of IMR eligibility after initial recognition, introducing the potential for retrospective adjustments within the close process. Of particular concern is the resulting risk of late-stage rework across the statutory reporting cycle. These challenges fall into three primary categories: (i) timing and sequencing constraints within the close process, (ii) data availability and cross-system dependencies, and (iii)

downstream reporting and reinsurance impacts. Within these categories, we highlight the following key risks:

- **Timing mismatch between IMR accounting and proof inputs.** IMR accounting is typically performed at the beginning of the statutory reporting process so that amortization, income statement impacts, balance sheet presentation, and downstream exhibits can be prepared within established statutory deadlines. However, the proposed proof of reinvestment relies on current financial statement information and investment activity data that may not be finalized until later in the reporting period. This creates a timing gap where the IMR position may be calculated before the entity can confirm whether it has passed the required proof.
- **Risk of late-stage rework and downstream reporting impacts if the proof fails.** If the company initially records current-year realized losses through IMR and later determines that the proof of reinvestment was not satisfied, losses originally deferred through IMR may need to be removed and recognized directly in surplus. This would require re-performance of IMR accounting and related reporting in a compressed close window, including updates to the statutory balance sheet, surplus, investment income amortization, IMR roll-forward, annual statement exhibits, notes, disclosures, management reporting, regulatory analytics, RBC-related support, and internal control evidence.
- **Potential inability to increase a negative IMR balance.** Under the proposed approach, failure of the proof would limit the ability to add additional realized losses to an existing negative IMR balance, except to the extent such losses offset current-year realized gains. This creates operational uncertainty for entities managing portfolios in a rising-rate or repositioning environment, as the final statutory treatment may depend on proof results that are not known until late in the process. A further operational constraint is determining which realized losses, and from which portfolios or reinvestment strategies, must be excluded from negative IMR treatment and instead recognized as a direct charge to surplus, particularly when the exclusion cannot be identified until after portfolio activity and proof results are finalized.

- **Data availability and reconciliation complexities.** The proof requires timely access to sale activity, acquisition activity, book yields, investable premiums, mortgage loan activity, bond classifications, and other investment data. Because these data points may reside in different systems and may not be finalized at the same time, the proof would require additional cross-system reconciliations, data validation, and review procedures within an already compressed statutory reporting timeline.
- **Compressed reporting timeline and elevated filing risk.** If the proof cannot be finalized until late in the reporting period, statutory reporting teams may have limited time to revise IMR accounting, update exhibits and disclosures, obtain approvals, and complete quality control reviews. This increases the risk of late adjustments, inconsistent reporting, audit comments, or regulatory questions.
- **Unintended Consequences to Reinsurance Treaties.** The issues presented above for the Proof of Reinvestment will have downstream impacts on reinsurance and present similar operational complexity. Reinsurance agreements typically settle monthly, and any changes to the IMR deferral amounts and related amortization may affect the ModCo or Funds Withheld reserves (inclusive of IMR) and the preparation, timing and amounts net settled. The impacts of precluding IMR deferrals of realized capital losses (RCLs) would generally move in the opposite direction of the direct impacts and may provide a full or partial offset within the income statement and surplus, although the timing of such offsets may vary and will depend on the negotiated terms in the reinsurance agreement.

To address these challenges, MetLife encourages refinements to clarify the sequencing of the proof of reinvestment relative to IMR recognition, including timing expectations within the close process, to minimize the need for retrospective adjustments after initial reporting, and to provide reasonable implementation flexibility to align with existing reporting timelines and cross-system dependencies.

MetLife Supports a One Year Implementation Delay

The proposed changes introduce substantial technical and operational complexities across multiple dimensions of the IMR framework, including revised treatment of negative IMR, proof-of-reinvestment requirements, and the interaction of IMR with reinsurance

structures. Implementing the proposed changes would require extensive modifications to reconciliation and reporting systems, including updates to calculation logic, data sourcing, and reporting outputs, as well as alignment across multiple upstream and downstream processes.

In addition, the proposed guidance introduces new interpretive considerations that will require coordinated updates across actuarial, finance, and investment systems. These changes will require sufficient time for design, development, testing, and parallel validation to ensure that results are complete, accurate, and consistent across reporting entities.

Given the current level of uncertainty in certain areas of the proposal and the need for cross-functional integration, a January 1, 2027 effective date presents a significant risk to implementation quality, operational stability, and the integrity of statutory reporting. Absent sufficient implementation time, there is a heightened risk of inconsistent application across insurers, increased audit findings, and additional regulatory inquiries during early adoption periods.

Accordingly, MetLife strongly recommends that the NAIC defer the effective date to January 1, 2028. A one-year preparation period would provide the necessary runway to properly implement system enhancements, perform comprehensive testing, validate results under various market scenarios, and ensure that appropriate governance and control frameworks are in place. This additional time would also allow for more consistent interpretation and application of the guidance across the industry, reducing the risk of divergence in practice. We believe that aligning the effective date with the operational realities of implementation will ultimately support the NAIC's objectives by promoting higher-quality reporting, stronger controls, and more consistent application of the IMR framework across insurers. A measured implementation timeline will be important not only for individual company readiness but also to promote consistent interpretation and application across the industry.

Conclusion

MetLife supports the NAIC's objective of strengthening the IMR framework through a proof-of-reinvestment approach that better reflects economic outcomes. To fully realize these benefits, we recommend removing the 10 percent cap where losses satisfy the proof, thereby avoiding unintended constraints on prudent risk management. Equally



important, we urge the NAIC to recognize the significant operational complexity associated with the proposed framework and to provide sufficient time and flexibility for implementation. A measured approach—grounded in both sound policy and practical feasibility—will promote more consistent application across the industry and ultimately enhance the quality, transparency, and reliability of statutory financial reporting. Taken together, we believe these refinements will better align the framework with its intended objectives while ensuring it can be implemented in a robust, consistent, and auditable manner across the industry. Additionally, we believe these recommendations are consistent with the NAIC’s objective of promoting financial stability, transparent reporting, and policyholder protection.

We would welcome the opportunity to discuss our comments further and address any questions you may have.

James A. Granese
Chief Financial Officer of Investments
MetLife, Inc

Copied: Julie Gann,
Robin Marcotte,
Jake Stultz,
Jason Farr,
Wil Oden

June 30, 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 #2023-14 – Interest Maintenance Reserve (IMR)

Dear Chair Clark:

Everlake Life Insurance Company appreciates the opportunity to comment on SAPWG Ref #2023-14 regarding the proposed revisions to the Interest Maintenance Reserve (IMR) framework.

Everlake strongly supports the adoption of a permanent solution that permits the full admittance of net negative IMR, subject to the safeguards included within the revised framework. The ACLI and numerous industry participants have similarly concluded that full admittance is the appropriate outcome under the proposed framework. As recognized throughout the SAPWG process, these transactions generally do not diminish an insurer's claims-paying ability and therefore should not result in an artificial reduction of admitted surplus.

The following section sets out why we support full admission.

- The fundamental purpose of IMR is to maintain consistency between the valuation of insurance liabilities and the fixed-income assets that support those liabilities. Historically, IMR has deferred the recognition of interest rate-related realized gains to avoid artificial increases in surplus that do not reflect a change in an insurer's underlying financial strength. The same principle should apply when insurers realize losses and reinvest proceeds into higher-yielding assets. In those circumstances, immediate recognition of losses can create a surplus outcome that is inconsistent with the economics of the transaction and with the long-term nature of insurance liabilities.
- The proposed proof-of-reinvestment approach, together with the other protections incorporated into the proposal, provides a sound and principled basis for recognizing negative IMR and appropriately reflects the economic realities of insurers' asset-liability management activities. Other protections include restrictions on liquidity-sale losses, asset adequacy testing considerations, actuarial review and attestation requirements, enhanced reporting and disclosure, limitations related to credit-related losses, and risk-based capital thresholds. Taken together, these safeguards provide regulators with robust oversight while allowing statutory accounting to more faithfully reflect economic substance.



- The accounting framework should support, rather than discourage, prudent portfolio management. Insurers routinely reposition investment portfolios to manage duration, credit exposure, liquidity, and other risks in support of policyholder obligations. The treatment of negative IMR should not create disincentives for risk-management actions that strengthen asset-liability alignment and improve long-term financial outcomes for policyholders.

For these reasons, Everlake respectfully encourages SAPWG to remove the current admissibility limitation and adopt full admittance of net negative IMR as contemplated by the proposed revisions to SSAP No. 7.

We appreciate the considerable work undertaken by SAPWG, NAIC staff, and industry stakeholders on this important issue and thank you for your consideration of our views.

Respectfully submitted,

Micheal Hartt

Senior Vice President & Chief Accounting Officer
Everlake Life Insurance Company





July 1, 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 #2023-14 - Interest Maintenance Reserve

Dear Chair Clark,

Reinsurance Group of America, Incorporated ("RGA") appreciates the opportunity to comment on the exposed item Ref #2023-14 - Interest Maintenance Reserve ("IMR") from the National Association of Insurance Commissioners' ("NAIC") Statutory Accounting Principles (E) Working Group ("SAPWG"). RGA commends the NAIC's development of an interim solution and the subsequent Ad Hoc Working Group process to address negative IMR.

RGA is a leading global life and health reinsurer with approximately \$4.3 trillion of life insurance in force and assets of \$156.6 billion. On a global basis, RGA provides life and annuity reinsurance as well as risk and capital management solutions and is publicly traded on the New York Stock Exchange (ticker: RGA).

SAPWG Ref #2023-14 proposes revisions to Statement of Statutory Accounting Principles ("SSAP") No. 7, which will permanently include guidance from Interpretation of the Statutory Accounting Principles Working Group No. 23-01: Net Negative (Disallowed) Interest Maintenance Reserve ("Int 23-01") set to expire on January 1, 2027. INT 23-01 allows negative IMR to be included as an admitted asset, providing specific criteria are met, up to 10% of adjusted surplus.

Address

16600 Swingley Ridge Road
Chesterfield, Missouri
63017-1706

Contact

636.736.7000
1.888.736.5445

RGA gives its full support to the American Council of Life Insurers (ACLI)'s comment letter dated June 25, 2026, which provided comments on the proposed exposures. ACLI's proposed changes, including the full admittance of negative IMR and technical



clarifications for reinsurance, are essential to preserving the life and health insurance industry's ability to provide insurance solutions to its policyholders and customers.

Reinsurance plays a critical role in the insurance industry by providing insurance companies with meaningful risk transfer and capital management solutions. It enables insurers to write additional business, strengthens surplus and capital positions, and stabilizes operating results. A symmetric and economically consistent IMR framework ensures that these important risk management solutions are available and are appropriately reflected in the statutory framework, which ultimately better protects policyholders.

For these reasons outlined above, and as further supported in the ACLI comment letter, RGA supports the full admittance of net negative IMR. This approach supports a stable, principle-based framework that accurately reflects an insurer's financial position while promoting sensible investment practices and sustaining the broader industry that benefits policyholders, insurers, reinsurers, and regulators.

Regards,

A handwritten signature in blue ink, appearing to read "John Hayden", is written over a light blue circular background.

John Hayden
Executive Vice President, Controller
Reinsurance Group of America, Incorporated

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

Issue: Referral on AVR affiliated common stock

Check (applicable entity):

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

Description of Issue:

This agenda item is to respond to a referral from the Life Risk-Based Capital (E) Working Group which was received at the 2025 Summer National Meeting. The referral forwarded comments received on life risk-based capital proposal 2025-04-L Other Long-Term Assets (LR008). Specifically, the American Council of Life Insurers (ACLI) raised questions on the asset valuation reserve (AVR) equity reporting lines for subsidiary, controlled or affiliated (SCA) common stock on the AVR reporting schedule in the Life, Accident & Health/ Fraternal Annual Statement and requested clarifications to the AVR blanks and instructions.

The following four AVR equity schedule lines were highlighted in the referral for clarification:

Maximum Reserve Factor	2025 AVR Schedule Line Number and Name
.1580	15 - Subsidiary, Controlled or Affiliated Common Stocks – Certain Other Subsidiaries (See SVO Purposes & Procedures Manual)
	68 - Investments with the Underlying Characteristics of Common Stock – Affiliated Certain Other (See SVO Purposes & Procedures Manual)
.1945	16 - Subsidiary, Controlled or Affiliated Common Stocks – Other.
	69 - Investments with the Underlying Characteristics of Common Stock – Affiliated Other – All Other ⁷

AVR was first applicable in 1992, and the original instructions and line names included references to specific SCA valuation categories for the SCA common stock lines for “affiliated – certain other.” However over time specific references to SCA valuations associated with the “affiliated – certain other” were removed from the AVR schedule and instructions which caused the distinction between the line categories for “affiliated certain other” and “affiliated other” to become unclear.

This agenda item provides a recommendation to clarify the reporting for these categories based on an overview of key research points from using the NAIC library resources, to review historical AVR instructions and schedules and the references to the SCA valuation methods previously within in the *Securities Valuation Office (SVO) Purpose & Procedures Manual* (P&P Manual) and the guidance currently in the *Accounting Practices and Procedures Manual*.

As detailed below in the “Key Points in Historical Research” NAIC staff has identified that the historical intent of

what is “line 15 - Subsidiary, Controlled or Affiliated Common Stocks – Certain Other Subsidiaries” is most similar to the current methods of SCA valuation in *SSAP No. 97—Investments in Subsidiary Controlled and Affiliated Entities* described below. Note that because of existing “Line 4 - Subsidiary, Controlled or Affiliated Common Stocks – Life Insurers with an AVR” are excluded from line 15:

1. U.S. insurance companies using the methodology detailed in SSAP No. 97, paragraph 8.b.i. This is an equity method using audited statutory accounting principles valuation. The historical wording referenced in the in the SVO P&P Manual for this line was book equity of common stock issued by a U.S. insurer.
2. Non-insurance companies (foreign and domestic) using the methodology detailed in SSAP No. 97, paragraph 8.b.ii. This is an equity method using audited generally accepted accounting principles (GAAP) with limited statutory adjustments. The historical wording for this line initially noted non-insurance companies and the value of assets if the held directly by an insurer. The historical intent of this wording is to arrive at either a statutory accounting valuation or a SAP like valuation for the assets.

Key Points in Historical Research

1. 1992 - the AVR schedule begins and the equity section has 3 key SCA common stock lines:

- **Line 3 - Subsidiary, Controlled or Affiliated Common Stock – Life Insurer with an AVR**
 - Affiliated life with AVR maximum reserve factor of 0.00
 - This line is relevant as it scopes out life insurance SCAs out of other SCA common stock lines. In 2025, line 4 has the same name and the scope of this line is unchanged.
- **Line 4 - Subsidiary, Controlled or Affiliated Common Stock – Certain Non-Life or Investment Subsidiaries**

Part of this line was later scoped out Investment SCAs and the remainder became line 15 SCA Common Stock- Certain Other (lower factor of .20) P&P Manual references were to (see excerpt in authoritative literature):

 - Section 4 (B) (a)(i) (value of assets if held directly by the insurer) is akin to current day SSAP No. 97, 8.b.ii. and
 - Section 4(B) (a) (iii) is book equity value that cannot be applied to non-insurers and is akin to present day SSAP No. 97 8.b.i. It applies to non AVR holding insurers as SCA Life insurers with AVR are on line 3.
- **Line 5 - Subsidiary, Controlled or Affiliated Common Stock –Other** (higher factor of .25) became line 16 with the same name and the scope which represents common stock in SCAs that are not in other lines. This line has been maintained through 2025.

2. 1994 - Investment subsidiaries are divided out of line 4 into separate lines 4-14 (AVR look-through charges by asset category) and other line numbers shift down.

- The remaining part of line 4 becomes **Line 15 Affiliated - Other Section 5(B) (a)(i) or (iii)**. With the move in the P&P Manual from Part Four to Part Five, the SVO P&P Manual reference was updated from Section 4 to 5 but there were no SVO valuation changes.
 - Section 5 (B) (a)(i) (value of assets if held directly by the insurer) is akin to current day SSAP No. 97, 8.b.ii. and

- Section 5(B) (a) (iii) is book equity value that cannot be applied to non-insurers is akin to present day SSAP No. 97 8.b.i. Therefore it applies to non AVR holding insurers.
 - Prior AVR line 5 is now **Line 16 - Affiliated –Other (c)** AVR schedule footnote (c) Represents “Affiliated Common Stock-Other” Investments not allocated to another line within this section. This footnote was moved to the instructions in 1995.
- 3. 1996 - AVR schedule line names change – SVO Manual references are generic.**
- Line 15 -AVR Schedule name changed to "**Affiliate - Certain Other (See SVO Purposes & Procedures Manual)**" **This is when the specific reference to the SVO section was removed from the line name.**
 - Line 15 - **ASI only include a generic reference to SVO P&P Manual.**
 - Line 16 - AVR Schedule name changed to “**Affiliated – All Other**”
- 4. 1997 - AVR schedule contribution changes and SVO Manual moves guidance to Part Eight**
- AVR schedule updates to add columns for the "Basic Contribution and Reserve Objective," but the Factor for line 15 remains 0.2 for Affiliate - Certain Other
 - SVO moves the guidance from Part Five to Part Eight.
 - Section 3 (a) – admitted asset equivalent for non-insurers (like SSAP No. 97, 8.b.ii.)
 - Section 3 (c)- Book value of Insurer’s Common Stock (like SSAP No. 97 8.b.i.)
- 5. 1998 - Line 15 ASI updated to include specific SVO references again**
- The ASI for line 15 referenced specific parts of the SVO P&P Manual, Part Eight, section 3 (a) (Admitted asset equivalent) [for non-insurers] and 3 (c) (Book Value of Insurer’s Common Stock). (See authoritative literature section).
- 6. 1999 - SVO P&P Manual no longer requires insurer book values in Part Eight, Section 3 (c) to be filed with the SVO beginning Jan. 1, 1999.**
- 7. 2001 - SAP codification- SVO P&P Manual adds reference to *SSAP No. 46—Investments in Subsidiary, Controlled, and Affiliated Entities*, and ASI have a generic SVO ref.**
- The 2001 ASI line 15 instructions replaces the specific reference to sections of the SVO P&P Manual and adds a generic reference. **This is when the specific reference to the P&P Manual section was removed from the ASI and replaced with a generic P&P Manual reference.** This generic reference to the P&P Manual continues through 2024.
 - SVO P&P Manual Part Eight was updated to reflect codification and begins referencing SSAP No. 46
 - The [special insert](#) (See p.45) to the 2000 publication includes tracked changes for the Jan. 1, 2001, for codification and the fling instructions begins referencing SSAP No. 46. Other sections of Part Eight, Section 3 note updates to the prior line fifteen references
 - Moved Part Eight, Section 3 (c) to Part Eight, Section 3 (b) (ii) A (This is a domestic insurer).
 - Information that matches the SSAP No. 46 valuation methods was added.
 - Part Eight Section 3(b)(i) Market with a discount rate, which is similar to current SSAP No. 97, paragraph 8.a.

- Part Eight Section 3(b)(ii) equity Methods **(A) and (B) are what was previously referenced for line 15**
 - (A) investment in U.S. insurance SCA entities using SAP equity adjusted for goodwill - similar to SSAP No. 97 paragraph 8.b.i
 - (B) Investments in noninsurance SCA entities – no significant ongoing operations use an adjusted SAP basis that is an early version of what became SSAP No. 97 paragraph 8.b.ii.
 - (C) Investments in noninsurance SCA entities with significant ongoing operations – Use audited GAAP statements this is similar to SSAP No. 97 paragraph 8.b.iii.

8. 2003 - Changes for Line numbers and AVR Factors

- New row line 3 for FHLB was added to AVR common stock table, so the key lines are now 16 and 17.
- Instructions are unchanged except for the line numbers.
AVR factors changes to .13 line 16/ line 59 Affiliated Certain Other and .16 for line 17 / line 60 Affiliated-Other this is due to implementation of Tax Effect Calculation page in RBC (one year delay in AVR changes, the RBC changes were effective 2002).

9. 2005 – SVO P&P Manual Updated to conform with SSAP No. 88

- SVO Purposes and Procedures Manual Part Eight was amended to bring it into conformity with new SSAP No. 88—*Subsidiary, Controlled and Affiliated Investments* (effective 2005). This added more sections to be consistent with SSAP No. 88.
 - Market value is essentially the same as current SSAP No. 97, paragraph 8a.
 - (A) US Insurance SCA is essentially the same as current SSAP No. 97, paragraph 8bi
 - (B) Investments in NON insurance SCAs includes the activity and revenue test like current SSAP No. 97, paragraph 8.b.ii.
 - (C) Investments in non-insurance SCA like current SSAP No. 97, paragraph 8.b.iii
 - (D) Investments in Foreign Insurance SCA use audited US GAAP with SAP adjustments for US business like current SSAP No. 97, paragraph 8.b.iv.
 - (E) investments in Foreign Non insurance SCA are allowed to used market, or activity or revenue test
- No blanks or instruction changes for line 16 and 17

10. 2006 – Additional clarifications to SVP P&P Manual to match SSAP No. 88 better.

- 2006 SVO P&P Manual Part Eight guidance added more paragraphs references from SSAP No. 88 about holding companies and elements of the equity method like pick up and not double counting preferred stock etc.

11. 2008 - SVO P&P Manual added references to SSAP No. 97, which replaced SSAP No. 88 and added Tokyo Stock Exchange

- SVO P&P Manual Part Eight references updated from SSAP No. 88 to SSAP No. 97—*Investments in Subsidiary Controlled and Affiliated Entities* explicitly reference the activity test in SSAP No. 97, paragraph 8.b.ii.
- Added Tokyo Stock exchange for the market method (SSAP No. 97, paragraph 8.a.)
- No blanks changes for lines 16 and 17

- No instruction changes for lines 16 and 17

12. 2014 – AVR Blank removed line 14 mortgages in the affiliated investment subsidiary section and the key lines are back to lines 15 - Affiliated Certain Other and 16 - Affiliated Other. No other changes to the instructions or reporting line instructions.

13. 2017 – SCA valuation moved from SVO P&P Manual to SSAP No. 97 and FRS

- The instructions for valuation of SCA investments were deleted from SVO P&P Manual. The deletion of the valuation instructions for SCA investments was accompanied by a decision of the Valuation of Securities (E) Task Force to transfer oversight of this activity to the Statutory Accounting Principles (E) Working Group and the Financial Regulatory Services Division.
- The AVR instructions were not updated because of this transfer of valuation function. The AVR Instruction and Blanks continue to reference the SVO P&P Manual
- SSAP No. 97 had an Exhibit A – SCA Reporting Process added for the filing instructions.

14. 2019 – AVR factors updated for tax changes

- AVR Factors refreshed to reflect Tax Changes (TCJA) (one year delay in AVR changes, RBC changes in 2018) AVR Equity line 15/line 68 (.1580) & line 16/ line 69 (.1945)
- Instructions for lines 15 still reference SVO no changes to lines 15 and 16 instructions

15. 2025 – Current Status

- Blank is the same still has SVO reference for line 15 Affiliated -Certain Other (See SVO Purposes and Procedures Manual)
- AVR Factors for SCA related lines (AVR Equity line 15 / line 68 (.1580) and for line 16/ line 69 (.1945) remain the same as 2019's
- The prior year (2024) instructions reference the SVO P&P Manual for line 15 has been updated to reference SSAP No. 97, this must have been an editorial change as it is not tracked.
- The prior year (2024) instructions reference to SVO P&P Manual for line 68 has been updated to reference SSAP No. 48, this must have been an editorial change as it is not tracked.

Existing Authoritative Literature:

1. The NAIC library website contains historical publications.
 - [Life, Accident and Health/ Fraternal Annual Statement Instructions](#)
 - [Life, Accident and Health/ Fraternal Blanks](#)
 - [SVO P&P Manual](#)

2. 2025 AVR line names and Life, Accident & Health/ Fraternal Annual Statement instructions (ASI) Lines 15 and 68 include generic references to SSAP No. 97:

AVR Equity Line	Instructions (Excerpt and emphasis added)
Line 4 – Subsidiary, Controlled or Affiliated Common Stocks – Life Insurer with an AVR	Report the book/adjusted carrying value of all common stocks owned in a controlled or affiliated company, or a subsidiary that is a life or fraternal insurance company that holds an AVR, in Columns 1 and 4. These companies are required to carry their own asset valuation reserve or an equivalent, and therefore the common stocks are not required to be included in the asset valuation reserve of an affiliated company.
Line 15 - Subsidiary, Controlled or Affiliated Common Stocks – Certain Other Subsidiaries	Report the book/adjusted carrying value of all subsidiary, controlled or affiliated company common stocks owned that have been valued according to the SSAP No. 97— Investments in Subsidiary, Controlled and Affiliated Entities in Columns 1 and 4. Multiply Column 4 by the reserve factors provided in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.
Line 16 - Subsidiary, Controlled or Affiliated Common Stocks – Other	Report that portion of the book/adjusted carrying value of all common stocks of all subsidiary, controlled or affiliated companies, that have not been included on Lines 4 through 15 , in Columns 1 and 4. Multiply Column 4 by the reserve factors provided in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively
Line 68 – Investments with the Underlying Characteristics of Common Stock – Affiliated Certain Other (See SVO Purposes & Procedures Manual)	...Line 68 should show all Schedule BA assets owned where the characteristics of the underlying investments are similar to subsidiary, controlled or affiliated company common stocks owned and these assets should be valued according to the SSAP No. 48—Joint Ventures, Partnerships or Limited Liability Companies . Categorize these assets consistent with the directions for Pages 32 and 33, Lines 1 through 4, 15 and 16...
Line 69 - Investments with the Underlying Characteristics of Common Stock – Affiliated Other – All Other	 Categorize these assets consistent with the directions for Pages 32 and 33, Lines 1 through 4, 15 and 16...

3. Excerpt from 1992 SVO P&P Manual referenced on valuations of SCA common stock is below, the full 1992 Manual is at this link: [1992 SVO](#)

SVO P&P Manual Part 4(B)(a)(i)	SVO P&P Manual Part 4(B)(a)(iii)
...the value of only such of the assets of such company as would constitute lawful investments for the insurer if acquired or held directly by the insurer.	book value, defined as in Section 4 (A)(c)*, provided, however, that the common stock of a non-insurance company may not be valued on the basis of this subsection (iii); * 4(A)(c) states: Association Values for common stocks which are not publicly traded which are <u>issued by insurance companies</u> will be equal to book value, which shall be calculated as follows: by dividing the amount of its capital and surplus as shown in its last annual statement or subsequent report of examination (excluding from surplus, reserves required by statute and any portion of surplus properly allocable to policyholders, rather than stockholders) less the value (par or redemption value, whichever is the greater) of all of its preferred stock, if any, outstanding, by the number of shares of its common stock issued and outstanding.

4. 1998 SVO Manual move guidance to Part Eight SVO instructions (bolding added)

Section 3. Valuation Methods In fulfilling the requirements of Sections 1 and 2 above, insurance companies may use any of the following valuation methods:

(a) **Admitted Asset Equivalent** Pursuant to this method, which may only be used for non-insurance SCA companies, the value of the common stock is limited to the value of those assets of the SCA company that would constitute lawful investments for the insurance company, if acquired or held directly by the insurance company. **This is the sole valuation method that permits submission and use of an unaudited financial statement.**

(c) **Book Value of Insurer's Common Stock** Pursuant to this method, the value of the **common stock of an insurance company** is derived by reference to the insurance company's book value, calculated by dividing the company's NAIC Financial Statement Blank capital and surplus less the value of its preferred stock and surplus notes, by the number of shares of its issued and outstanding common stock. The insurance company is required to submit the NAIC Financial Statement Blank to the SVO. A noninsurance company may not use this valuation method.

5. 2001- Life Fraternal Annual Statement instructions for AVR equity line 15 – has a generic SVO reference.

Line 15 – Subsidiary, Controlled or Affiliated Common Stocks – Certain Other Subsidiaries Report the book/adjusted carrying value of all subsidiary, controlled or affiliated company common stocks owned that have been valued according to the **Purposes and Procedures Manual of the Securities Valuation Office of the NAIC** in Columns 1 and 4. Multiply Column 4 by the reserve factors provided in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10 respectively.

6. SVO P&P Manual Instructions 2008 Part Eight, Section 3 Valuation methods

Note (a) (i) describes the market valuation methods and is omitted. Underline was in the P&P Manual.

(ii) Equity Methods If a SCA investment does not meet the requirements for the market valuation approach in Section 3 (a) (i) of this Part, or if the requirements are met, but a reporting entity elects not to use the market valuation approach, the reporting entity's proportionate share of its investments in SCAs shall be recorded as follows:

- (A) Investments in U.S. Insurance SCA Entities
Investments in U.S. insurance SCA entities shall be recorded based on the underlying audited statutory equity (where equity is defined as net of preferred stock and surplus notes of the investee) of the respective entity's financial statements, adjusted for any unamortized goodwill as provided for in SSAP No. 68.
- (B) Investments in Non-Insurance SCA Entities Statutory Basis
Investments in non-insurance SCA entities engaged in the activities described in SSAP No. 97, paragraph 8b.ii. shall be adjusted to an audited statutory basis of accounting, if 20% or more of the SCA's revenue is generated from the reporting entities and its affiliates. For purposes of this section, revenue means GAAP revenue reported in the audited GAAP financial statements, excluding realized and unrealized capital gains and losses. Statutory basis of accounting shall be based on the underlying audited U.S. GAAP equity of the respective entity with the adjustments required by paragraph 9 of SSAP No. 97. If the reporting entity also holds an investment in preferred stock and or surplus notes refer to paragraphs 23 through 27 of SSAP No. 97. For guidance on investments in downstream holding companies refer to paragraphs 17-19 of SSAP No. 97.
- (C) Investments in Non-Insurance SCA Entities GAAP Basis
Investments in non-insurance SCA entities that do not qualify under the preceding subparagraph (B) shall be recorded based on the audited GAAP equity of the investee.
- (D) Investments in Foreign Insurance SCA Entities
Investments in foreign insurance SCA entities shall be recorded based on the underlying audited U.S. GAAP equity of the respective entity adjusted to a statutory basis of accounting, for reserves of the foreign insurance SCA with respect to the business it assumes directly and indirectly from an US insurer using the statutory accounting principles promulgated in the NAIC Accounting Practices and Procedures Manual and for any audit adjustments resulting from the annual GAAP audit. Statutory basis of accounting shall be based on the underlying U.S. GAAP equity of the respective entity with the adjustments required by paragraph 9 of SSAP No. 97. GAAP is defined as those pronouncements included in the United States GAAP Hierarchy as described in AICPA Statement of Auditing Standard No. 69, The Meaning of Present Fairly in Conformity With GAAP. Foreign SCA entities are defined as those entities incorporated or otherwise legally formed under the laws of a foreign country. Foreign insurance SCA entities are defined as alien insurers formed according to the legal requirements of a foreign country.

- (E) Investments in Foreign Non-Insurance SCA Entities
Investments in foreign non-insurance SCA entities shall follow the guidance in this Part Eight, Section 3(a)(ii)(B) or (C) based on the revenue and activity criteria noted above, which requires that accounting be based on the underlying adjusted audited U.S. GAAP equity of the respective entity. Statutory basis of accounting shall be based on the underlying audited U.S. GAAP equity of the respective entity with the adjustments required by paragraph 9 of SSAP No. 97.
- (F) Investments in the Preferred Stock of an SCA
Investments in the preferred stock of an SCA shall be accounted for in accordance with the provisions of SSAP No. 32. If in addition to preferred stock the reporting entity also holds an investment in common stock and/or surplus notes refer to paragraphs 23 through 27 of SSAP No. 97 and paragraph 10 of SSAP No. 41.

7. SSAP No. 48—Joint Ventures, Partnerships or Limited Liability Companies (Bolding added):

7. Investments in these ventures, except for joint ventures, partnerships and limited liability companies with a minor ownership interest¹, shall be reported using an equity method as defined in **SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities, paragraphs 8.b.i. through 8.b.iv.** (The equity method calculation may result with a negative valuation of the investment; therefore, the SSAP No. 97 equity method calculation shall occur regardless of whether the investment is supported by an audit and the reporting entity will nonadmit the investment.) A reporting entity whose shares of losses in a SSAP No. 48 entity exceeds its investment in the SSAP No. 48 entity shall disclose the information required by SSAP No. 97, paragraph 35.a.

Footnote¹ With the identification of whether the reporting entity has a minor ownership interest, reporting entities must also identify whether the investment is a related-party transaction. Pursuant to the concepts reflected in *SSAP No. 25—Affiliates and Other Related Parties*, consideration shall be given to the substance of the transaction and the parties whose action or performance materially impacts the insurance reporting entity holding the security. For example, if the underlying assets within a SSAP No. 48 entity represent assets issued by an affiliate, then the SSAP No. 48 entity shall be considered a related party (affiliate) investment, with the transaction subject to the accounting and reporting provisions of SSAP No. 25. As identified in SSAP No. 25, it is erroneous to conclude that the inclusion of a non-related intermediary, or the presence of non-related assets in a structure predominantly comprised of related party investments, eliminates the requirement to identify and assess the investment transaction as a related party arrangement.

8. SSAP No. 97

Applying the Market Valuation, Audited Statutory Equity and Audited GAAP Equity Methods

8. The admitted investments in SCA entities shall be valued using either the market valuation approach (as described in paragraph 8.a.), or one of the equity methods (as described in paragraph 8.b.) adjusted as appropriate in accordance with the guidance in *SSAP No. 25—Affiliates and Other Related Parties*, paragraph 18.d.

a. Market valuation (Omitted for brevity)

b. If a SCA investment does not meet the requirements for the market valuation approach in paragraph 8.a. or, if the requirements are met but a reporting entity elects not to use that approach, the reporting entity's proportionate share of its investments in SCAs shall be recorded as follows:

- i. Investments in U.S. insurance SCA entities shall be recorded based on either 1) the underlying audited statutory equity of the respective entity's financial statements, adjusted for any unamortized goodwill as provided for in *SSAP No. 68—Business Combinations and Goodwill*² or 2) the underlying audited statutory equity of the respective entity's financial statements, adjusted for any unamortized goodwill, modified to remove the impact of any permitted or prescribed accounting practices that depart from the NAIC *Accounting Practices and Procedures Manual*. Reporting entities shall record investments in U.S. insurance SCA entities on at least a quarterly basis, and shall base the investment value on the most recent quarterly information available from the SCA. Entities may recognize their investment in U.S. insurance SCA entities based on the unaudited statutory equity in the SCAs year-end annual statement if the annual SCA audited financial statements are not complete as of the filing deadline. The recorded statutory equity shall be adjusted for audit adjustments, if any, as soon as the annual audited financial statements have been completed. Annual consolidated or combined audits are allowed if completed in accordance with the Model Regulation Requiring Annual Audited Financial Reports as adopted by the SCA's domiciliary state;
- ii. Investments in both U.S. and foreign noninsurance SCA entities that are engaged in the following transactions or activities:
 - (a) Collection of balances as described in *SSAP No. 6—Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due From Agents and Brokers*
 - (b) Sale/lease or rental of EDP Equipment and Software as described in *SSAP No. 16—Electronic Data Processing Equipment and Software*
 - (c) Sale/lease or rental of furniture, fixtures, equipment or leasehold improvements as described in *SSAP No. 19—Furniture, Fixtures, Equipment and Leasehold Improvements*

² If the insurance SCA employs accounting practices that depart from the NAIC accounting practices and procedures, and the reporting insurance entity has not adjusted the valuation of the insurance SCA to be consistent with the NAIC accounting practices and procedures, (i.e., retains the effect of the permitted or prescribed practice in its valuation), disclosure about those accounting practices that affect the insurance SCA's net income and surplus shall be made pursuant to paragraph 37. If the reporting entity has adjusted the investment in the insurance SCA with the resulting valuation being consistent with the accounting principles of the AP&P Manual, the disclosures in paragraph 37 are not required.

- (d) Loans to employees, agents, brokers, representatives of the reporting entity or SCA as described in *SSAP No. 20—Nonadmitted Assets*
- (e) Sale/lease or rental of automobiles, airplanes and other vehicles as described in *SSAP No. 20—Nonadmitted Assets*
- (f) Providing insurance services on behalf of the reporting entity including but not limited to accounting, actuarial, auditing, data processing, underwriting, collection of premiums, payment of claims and benefits, policyowner services
- (g) Acting as an insurance or administrative agent or an agent for a government instrumentality performing an insurance function (e.g. processing of state workers compensations plans, managing assigned risk plans, Medicaid processing etc.)
- (h) Purchase or securitization of acquisition costs

and if 20% or more of the SCA's revenue is generated from the reporting entity and its affiliates, then the underlying equity of the respective entity's audited U.S. Generally Accepted Accounting Principles (GAAP) financial statements shall be adjusted to a limited statutory basis of accounting in accordance with paragraph 9. For purposes of this section, revenue means GAAP revenue reported in the audited U.S. GAAP financial statements excluding realized and unrealized capital gains/losses. Foreign SCA entities are defined as those entities incorporated or otherwise legally formed under the laws of a foreign country. Paragraphs 22-27 provide guidance for investments in holding companies;

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:
The Working Group received this referral from the Life Risk-based Capital (E) Working Group at the 2025 Summer National Meeting.

Convergence with International Financial Reporting Standards (IFRS): None

Staff Review Completed by: Robin Marcotte – NAIC Staff

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 the Life, Accident & Health/ Fraternal Annual Statement blank and instructions as described below. In addition, the Life Risk-based Capital (E) Working Group should be notified of the exposure. No revisions to statements of statutory accounting principles are recommended. After exposure of this agenda item, NAIC staff recommend 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 to ensure the instructions are accurate.

The proposed revisions detailed below include SCAs with statutory accounting impacted valuations (excluding life SCAs that have an AVR) in line 15, receiving a lower RBC charge as the “SCA – Certain Other” category, and all other SCAs captured in line 16.

1. Line 15 - Subsidiary, Controlled or Affiliated Common Stocks – Certain Other Subsidiaries be updated to include:
 - a. Remove the reference to the SVO Purposes & Procedures Manual in the line name in the annual statement.
 - b. Add references to SSAP No. 97, paragraph 8.b.i (audited U.S. Insurers SAP equity) and paragraph 8.b.ii (audited GAAP for a non-insurance entity with limited SAP adjustments) to the instructions. This is consistent with specific historical SVO references that the line includes valuations with statutory adjustments. Note that historical information did not include foreign insurance entities.
 - c. Note that because of existing AVR Common Stock Line 4 - Affiliated Life insurance with AVR are excluded from line 15 and NAIC staff recommend that this be stated.
2. Line 68 - Investments with the Underlying Characteristics of Common Stock – Affiliated Certain Other (See SVO Purposes & Procedures Manual)
 - a. Remove the reference to the SVO Purposes & Procedures Manual in the line name in the annual statement. Add SAP equity to line 15 name.
 - b. Include in line 68 investments with more than a minor ownership interest as described in SSAP No. 48 which are valued in accordance with SSAP No. 97, paragraph 8.b.i.; or paragraph 8.b.ii. and explicitly note that this line does not include life entities with AVR which are reported in line 67.
 - c. Note that the instructions for lines 65-68 are quite brief, so NAIC staff would recommend further instructions to these lines. With the sponsored blanks proposal for this item, NAIC staff will work with the Blanks team to propose clarifying edits to these lines, as well as the corresponding common stock lines.
 - d. The currently exposed blanks proposal number 2025-27BWG affects the AVR schedule and instructions to add a section on collateralized loan obligations (CLO), collateralized bond obligations (CBO) and collateralized debt obligations (CDO). This will require section and line renumbering of the AVR schedule and lines. For ease of review the following is a cross reference of current line numbers and the proposed line numbers in 2025-27BWG.

Current line number	Line number in 2025-27BWG
Line 4	Section A, Line 4
Line 15	Section A, Line 15
Line 16	Section A, Line 16
Line 65	Section F, Line 1
Line 66	Section F, Line 2
Line 67	Section F, Line 3

Line 68	Section F, Line 4
Line 69	Section F, Line 5

3. Line 69 - Investments with the Underlying Characteristics of Common Stock – Affiliated Other – All Other revisions have been proposed to add instruction for line 69 that parallels the guidance for line 16 - Subsidiary, Controlled or Affiliated Common Stocks – Other.

Proposed revisions for exposure consideration

The line numbers that will match the line numbers if proposal 2025-27BWG is adopted are shown in item 2 d above for ease of review to allow for coordination with other ongoing projects.

Life, Accident & Health/ Fraternal Annual Statement

Asset Valuation Reserve Equity And Other Invested Asset Component – Basic Contribution, Reserve Objective And Maximum Reserve Calculations

Current line #	Current line name
Line 15	Affiliated certain other SAP equity ~~(See SVO Purposes & Procedures Manual)~~
Line 68	Affiliated certain other ~~(See SVO Purposes & Procedures Manual)~~

Life, Accident & Health/ Fraternal Annual Statement Instructions

Asset Valuation Reserve Equity And Other Invested Asset Component – Basic Contribution, Reserve Objective And Maximum Reserve Calculations

Line 15_ – Subsidiary, Controlled or Affiliated Common Stocks – Certain Other Subsidiaries

Report the book/adjusted carrying value of all subsidiary, controlled or affiliated company common stocks owned that have been valued according to SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities [in paragraph 8.b.i and paragraph 8.b.ii](#) in Columns 1 and 4. Multiply Column 4 by the reserve factors provided in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively. [This line does not include common stock of subsidiary, controlled, or affiliated entities holding an AVR. Such entities are disclosed in line 4 - Subsidiary, Controlled or Affiliated Common Stocks – Life Insurer with an AVR.](#)

Line 16 – Subsidiary, Controlled or Affiliated Common Stocks – Other

Report that portion of the book/adjusted carrying value of all common stocks of all subsidiary, controlled or affiliated companies, that have not been included on Lines 4 through 15, in Columns 1 and 4. Multiply Column 4 by the reserve factors provided in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.

Lines 65 through 69 – Other Invested Assets with Underlying Characteristics of Common Stocks Report the book/adjusted carrying value of all Schedule BA assets owned where the characteristics of the underlying investments are similar to common stock (Lines 1999999 and 2099999) in Columns 1 and 4.

Categorize these assets consistent with the directions for Pages 32 and 33, the corresponding the common stock line have the underlying characteristics of Lines 1 through 4, 15 and 16.

Line 1- Unaffiliated public corresponds to line 65

Line 2 - Unaffiliated private corresponds to line 66

Line 4 – Affiliated Life with AVR corresponds to line 67

Line 15 Affiliated-certain other SAP Equity corresponds to line 68

Line 16 Affiliated all other corresponds to line 69

For Line 65, the reserve factor must be calculated on an individual company basis. It is equal to 15.8% times the beta factor as discussed in the Pages 32 and 33, Line 1 instructions, and must be at least 12.15% but not more than 24.31%. Multiply the amount in Column 4 by the calculated reserve factors in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.

For Lines 66 through 69, multiply the amounts in Column 4 by the reserve factors provided in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.

Line 67 should show Schedule BA assets with the underlying characteristics of common stocks for an affiliated life insurance entity carrying AVR.

Line 68 should show all Schedule BA assets owned where the characteristics of the underlying investments are similar to subsidiary, controlled or affiliated company common stocks owned and these assets which hold more than a minor ownership interest per ~~should be valued according to the~~ SSAP No. 48—Joint Ventures, Partnerships or Limited Liability Companies which are valued according to the requirements in SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities in paragraph 8.b.i and paragraph 8.b.ii. This line does not include assets with the underlying characteristics of common stocks of a life entity holding an AVR as such entities are disclosed in line 67.

Line 69 should show all Schedule BA assets owned where the characteristics of the underlying investments are similar to affiliated common stocks and these are the assets that are not included in lines 67 or 68.

~~Categorize these assets consistent with the directions for Pages 32 and 33, Lines 1 through 4, 15 and 16. For Line 65, the reserve factor must be calculated on an individual company basis. It is equal to 15.8% times the beta factor as discussed in the Pages 32 and 33, Line 1 instructions, and must be at least 12.15% but not more than 24.31%. Multiply the amount in Column 4 by the calculated reserve factors in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively. For Lines 66 through 69, multiply the amounts in Column 4 by the reserve factors provided in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.~~

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 the above revisions to the Life, Accident & Health/Fraternal Annual Statement blank and instructions as described and illustrated above. In addition, the Life Risk-based Capital (E) Working Group will be notified of the exposure. No revisions to statements of statutory accounting principles are exposed. After exposure of this agenda item, NAIC staff recommend 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.

On August 12, 2026, the Statutory Accounting Principles (E) Working Group adopted, as final, the agenda item and directed NAIC staff to proceed with sponsoring a proposal to update the 2027 Life, Accident & Health/Fraternal Annual Statement blank and instructions to incorporate instruction changes to the noted AVR reporting lines, as well as to revisions to other AVR reporting lines (particularly lines 65-69) to ensure the instructions are clear. In addition, the Working Group directed that the Life Risk-Based Capital (E) Working Group should be notified of the plan to submit a blanks proposal. This agenda item does not include any SSAP revisions.

<https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2026/08-12-26SummerNationalMeeting/Adoptions/26-07-AVRreferralonSCA.docx>

To: Kevin Clark, Chair of the Statutory Accounting Principles (E) Working Group
Dale Bruggeman, Vice Chair of the Statutory Accounting Principles (E) Working Group

From: Carrie Mears, Chair of the Investment Analysis (E) Working Group
Matt Cheung, Vice Chair of the Investment Analysis (E) Working Group

Re: Note 20C Fair Value Hierarchy Disclosures – Consistency, Granularity, and Usability Enhancements

Date: July 27, 2026

In accordance with its nine-month plan, the Investment Analysis (E) Working Group is reviewing certain assets that, pursuant to *SSAP No. 100—Fair Value*, are categorized within the Level 3 classification of the fair value hierarchy. Level 3 assets, in short, are those for which unobservable inputs are used to measure fair value. When observable inputs do exist, the fair value measurement objective remains the same, that is fair value shall represent an exit price from the perspective of a market participant. Therefore, unobservable inputs, or use of model-based estimates and other non-market observable data, shall reflect the entity's own beliefs about the assumptions market participants would use in pricing the asset or liability. The definition is clear that reporting entities shall not ignore information about market participant assumptions that are reasonably available without undue cost and effort.

While book-adjusted carrying value (BACV) represents the primary measurement basis for assets reported in statutory financial statements, fair value disclosures are required for most investments on an instrument-by-instrument basis, providing regulators with relevant information regarding market valuation. Comparisons between BACV and fair value are also frequently utilized under Statements of Statutory Accounting Principles (SSAPs) in assessing other-than-temporary impairments (OTTI), with realized impairments often resulting in valuation adjustments to then-current fair value.

Level 3 assets are of particular interest to state insurance regulators due to their reliance on significant unobservable inputs, limited market activity, and increased use of model-based valuation techniques. These characteristics can result in reduced transparency into valuation methodologies, including the assumptions, inputs, and approaches used by reporting entities to determine fair value. Additionally, because the underlying valuation inputs are less observable, the assessment of changes in economic value and the identification of potential impairment indicators may require greater judgment and complexity. This may create a risk that impairments are not identified or recognized on a timely basis, potentially resulting in more significant valuation adjustments when impairments are ultimately recognized (as they were perhaps not recognized incrementally over time). In contrast, Level 1 and Level 2 assets generally benefit from more observable market inputs or pricing information, which may facilitate earlier identification of changes in value and timely recognition of impairments. Coupled with the continued growth of Level 3 holdings across certain sectors of the insurance industry, these factors heighten regulatory focus on valuation consistency, comparability, and the ability to assess underlying economic risk, particularly in less liquid or more complex asset classes.

These valuation characteristics underscore the importance of consistent and comparable disclosure of fair value measurements across reporting entities. They are directly relevant to the broader fair value disclosure framework, including Note 20C reporting requirements, which serve as a mechanism for conveying valuation hierarchy classification in aggregate by financial instrument classifications. While these disclosures are intended to enhance transparency regarding fair value measurement and classification, current reporting practice has revealed significant variability in structure, granularity, and usability across reporting entities.

In particular, the Working Group notes the following observations:

1. Note 20C is a free-form disclosure that does not require alignment to other investment schedules or standardized reporting structures. As a result, reporting entities are permitted to aggregate investments into different financial instrument classifications, which results in information in significantly different formats, limiting comparability across insurers. Disclosures may range from highly granular, security-by-security listings of issuer credit obligations to broad aggregations at the issuer, investment category, or asset-backed security (ABS) level, reducing consistency in presentation and interpretability. Current reporting observations indicate that some insurers may include several dozen pages of detailed listings, while others provide highly summarized tables, creating significant variation in both volume and format of disclosure. For the 2025 reporting period, certain reporting entities have disclosed in excess of 2,500 individual entries within Note 20C, highlighting the potential for this disclosure to become excessively voluminous and operationally burdensome without enhancing comparability. Thus, in its current form for some reporting entities, Note 20C may be functionally comparable in size and complexity to primary investment schedules, without providing equivalent analytical clarity or standardized drill-down capability across reporting entities.
2. The current structure introduces risks of data quality inconsistency, including typographical variation in security descriptions, inconsistent naming conventions across reporting periods, and limited ability to reliably track changes in classification year-over-year.
3. The absence of a standardized mapping framework to underlying investment schedules limits the ability to efficiently trace Note 20C disclosures to existing statutory reporting lines, including *Schedule BA—Other Long-Term Invested Assets* and *Schedule D—Bonds and Stocks*, and may reduce the usefulness of the disclosure for regulatory analysis.

Taken together, these limitations may reduce the effectiveness of Note 20C as a comparative regulatory tool, particularly in its ability to support consistent cross-entity analysis of fair value hierarchy classifications and underlying investment exposures. The current variability in structure and granularity may also cause additional supervisory and reporting burden, as regulators may be required to perform entity-specific reconciliation efforts to achieve a consistent analytical view across reporting entities. These observations highlight potential concerns related to usability, traceability, and comparability of Note 20C disclosures across the industry.

Accordingly, the Working Group notes that enhancements to structure and standardization may improve regulatory utility and consistency. Consideration could be given to whether more prescriptive linkage to existing statutory investment schedules may improve usability and reduce reporting variability.

Potential areas for consideration include:

- Development of standardized mapping requirements between Note 20C disclosures and existing investment schedules, including clear alignment to Schedule BA, Schedule D, and other relevant investment reporting schedules, as applicable.
- Evaluation of whether disclosures should require categorization that aligns each reported fair value measurement to a specific statutory statement and reporting line. This would allow for traceability from Note 20C to the reporting schedule and unique reporting lines.

These considerations are intended to enhance the practical utility of fair value disclosures for state insurance regulators, improve consistency across reporting entities, and support more effective analytical use of statutory financial reporting without materially increasing reporting burden.

The Investment Analysis (E) Working Group support staff are available to provide additional background, data, or analysis as needed to assist with the Statutory Accounting Principles (E) Working Group's evaluation of this matter.

Please contact NAIC staff, Jim Pinegar (jpinegar@naic.org), if you have any questions. Cc: Jim Pinegar, Dimitris Karapiperis, Topher Hughes, Julie Gann, Robin Marcotte, Jake Stultz, Wil Oden, and Jason Farr

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A. National Meeting Materials/2026/08-12-26 Summer National Meeting/Hearing/6 - INVAVG to SAPWG \(Level 3 Disclosures\).docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2026/08-12-26SummerNationalMeeting/Hearing/6-INVAVGtoSAPWG(Level3Disclosures).docx)

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

Issue: Securities Lending Restricted Asset Reporting

Check (applicable entity):

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

Description of Issue: This agenda item has been prepared to clarify restricted asset reporting for securities lending transactions, particularly to clarify what should be reported as a restricted asset, and to address questions for potential double-counting that could occur based on existing guidance.

- For securities lending, current SSAP and annual statement instruction language refers to “collateral held” as the restricted asset, but in other similar situations, it is the lent asset still on the books that is reported as the restricted asset. Further, the RBC reference in LR017 for securities lending transactions refers to the asset “loaned to others” for the corresponding RBC charge, but pulls from the GI lines for “collateral held” under securities lending agreements.
- For securities lending, in *SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures* and the corresponding financial statement restricted asset disclosure in Note 5L, there is a distinct restricted asset reporting line for “collateral held under security lending agreements” as well as a reporting category for assets received as collateral reported on the financial statements when there is a recognized liability to return. With the expansion of Note 5L, many questions have been received as companies seem to have interpreted the guidance to require the securities lending collateral in both locations, resulting with questions on double counting of collateral held under these agreements.

To provide an overview of a securities lending transaction:

A security lending transaction involves the temporary transfer of securities from one party (security lender) to another party (security borrower) and with the lender receiving collateral from the borrower to protect against the risk of loss. The lender receives a fee for the use of the security.

Under statutory accounting, when a reporting entity has entered into a securities lending arrangement, the lent asset is retained on the insurance company’s investment schedule and included within the financial statements and subject to the corresponding RBC factor for that asset. This lent asset is restricted and not under the control of the reporting entity. This classification should exist regardless of whether the reporting entity lender has received collateral in exchange for that asset that they can pledge or sell:

- If the reporting entity has received collateral that they can pledge or sell, the reporting entity is to recognize the collateral received on their financial statements with an obligation to return the collateral. As this collateral is recognized on the insurance entity’s books, it would be captured on an investment schedule and be subject to the corresponding RBC factor for that asset.

- If the reporting entity has received collateral that they cannot pledge or sell, then the reporting entity does not recognize that collateral on their financial statements and they do not recognize a liability to return. As this collateral is not recognized as an investment, there is no RBC asset charge.

Fundamentally, the asset loaned to the counterparty still reported on the insurance company's investment schedule should be what is captured as the "restricted asset" under a securities lending agreement. This agenda item proposes to incorporate changes to SSAP No. 1, the annual statement instructions and blanks to remove reference to "collateral held" and instead refer to the loaned asset.

For RBC purposes, the factor applied to this restricted asset will be influenced by whether the program qualifies as a conforming or non-conforming program (which is impacted by the type of collateral received) under the RBC requirements. However, the restricted asset classification will be to the lent asset still on the reporting entity's books and not to the collateral received.

- With this terminology change, collateral held for which the reporting entity does not have the ability to sell or pledge will not be captured as a restricted asset and under existing provisions, and will not be subject to any RBC factors. (This is because this collateral is not recognized on the reporting entity's financial statements.)
- With the terminology change, collateral held for which the reporting entity has the ability to sell or pledge shall be captured as a restricted asset on the investment schedule it is reported, and captured in Note 5L, in the category for which the entity has recognized collateral with the obligation to return. With the reporting in this category, under existing provisions, the collateral asset will not be subject to any additional RBC factors outside of the asset charge.

The revisions proposed in this agenda item should address both noted issues for 1) clarity in what should be reported as a restricted asset from securities lending transactions and 2) eliminate double counting for "collateral held" under securities lending agreements within the restricted asset disclosure. The restricted asset disclosure will capture the lent asset, and then if the entity has the ability to pledge or sell collateral received, the collateral received which is offset by a liability to return.

Existing Authoritative Literature:

SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures Correction of an Error

23. Reporting entities shall disclose¹ the following information in the financial statements:
- a. Amounts not recorded in the financial statements that represent segregated funds held for others, the nature of the assets and the related fiduciary responsibilities associated with such assets. One example of such an item is escrow accounts held by title insurance companies; and
 - b. The total combined (admitted and nonadmitted) book adjusted carrying value (BACV) of restricted assets by category, with separate identification of the admitted and nonadmitted

¹ Disclosure of restricted assets shall be included in all annual and quarterly financial statements.

restricted assets by category, and nature of any assets pledged to others as collateral or otherwise restricted (e.g., not under the exclusive control, assets subject to a put option contract, etc.)² in the general and separate accounts³ by the reporting entity in comparison to total assets and total admitted assets. (Pursuant to SSAP No. 4, paragraph 6, all assets pledged as collateral or otherwise restricted shall be reported in this disclosure regardless if the asset is considered an admitted asset.) Reporting entities shall also disclose differences in the amounts reported in this note versus the amounts reported for the same categories in the general interrogatories. This disclosure shall include the following restricted asset categories:

- i. Reported assets subject to contractual obligation for which liability is not shown;
- ii. Collateral held under security lending agreements;
- iii. Assets subject to repurchase agreements;
- iv. Assets subject to reverse repurchase agreements;
- v. Assets subject to dollar repurchase agreements;
- vi. Assets subject to dollar reverse repurchase agreements;
- vii. Assets placed under option contracts;
- viii. Letter stock or securities restricted as to sale⁴ – excluding FHLB stock;
- ix. FHLB capital stock;
- x. Assets on deposit with states;
- xi. Assets on deposit with other regulatory bodies;
- xii. Pledged as collateral to the FHLB (including assets backing funding agreements);
- xiii. Assets pledged as collateral not captured in other categories⁵; and

² The aggregate information captured within this disclosure is intended to reflect the information reported in the Annual Statement Investment Schedules in accordance with the coding of investments that are not under the exclusive control of the reporting entity, including assets loaned to others and the information reported in the General Interrogatories, as well as information on restricted cash, cash equivalents and short-term investments.

³ Restricted assets in the separate account are not intended to reflect amounts “restricted” only because they are insulated from the general account or because they are attributed to specific policyholders. Separate account assets shall be captured in this disclosure only if they are restricted outside of these characteristics.

⁴ The nature, description and amount of the restriction are required in the disclosure.

⁵ Items captured in this category shall include assets reported within the financial statements that are pledged to a counterparty that have not been captured in other categories or within paragraph 23.c. Items reported should include, but not be limited to, assets pledged under derivative arrangements.

- xiv. Other restricted assets.
- c. The BACV and nature of any assets received as collateral or assets that are held under modified coinsurance (modco) or funds withheld reinsurance agreements, reflected as assets within the reporting entity's financial statements, for which there is a recognized liability to return these collateral assets or for the dedicated use of those assets under the modco/funds withheld agreement, in the general and separate accounts in comparison to total assets and admitted assets. The disclosure shall identify whether the modco/FWH assets are related to the reinsurer.

SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities

Excerpts from *SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* have been included to detail the securities lending requirements, but there are no references to the reporting of restricted assets for securities lending transactions within this guidance. (There are references for repurchase agreements in SSAP No. 103 but not for securities lending transactions.)

Securities Lending Transactions

85. Securities lending transactions are generally initiated by broker-dealers and other financial institutions that need specific securities to cover a short sale or a customer's failure to deliver securities sold. Securities lending transactions typically extend less than one year. Transferees (borrowers) of securities generally are required to provide collateral to the transferor (lender) of securities, commonly cash but sometimes other securities or standby letters of credit, with a value slightly higher than that of the securities borrowed. If the collateral is cash, the transferor typically earns a return by investing that cash at rates higher than the rate paid or rebated to the transferee. If the collateral is other than cash, the transferor typically receives a fee. Securities custodians or other agents commonly carry out securities lending activities on behalf of clients. Because of the protection of collateral (typically valued daily and adjusted frequently for changes in the market price of the securities transferred) and the short terms of the transactions, most securities lending transactions in themselves do not impose significant credit risks on either party. Other risks arise from what the parties to the transaction do with the assets they receive. For example, investments made with cash collateral impose market and credit risks on the transferor.

86. If the criteria conditions in paragraph 8 (sales criteria) are met, securities lending transactions shall be accounted for:

- a. By the transferor as a sale of the "loaned" securities for proceeds consisting of the cash collateral⁶ and a forward repurchase commitment.
- b. By the transferee as a purchase of the "borrowed" securities in exchange for the collateral and a forward resale commitment. During the term of that agreement, the transferor has surrendered control over the securities transferred and the transferee has obtained control over those securities with the ability to sell or transfer them at will. In that case, creditors of the transferor have a claim only to the "collateral" and the forward repurchase commitment.

87. Many securities lending transactions are accompanied by an agreement that entitles and obligates the transferor to repurchase or redeem the transferred financial assets before their maturity under which the

⁶ If the "collateral" in a transaction that meets the criteria in paragraph 8 is a financial asset that the holder or its agent is permitted by contract or custom to sell or repledge, that financial asset is proceeds of the sale of the "loaned" securities. To the extent that the

transferor maintains effective control over those financial assets (paragraphs 51-52). Those transactions shall be accounted for as secured borrowings, in which cash (or securities that the holder or its agent is permitted by contract or custom to sell or repledge) received as collateral is considered the amount borrowed, the securities loaned are considered pledged as collateral against the cash or securities borrowed and reclassified as set forth in paragraph 19.a., and any rebate paid to the transferee of securities is interest on the cash or securities the transferor is considered to have borrowed.

88. The transferor of securities being “loaned” accounts for cash received in the same way whether the transfer is accounted for as a sale or a secured borrowing. The cash received shall be recognized as the transferor’s asset – as shall investments made with that cash, even if made by agents or in pools with other securities lenders – along with the obligation to return the cash. If securities that may be sold or repledged are received, the transferor of the securities being “loaned” accounts for those securities in the same way as it would account for cash received.

89. The transferor of securities being “loaned” accounts for collateral received in the same way whether the transfer is accounted for as a sale or a secured borrowing. The collateral received shall be recognized as the transferor’s asset – as shall investments made with that collateral, even if made by agents or in pools with other securities lenders – along with the obligation to return the collateral. If securities that may be sold or repledged are received by the transferor or its agent, the transferor of the securities being “loaned” accounts for those securities in the same way as it would account for collateral received. Collateral which may be sold or repledged by the transferor or its agent is reflected on balance sheet, along with the obligation to return the asset⁷. Collateral received which may not be sold or repledged by the transferor or its agent is off balance sheet⁸. For collateral on the balance sheet, the reporting is determined by the administration of the program.

- a. Securities lending programs where the collateral received by the reporting entity’s unaffiliated agent that can be sold or repledged is reported on the balance sheet. The collateral received and reinvestment of that collateral by the reporting entity’s unaffiliated agent shall be reflected as a one-line entry on the balance sheet (Securities Lending Collateral) and a detailed schedule will be required each quarter and at year-end to list the description of the collateral asset. This description shall include the NAIC designation, fair value; book adjusted carrying value and maturity date. A separate liability shall also be established to record the obligation to return the collateral (Collateral from Securities Lending Activities).
- b. Securities lending programs where the collateral received by the reporting entity that can be sold or repledged is reported on the balance sheet. If the reporting entity is the administrator of the program, then, the collateral received and any reinvestment of that collateral is reported with the invested assets of the reporting entity based on the type of investment (i.e. bond, common stock,

“collateral” consists of letters of credit or other financial instruments that the holder or its agent is not permitted by contract or custom to sell or repledge, a securities lending transaction does not satisfy the sale criteria and is accounted for as a loan of securities by the transferor to the transferee.

⁷ If cash is received by the transferor or its agent and reinvested or repledged it is reported on balance sheet. It is explicitly intended that when the lender bears reinvestment risk, that collateral is on balance sheet.

⁸ An example of collateral which is off balance sheet is when securities are received by the transferor or its agent in which the collateral must be held and returned, without the ability to transfer or repledge the collateral. This would involve limited situations in which the transferor or agent is prohibited from reinvesting the collateral.

etc.). A separate liability shall also be established to record the obligation to return the collateral (Collateral from Securities Lending Activities).

- c. Securities lending programs where the collateral received by the reporting entity's affiliated agent can report using either one-line reporting (paragraph 89.a.) or investment schedule reporting (paragraph 89.b.).

90. Reinvestment of the collateral by the reporting entity or its agent shall follow the same impairment guidance as other similar invested assets reported on the balance sheet. Any fees received by the transferor for loaning the securities shall be recorded as miscellaneous investment income.

Annual Statement References: (Key references shaded)

- Note 5L Instruction & Disclosure Template: "Collateral Held Under Security Lending Agreements" – (This matches SSAP No. 1.)
- General Interrogatories:
 - 25.04: For the reporting entity's securities lending program, report amount of collateral for conforming programs as outlined in the RBC instructions.
 - 25.05: For the reporting entity's securities lending program, report amount of collateral for other programs

Life RBC References: (Key references shaded)

Instructions to LR017 – Off-Balance Sheet and Other Items:

Line (1) – (Note: The following provisions are required for "conforming programs")

Securities lending programs that have all of the following elements are eligible for a lower off-balance sheet charge:

1. A written plan adopted by the Board of Directors that outlines the extent to which the insurer can engage in securities lending activities and how cash collateral received will be invested.
2. Written operational procedures to monitor and control the risks associated with securities lending. Safeguards to be addressed should, at a minimum, provide assurance of the following:
 - a. Documented investment guidelines, including, where applicable, those between lender and investment manager with established procedure for review of compliance.
 - b. Investment guidelines for cash collateral that clearly delineate liquidity, diversification, credit quality, and average life/duration requirements.
 - c. Approved borrower lists and loan limits to allow for adequate diversification.
 - d. Holding excess collateral with margin percentages in line with industry standards, which are currently 102% (or 105% for cross currency loans).

- e. Daily mark-to-market of lent securities and obtaining additional collateral needed to ensure that collateral at all times exceeds the value of the loans to maintain margin of 102% of market.
 - f. Not subject to any automatic stay in bankruptcy and may be closed out and terminated immediately upon the bankruptcy of any party.
3. A binding securities lending agreement (standard “Master Lending Agreement” from Securities Industry and Financial Markets Association) is in writing between the insurer, or its agent on behalf of the insurer, and the borrowers.
4. Acceptable collateral is defined as cash, cash equivalents, direct obligations of, or securities that are fully guaranteed as to principal and interest by, the government of the United States or any agency of the United States, or by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation and NAIC 1-designated securities. Affiliate-issued collateral would not be deemed acceptable. In all cases the collateral held must be permitted investments in the state of domicile for the respective insurer.

Collateral included in General Interrogatories, Part 1, Line 25.04 of the annual statement should be included on Line (1).

Line (2) – (Items captured on this line represent “non-conforming programs”)

Collateral from all other securities lending programs should be reported General Interrogatories, Part 1, Line 25.05 and included in Line (2).

LR017:

(1) Loaned to Others - Conforming Securities Lending Program General Interrogatories, Line 25.04

(2) Loaned to Others - Securities Lending Program – Other General Interrogatories Line 25.05

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. Agenda Item 2024-24 identified differences in accounting between securities lending and repurchase agreements. 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. This terminology issue regarding the restricted asset was identified as part of that project.

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 categorized as a SAP clarification and expose revisions to *SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures* to clarify that the restricted asset reporting for securities lending transactions shall reflect the asset lent by the reporting entity that is still reflected on the reporting entity's financial statements and not the collateral held. If collateral has been received that can be sold or pledged, then that collateral shall be reported in the restricted asset disclosure as collateral recognized on the financial statements with an obligation recognized to return. This collateral reporting shall not impact the reporting of the asset lent under the securities lending agreement.

With this revision, it is recommended that the Working Group sponsor a blanks proposal to make corresponding revisions to Note 5L as well as the General Interrogatories. It is also recommended that the Working Group send a referral to the Capital Adequacy (E) Task Force to clarify references as appropriate within the RBC instructions. (NAIC staff has included the life RBC instructions to illustrate potential revisions. As shown, the existing reference on form LR017 for "Loaned to Others" is consistent with the proposed edits in this agenda item and does not need revision.)

Although it is too late to incorporate blanks template changes for YE 2026, NAIC staff recommend that this item proceed to provide guidance on the reporting of restricted assets and what should be captured in Note 5L, with revisions proposed to be reflected in the blanks for 1Q 2027 reporting. This item is proposed to be captured outside of the comprehensive securities lending / repurchase agreement project to provide needed immediate clarity on the disclosure reporting and address questions on the potential double-counting of securities lending collateral within the disclosure.

Proposed Revisions to *SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures*

23. Reporting entities shall disclose⁹ the following information in the financial statements:
- a. Amounts not recorded in the financial statements that represent segregated funds held for others, the nature of the assets and the related fiduciary responsibilities associated with such assets. One example of such an item is escrow accounts held by title insurance companies; and
 - b. The total combined (admitted and nonadmitted) book adjusted carrying value (BACV) of restricted assets by category, with separate identification of the admitted and nonadmitted restricted assets by category, and nature of any assets pledged to others as collateral or otherwise restricted (e.g., not under the exclusive control, assets subject to a put option contract, etc.)¹⁰ in

⁹ Disclosure of restricted assets shall be included in all annual and quarterly financial statements.

¹⁰ The aggregate information captured within this disclosure is intended to reflect the information reported in the Annual Statement Investment Schedules in accordance with the coding of investments that are not under the exclusive control of the reporting entity, including assets loaned to others and the information reported in the General Interrogatories, as well as information on restricted cash, cash equivalents and short-term investments.

the general and separate accounts¹¹ by the reporting entity in comparison to total assets and total admitted assets. (Pursuant to SSAP No. 4, paragraph 6, all assets pledged as collateral or otherwise restricted shall be reported in this disclosure regardless if the asset is considered an admitted asset.) Reporting entities shall also disclose differences in the amounts reported in this note versus the amounts reported for the same categories in the general interrogatories. This disclosure shall include the following restricted asset categories:

- i. Reported assets subject to contractual obligation for which liability is not shown;
 - ii. ~~Collateral held under~~ Assets lent under security lending agreements;
 - iii. Assets subject to repurchase agreements;
 - iv. Assets subject to reverse repurchase agreements;
 - v. Assets subject to dollar repurchase agreements;
 - vi. Assets subject to dollar reverse repurchase agreements;
 - vii. Assets placed under option contracts;
 - viii. Letter stock or securities restricted as to sale¹² – excluding FHLB stock;
 - ix. FHLB capital stock;
 - x. Assets on deposit with states;
 - xi. Assets on deposit with other regulatory bodies;
 - xii. Pledged as collateral to the FHLB (including assets backing funding agreements);
 - xiii. Assets pledged as collateral not captured in other categories¹³; and
 - xiv. Other restricted assets.
- c. The BACV and nature of any assets received as collateral or assets that are held under modified coinsurance (modco) or funds withheld reinsurance agreements, reflected as assets within the reporting entity's financial statements, for which there is a recognized liability to return these collateral assets or for the dedicated use of those assets under the modco/funds withheld

¹¹ Restricted assets in the separate account are not intended to reflect amounts "restricted" only because they are insulated from the general account or because they are attributed to specific policyholders. Separate account assets shall be captured in this disclosure only if they are restricted outside of these characteristics.

¹² The nature, description and amount of the restriction are required in the disclosure.

¹³ Items captured in this category shall include assets reported within the financial statements that are pledged to a counterparty that have not been captured in other categories or within paragraph 23.c. Items reported should include, but not be limited to, assets pledged under derivative arrangements.

agreement, in the general and separate accounts in comparison to total assets and admitted assets. The disclosure shall identify whether the modco/FWH assets are related to the reinsurer.

Proposed Revisions for Blanks Proposal:

Annual Statement References:

- Note 5L Instruction & Disclosure Template: “~~Collateral Held~~Assets Lent Under Security Lending Agreements” – (This matches SSAP No. 1)
- General Interrogatories:
 - 25.04: For the reporting entity’s securities lending program, report assets lent ~~amount of collateral for~~under security lending conforming programs as outlined in the RBC instructions.
 - 25.05: For the reporting entity’s securities lending program, report assets lent ~~amount of collateral~~ for other (non-conforming) programs

Proposed Revisions for Capital Adequacy (E) Task Force Referral:

Instructions to LR017 – Off-Balance Sheet and Other Items:

Line (1)

Securities lending programs that have all of the following elements are eligible for a lower off-balance sheet charge:

1. A written plan adopted by the Board of Directors that outlines the extent to which the insurer can engage in securities lending activities and how cash collateral received will be invested.
2. Written operational procedures to monitor and control the risks associated with securities lending. Safeguards to be addressed should, at a minimum, provide assurance of the following:
 - a. Documented investment guidelines, including, where applicable, those between lender and investment manager with established procedure for review of compliance.
 - b. Investment guidelines for cash collateral that clearly delineate liquidity, diversification, credit quality, and average life/duration requirements.
 - c. Approved borrower lists and loan limits to allow for adequate diversification.
 - d. Holding excess collateral with margin percentages in line with industry standards, which are currently 102% (or 105% for cross currency loans).
 - e. Daily mark-to-market of lent securities and obtaining additional collateral needed to ensure that collateral at all times exceeds the value of the loans to maintain margin of 102% of market.
 - f. Not subject to any automatic stay in bankruptcy and may be closed out and terminated immediately upon the bankruptcy of any party.

3. A binding securities lending agreement (standard “Master Lending Agreement” from Securities Industry and Financial Markets Association) is in writing between the insurer, or its agent on behalf of the insurer, and the borrowers.
4. Acceptable collateral is defined as cash, cash equivalents, direct obligations of, or securities that are fully guaranteed as to principal and interest by, the government of the United States or any agency of the United States, or by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation and NAIC 1-designated securities. Affiliate-issued collateral would not be deemed acceptable. In all cases the collateral held must be permitted investments in the state of domicile for the respective insurer.

Assets Lent Collateral under conforming securities lending programs included in General Interrogatories, Part 1, Line 25.04 of the annual statement should be included on Line (1).

Line (2)

~~Collateral—Assets Lent Under~~from all other securities lending programs should be reported General Interrogatories, Part 1, Line 25.05 and included in Line (2).

LR017: (No revisions proposed)

(1) Loaned to Others - Conforming Securities Lending Program General Interrogatories, Line 25.04

(2) Loaned to Others - Securities Lending Program – Other General Interrogatories Line 25.05

Staff Review Completed by: Julie Gann, April 2026.

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. 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 arrangement 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.

On August 12, 2026, the Statutory Accounting Principles (E) Working Group adopted, as final, 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 arrangement that can be sold or repledged shall be captured as “collateral received with liability recognized for the return.” Upon this adoption, the Working Group sponsored a corresponding Blanks proposal and issued a referral to the Capital Adequacy (E) Task Force to incorporate corresponding RBC instruction revisions.

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National Meetings/A. National Meeting Materials/2026/08-12-26 Summer National Meeting/Adoptions/26-05 - Sec Lending - Restricted Asset.docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National%20Meetings/A.%20National%20Meeting%20Materials/2026/08-12-26%20Summer%20National%20Meeting/Adoptions/26-05%20-%20Sec%20Lending%20-%20Restricted%20Asset.docx)

Interpretation of the Statutory Accounting Principles (E) Working Group

INT 23-01: Net Negative (Disallowed) Interest Maintenance Reserve

INT 23-01 Dates Discussed

April 10, 2023; June 28, 2023; August 13, 2023; June 5, 2025; August 11, 2025, [August 12, 2026](#)

INT 23-01 References

Current:

SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve
Annual Statement Instructions

INT 23-01 Issue

1. The statutory accounting guidance for interest maintenance reserve (IMR) and the asset valuation reserve (AVR) is within *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve*, but the guidance within *SSAP No. 7* is very limited. It provides a general description, identifies that IMR/AVR shall be calculated and reported per the guidance in the applicable SSAP, and if not explicit in the SSAP, in accordance with the annual statement instructions. The SSAPs most often simply direct allocation to (or between) IMR and AVR, with the bulk of the guidance residing within the annual statement instructions.
2. As detailed in *SSAP No. 7*, paragraph 2, the guidance for IMR and AVR applies to life and accident and health insurance companies and focuses on IMR and AVR liability recognition and distinguishing between IMR and AVR:
 2. Life and accident and health insurance companies shall recognize liabilities for an AVR and an IMR. The AVR is intended to establish a reserve to offset potential credit-related investment losses on all invested asset categories excluding cash, policy loans, premium notes, collateral notes and income receivable. The IMR defers recognition of the realized capital gains and losses resulting from changes in the general level of interest rates. These gains and losses shall be amortized into investment income over the expected remaining life of the investments sold. The IMR also applies to certain liability gains/losses related to changes in interest rates. These gains and losses shall be amortized into investment income over the expected remaining life of the liability released.
3. The IMR guidance in the annual statement instructions provides information on the net balance. A positive IMR represents net interest rate realized gains and is reported as a liability on a dedicated reporting line. A negative disallowed IMR represents net interest rate realized losses and is reported as a miscellaneous other-than-invested write-in asset in the general account and nonadmitted.
4. IMR balances between the general account and separate accounts are separate and distinct. Meaning, a net negative IMR in the general account only represents activity that occurred in the general account that was allocated to IMR. However, the net positive or negative balance of the general account influences how the net positive or negative balances are reported in separate account statements (and vice versa). (A net negative IMR balance in the general account may not be disallowed if there is a covering

net positive IMR in the separate account. Negative IMR that is not disallowed is reported as a contra-liability.) The instructions for reporting the net negative and positive balances are detailed in the annual statement instructions:

Line 6 – Reserve as of December 31, Current Year

Record any positive or allowable negative balance in the liability line captioned “Interest Maintenance Reserve” on Page 3, Line 9.4 of the General Account Statement and Line 3 of the Separate Accounts Statement. A negative IMR balance may be recorded as a negative liability in either the General Account or the Separate Accounts Statement of a company only to the extent that it is covered or offset by a positive IMR liability in the other statement.

If there is any disallowed negative IMR balance in the General Account Statement, include the change in the disallowed portion in Page 4, Line 41 so that the change will be appropriately charged or credited to the Capital and Surplus Account on Page 4. If there is any disallowed negative IMR balance in the Separate Accounts Statement, determine the change in the disallowed portion (prior year less current year disallowed portions), and make a direct charge or credit to the surplus account for the “Change in Disallowed Interest Maintenance Reserve” in the write-in line, in the Surplus Account on Page 4 of the Separate Accounts Statement. The following information is presented to assist in determining the proper accounting:

General Account IMR Balance	Separate Account IMR Balance	Net IMR Balance
Positive	Positive	Positive (See rule a)
Negative	Negative	Negative (See rule b)
Positive	Negative	Positive (See rule c)
Positive	Negative	Negative (See rule d)
Negative	Positive	Positive (See rule e)
Negative	Positive	Negative (See rule f)

Rules:

- a. If both balances are positive, then report each as a liability in its respective statement.
- b. If both balances are negative, then no portion of the negative balances is allowable as a negative liability in either statement. Report a zero for the IMR liability in each statement and follow the above instructions for handling disallowed negative IMR balances in each statement.
- c. If the general account balance is positive, the separate accounts balance is negative and the combined net balance is positive, then all of the negative IMR balance is allowable as a negative liability in the Separate Accounts Statement.
- d. If the general account balance is positive, the separate account balance is negative, and the combined net balance is negative, then the negative amount not covered by the positive amount is not allowable. Report only the allowable portion as a

negative liability in the Separate Accounts Statement and follow the above instructions for handling the disallowed portion of negative IMR balances in the Separate Accounts Statement.

- e. If the general account balance is negative, the separate account balance is positive, and the combined net balance is positive, then all of the negative IMR balance is allowable as a negative liability in the General Account Statement.
- f. If the general account balance is negative, the separate account balance is positive, and the combined net balance is negative, then the negative amount not covered by the positive amount is not allowable. Report only the allowable portion as a negative liability in the General Account Statement and follow the above instructions for handling the disallowed portion of negative IMR balances in the General Account Statement.

5. In October 2022, the ACLI requested the Statutory Accounting Principles (E) Working Group to reassess the guidance for net negative (disallowed) IMR, with a request to consider admittance of those amounts. The ACLI noted that the nonadmittance of disallowed negative IMR can have adverse negative ramifications for insurers with two key themes:

- a. In general, rising interest rates are favorable to the financial health of the insurance industry and policyholders. However, with negative IMR, there is an inappropriate perception of decreased financial strength through lower surplus and risk-based capital.
- b. Negative IMR could impact the rating agency view of the industry or incentivize companies to avoid prudent investment transactions that are necessary to avoid mismatches between assets and liabilities. In either scenario, negative IMR encourages short-term non-economic activity that is not in the best long-term interest of a reporting entity's financial health or its policyholders.

6. In considering the request, the Working Group concluded that, for year-end 2022, there would be no change to statutory accounting guidance and deviations from statutory accounting principles would need to be approved via a permitted or prescribed practice. The Working Group then held company-specific educational sessions in January 2023 to receive detailed information regarding negative IMR and received a subsequent comment letter from the ACLI.

7. During the 2023 Spring National Meeting, the Working Group further discussed the topic of negative IMR and directed NAIC staff to proceed with drafting guidance for a 2023 solution and to begin work towards a long-term solution.

INT 23-01 Discussion

8. This interpretation prescribes limited-time, optional, statutory accounting guidance, as an exception to the existing guidance detailed in SSAP No. 7 and the annual statement instructions that requires nonadmittance of net negative (disallowed) IMR as a short-term solution. Specifically, this interpretation impacts the annual statement instruction rules regarding disallowed negative IMR detailed in rules 'b,' 'd' and 'f' shown in paragraph 4.

9. Reporting entities are permitted to admit net negative (disallowed) IMR with the following restrictions:

- a. Reporting entities that qualify pursuant to paragraph 9.b., are permitted to admit net negative (disallowed) IMR up to 10% of the reporting entity's adjusted general account¹ capital and surplus as required to be shown on the statutory balance sheet of the reporting entity for its most recently filed statement with the domiciliary state commissioner. The capital and surplus shall be adjusted to exclude any net positive goodwill, EDP equipment and operating system software, net deferred tax assets and admitted² net negative (disallowed) IMR. The adjusted capital and surplus calculation intends to reflect the most recently filed financial statements for all admitted components (e.g., a subtraction of admitted positive goodwill, EDP equipment/software, net DTAs and net negative (disallowed) IMR as reported in the third quarter financial statements to determine the limit for year-end.) However, to safeguard from situations in which the company has experienced a decline in capital and surplus and/or had significant increases in net admitted (disallowed) IMR in the current period, the admittance of net negative (disallowed) IMR shall also not exceed 10% of the current period unadjusted capital and surplus.
- b. Reporting entities applying this interpretation are required to have a risk-based capital (RBC) greater than 300% authorized control level (ACL) after an adjustment to total adjusted capital (TAC) that reflects a reduction to remove any net positive goodwill, EDP equipment and operating system software, net deferred tax assets and admitted net negative (disallowed) IMR. Compliance with this adjusted RBC calculation shall be affirmed for all quarterly and annual financial statements for which net negative (disallowed) IMR is reported as an admitted asset in the general account or recognized as an asset in the separate accounts. Reporting entities shall provide documentation to illustrate compliance with this requirement upon state regulator request. Reporting entities with an adjusted RBC calculation of 300% ACL or lower are not permitted to admit net negative (disallowed) IMR in the general account or recognize IMR assets in the separate accounts.
- c. The net negative (disallowed) IMR permitted for admittance shall not include losses from derivatives that were reported at fair value prior to derivative termination³ unless the reporting entity has historically followed the same process for interest-rate hedging

¹ The general account capital and surplus includes surplus reflected in the separate account; therefore, an aggregation of general account and separate account surplus is not necessary.

² As the separate account does not have "admitted" assets, broad reference to "admitted net negative (disallowed) IMR" throughout this interpretation includes what is admitted in the general account and what is recognized as an asset in the separate accounts.

³ Reference to derivative termination throughout this interpretation includes all actions that close out a derivative, including, but not limited to, termination, expiration, settlement, or sale.

derivatives that were terminated in a gain position. In other words, there is a requirement for documented, historical evidence illustrating that unrealized gains from derivatives reported at fair value were reversed to IMR (as a liability) and amortized as part of IMR. Reporting entities that do not have evidence of this past application are required to remove realized losses from derivatives held at fair value from the net negative (disallowed) IMR balance to determine the amount permitted to be admitted. Reporting entities that begin a new process for the use of hedging derivatives, perhaps with a theoretical process to treat derivative losses and derivative gains similarly, but do not have evidence illustrating the historical treatment of derivative gains through IMR are not permitted to include derivative losses in the net negative (disallowed) IMR permitted to be admitted. This evidence is required separately for the general account, insulated separate account and non-insulated separate account if losses from derivatives previously reported at fair value are currently being allocated to IMR in those accounts.

- d. Reporting entities admitting any amount of net negative (disallowed) IMR pursuant to paragraphs 9.a. through 9.c. shall fully complete the data-captured disclosures described in paragraph 13. If a reporting entity does not fully complete the data-captured disclosures or provide narrative disclosures containing equivalent information in lieu of the data-capture template, it shall nonadmit all net negative (disallowed) IMR.
 - e. Reporting entities admitting any amount of net negative (disallowed) IMR pursuant to paragraphs 9.a. through 9.c. shall capture the admitted negative IMR in the principles-based reserving (PBR) calculation or asset adequacy testing (AAT)/cash flow testing (CFT) pursuant to Valuation Manual (VM)-20: Requirements for Principle-Based Reserves for Life Insurance, Section 7.D.7 and VM-30: Actuarial Opinion and Memorandum Requirements, Section 3.B.5. Reporting entities shall prepare a reconciliation of admitted negative IMR to the reported IMR reflected for PBR and CFT to ensure reserves are not overstated.⁴
10. Reporting entities that admit net negative (disallowed) IMR shall follow the following process:
- a. All net negative (disallowed) IMR in the general account shall first be admitted until the capital and surplus percentage limit, as detailed in paragraph 9.a., is reached.
 - b. If all general account net negative (disallowed) IMR has been fully admitted, and the reporting entity is still below the paragraph 9.a. capital and surplus limit, then the reporting entity can report net negative (disallowed) IMR as an asset in the separate accounts. Reporting entities that have both insulated and non-insulated separate accounts shall recognize IMR assets proportionately between the insulated and non-insulated statements until the aggregated amount recognized as an admitted asset in the general account and as an asset in the insulated and non-insulated statements reaches the percentage limit of capital and surplus detailed in paragraph 9.a.
11. Reporting entities that admit net negative (disallowed) IMR in the general account shall report the admittance in the balance sheet as follows:

⁴ An optional template to assist with the IMR reconciliation is available on the NAIC Principles-Based Reserving web page: https://content.naic.org/pbr_data.htm. It is available as a template to VM-31.

- a. Reporting entities shall report the net negative (disallowed) IMR as an aggregate write-in to miscellaneous other-than-invested assets (line 25) (named as "Admitted Disallowed IMR") on the asset page. The net negative (disallowed) IMR shall be admitted to the extent permitted per paragraph 9.a., with the remaining net negative (disallowed) IMR balance nonadmitted.
 - b. Reporting entities shall allocate an amount equal to the general account admitted net negative (disallowed) IMR from unassigned funds to an aggregate write-in for special surplus funds (line 34) (named as "Admitted Disallowed IMR"). Although dividends are contingent on state specific statutes and laws, the intent of this reporting is to provide transparency and preclude the ability for admitted negative IMR to be reported as funds available to dividend.
12. Reporting entities that record net negative (disallowed) IMR as an asset in the separate account shall report the recognition in the balance sheet as follows:
- a. Reporting entities shall report the permitted net negative (disallowed) IMR as an aggregate write-in to miscellaneous other-than-invested assets (line 15) (named as "Recognized Disallowed IMR") on the asset page.
 - b. Reporting entities shall allocate an amount from surplus equal to the asset recognized as disallowed IMR as an aggregate write-in for special surplus funds (line 19) (named as "Recognized Disallowed IMR") on the liabilities and surplus page.
13. Reporting entities admitting net negative (disallowed) IMR are required to complete the following disclosures in the annual and quarterly financial statements for IMR:
- a. Reporting entities that have allocated gains/losses to IMR from derivatives that were reported at fair value prior to the termination of the derivative shall disclose the unamortized balances in IMR from these allocations separately between gains and losses. This disclosure shall reflect a roll-forward that: 1) begins with unamortized fair value derivative gains and losses realized in IMR; 2) adds the fair value of derivative gains and losses realized to IMR in the current period; 3) subtracts the fair value derivative gains and losses amortized out of IMR in the current period; and 4) the sum of which shall equal the unamortized fair value derivative gains and losses within IMR as of the current reporting date.
 - b. Reporting entities shall complete a note disclosure that details the following:
 - i. Total net negative (disallowed) IMR in aggregate and allocated between the general account, insulated separate account and non-insulated account,
 - ii. Amounts of negative IMR admitted in the general account and reported as an asset in the separate account insulated and non-insulated blank,
 - iii. The calculated adjusted capital and surplus per paragraph 9.a., and

- iv. Percentage of adjusted capital and surplus for which the admitted net negative (disallowed) IMR represents (including what is admitted in the general account and what is recognized as an asset in the separate account).
- c. Reporting entities shall include a note disclosure that attests to the following statements:
 - i. Fixed income investments generating IMR losses comply with the reporting entity's documented investment or liability management policies,
 - ii. IMR losses for fixed income related derivatives are all in accordance with prudent and documented risk management procedures, in accordance with a reporting entity's derivative use plans and reflect symmetry with historical treatment in which unrealized derivative gains were reversed to IMR and amortized in lieu of being recognized as realized gains upon derivative termination.
 - iii. Any deviation to 13.c.i was either because of a temporary and transitory timing issue or related to a specific event, such as a reinsurance transaction, that mechanically made the cause of IMR losses not reflective of reinvestment activities.
 - iv. Asset sales that were generating admitted negative IMR were not compelled by liquidity pressures (e.g., to fund significant cash outflows including, but not limited to excess withdrawals and collateral calls).

INT 23-01 Status

14. The consensuses in this interpretation were adopted on August 13, 2023, to provide limited-time exception guidance to SSAP No. 7 and the annual statement instruction for the reporting of net negative (disallowed) IMR. The original provisions within this interpretation were permitted as a short-term solution until December 31, 2025, with automatic nullification planned on January 1, 2026. On August 11, 2025, the Statutory Accounting Principles (E) Working Group extended this interpretation one year until December 31, 2026, with modifications to provide clarity and establish an additional current-period admittance limit in paragraph 9.a. This interpretation will be automatically nullified on January 1, 2027.

[On August 12, 2026, the Statutory Accounting Principles \(E\) Working Group extended this interpretation one year until December 31, 2027. This interpretation will be automatically nullified on January 1, 2028.](#)

15. The effective date of this interpretation may be adjusted (nullified earlier or with an extended effective date timeframe) in response to Statutory Accounting Principles (E) Working Group actions to establish statutory accounting guidance specific to net negative (disallowed) IMR.

16. No further discussion is planned.

Application Guidance for Admitting / Recognizing Net Negative (Disallowed) IMR

General Account:

1. Net negative IMR in the general account that exceeds net positive IMR in the separate accounts is considered “disallowed” general account IMR. (Determination of the disallowed IMR in the general account shall be compared against the aggregate IMR balance in all separate accounts.)
2. Net negative disallowed IMR in the general account shall be reported as an aggregate write-in for other-than-invested assets as “Admitted Disallowed IMR” on line 25 of the asset page and nonadmitted. The change in nonadmittance shall be reported on line 41 in the summary of operations.
3. To the extent the reporting entity is permitted to admit net negative disallowed IMR pursuant to the provisions in this interpretation, the reporting entity shall admit the disallowed IMR reported on line 25 of the asset page to the extent permitted, with the change in nonadmittance reflected on line 41 in the summary of operations.
4. Reporting entities shall report an amount equal to the general account admitted net negative (disallowed) IMR as an aggregate write-in for special surplus funds (line 34 of the Liabilities, Surplus and Other Funds page) named as “Admitted Disallowed IMR.”
5. Reporting entities shall include note disclosures in the quarterly and annual financial statements as required in paragraph 13 of the interpretation.

Separate Account:

6. Net negative IMR in the separate account (aggregated IMR in both insulated and non-insulated separate accounts) that exceeds net positive IMR in the general account is considered “disallowed” separate account IMR. If the aggregate separate account IMR is positive, with a negative IMR in the insulated separate account and positive IMR in non-insulated separate account (or vice versa), then the negative IMR in the insulated separate account is not permitted to be reported as an asset. In those situations, the separate account has an aggregate positive IMR balance.
7. Net negative (disallowed) IMR in the separate account permitted to be recognized as an asset, as the admittance in the general account did not utilize the full percentage of adjusted capital and surplus permitted within this interpretation, shall be proportionately divided between insulated and non-insulated separate accounts if both separate accounts are in a negative position. If the separate account IMR is an aggregate net negative, but only one separate account blank is in a negative position, then only the separate account blank with a net negative position can recognize disallowed IMR as an asset.
8. If negative IMR in the separate account has previously been recognized as a direct charge to surplus, the reporting entity shall recognize an asset as an aggregate write-in for other-than-invested assets as “Recognized Disallowed IMR” on line 15 of the separate account asset page, with an offsetting credit to surplus. This credit to surplus shall reverse the charge previously

recognized. This process shall continue in subsequent quarters if additional separate account IMR is permitted as an asset to the extent IMR was previously taken as a direct charge to surplus. Once prior surplus impacts have been fully eliminated, then the entity shall follow the guidance for new net negative (disallowed) IMR as detailed in the following paragraph. If subsequent quarters result with a decline in the permitted IMR asset in the separate account, then the asset shall be credited with an offsetting charge to surplus.

9. If the reporting entity enters a net negative (disallowed) IMR position (meaning, there has not been a prior charge to surplus for net negative (disallowed) IMR), then the entity shall recognize the asset as an aggregate write-in for other-than-invested assets as "Disallowed IMR" on line 15 of the separate account balance sheet, with an offsetting credit to IMR (line 3 of the liability page) until the IMR liability equals zero. This process shall continue in subsequent quarters if additional net negative IMR is generated from operations and is permitted as an asset under the provisions of this interpretation. If subsequent quarters result with a decline in the permitted IMR asset in the separate account, then the asset shall be credited with an offsetting charge to surplus.
10. Reporting entities shall report an amount equal to the asset recognized reflecting net negative (disallowed) IMR as an aggregate write-in for special surplus funds (line 19) (named as "Recognized Disallowed IMR." This shall be included in each separate account statement (insulated and non-insulated) if net negative disallowed IMR is recognized as an asset in that statement.
11. Reporting entities shall include note disclosures in the quarterly and annual financial statements as required in paragraph 13 of the interpretation.

To: Kevin Clark, Chair of the Statutory Accounting Principles (E) Working Group
Dale Bruggeman, Vice Chair of the Statutory Accounting Principles (E) Working Group
Ben Slutsker, Chair of the Life Risk-Based Capital (E) Working Group
Philip Barlow, Vice Chair of the Life Risk-Based Capital (E) Working Group

From: Carrie Mears, Chair of the Investment Analysis (E) Working Group
Matt Cheung, Vice Chair of the Investment Analysis (E) Working Group

Re: Residential Mortgage Loans: Definition, Disclosure and Risk-Based Capital Charges

Date: May 26, 2026

On March 24, 2026, the Invested Assets (E) Task Force heard a presentation from Neuberger Berman about the growing exposure to residential mortgage loans within insurance portfolios, including variants of mortgage loans and potential ways to consider the various risks. Subsequently, and in accordance with its 2026 agenda, the Investment Analysis (E) Working Group reviewed current residential mortgage loan exposure among insurers, noting the following:

- (1) Residential mortgage loan exposure has grown consistently and rapidly since 2021, particularly among life insurers, averaging 36.3% annual growth in that time period (37.1% for just Life companies).
- (2) Exposure growth as a percentage of invested assets has become material as well, with several insurers having over 10% of their portfolio invested in residential mortgage loans.
- (3) Some insurers hold individual high balance* residential mortgage loans, with 129 individual loans with balances over \$50 million. These high balance loans constitute approximately 15% of all residential mortgage loans.
- (4) Many list the location as “various” or “multiple”, which limits the ability to assess the geographical exposure of the loans or evaluate loans on an individual loan basis.
- (5) Current reporting requirements lack granularity to highlight potential key characteristics of residential mortgage loans, including identification of non-first lien loans, whether the residencies are owner occupied or investment properties, or loan-to-value (LTV) metrics, among others.
- (6) Despite possessing varying characteristics, residential mortgage loans are assigned a 68-basis points capital charge for Life insurers, without risk sensitivity to underlying factors. Additionally, this factor was established using pre-CM framework commercial mortgage loan factors as an anchor point without any calibration to RML-specific data.

*Subsequent to the Investment Analysis (E) Working Group discussion, it has been determined that some of the large balances may be due to aggregation in reporting, driven by reporting limitations within Schedule B—Mortgage Loans. Currently, Schedule B has a limit of 99,995 rows, thus requiring consolidated reporting in instances where an insurer holds additional individual mortgage loans.

While these observations are illustrative and not intended to identify specific reporting entities, they highlight areas where additional clarity may be beneficial.

The lack of a clearly defined boundary between traditional residential and other loan types currently classified as residential mortgage loans, that may exhibit significantly different risk characteristics, introduces potential inconsistency in reporting and may result in classification outcomes that do not fully align with the underlying economic risk of the exposure. Certain large multi-unit or development-type properties, while potentially meeting informal or structural interpretations of residential, may exhibit risk characteristics more consistent with

commercial real estate lending, including higher vacancy risk, reliance on projected cash flows, and sensitivity to market conditions.

These classification considerations have implications for risk-based capital (RBC), because residential mortgage loans are subject to materially lower RBC factors than commercial mortgage loans. Accordingly, classification as residential may result in lower capital requirements for exposures that may present elevated or differing risk profiles. This dynamic may introduce opportunities for inconsistent treatment or unintended capital outcomes if not addressed through refined guidance.

For loans that are clearly residential in nature, the current investing spectrum could introduce specific risks that may warrant additional disclosure and RBC considerations, including varying LTV levels, varying borrower credit quality (FICO scores), whether owner occupied or for investment purposes, non first-lien loans, construction loans, HELOCs, bridge loans, among others.

Additionally, broader considerations related to concentration risk may warrant attention. Insurers with significant allocations to residential mortgage loans, particularly where such exposures include large or non-traditional assets, may face heightened exposure to credit, liquidity, valuation, and interest rate risks. While these considerations extend beyond accounting classification alone, consistent and transparent reporting is foundational to effective regulatory assessment.

SSAP No. 37—Mortgage Loans establishes the statutory accounting framework for mortgage loans but provides limited explicit guidance distinguishing residential mortgage loans from other mortgage loan types. Industry practice has generally relied on interpretations informed by other NAIC models and guidance, often centering on one to four family residential properties, but these interpretations are not explicitly codified within SSAP No. 37. As a result, variability in classification may exist, particularly for larger multi-unit, development-oriented, or non-traditional residential exposures.

Given these considerations, this referral requests that the Statutory Accounting Principles (E) Working Group consider whether additional clarification or refinement within SSAP No. 37 is warranted to better define residential mortgage loans and improve consistency in application. Potential areas for consideration may include:

- Clarification of the characteristics that distinguish residential mortgage loans from commercial-like or other mortgage loan types, including consideration of property type, scale, and risk attributes.
- Consideration of whether certain large multi-unit, development-stage, or transitional properties should be subject to different classification or disclosure considerations.
- Evaluation of whether enhancements to reporting guidance or disclosures to identify more granular individual loan characteristics within Schedule B may improve transparency, comparability across reporting entities, and individual loan risk-assessment usability by state insurance regulators and users of statutory financial statements.
- Evaluation of whether aggregation of individual loans could be appropriate for reporting purposes, including guidance on which loans can be aggregated to retain benefits of disclosure of key risk characteristics

In coordination with, or following the above considerations, this referral also requests that the Life Risk-Based Capital (E) Working Group:

- Provide input on the potential RBC implications of mortgage loan exposures that, while currently classified as residential, may exhibit characteristics more consistent with commercial or development-type lending.

- Consider whether additional guidance or clarification may be warranted regarding the application of residential RBC factors, including additional reporting items required to differentiate variations in risk, including due to underlying borrower creditworthiness.
- Evaluate whether certain exposures, such as large multi-unit, development-stage, or transitional properties, may warrant alternative RBC treatment or additional risk stratification to better align capital requirements with underlying economic risk.

These considerations are intended to support consistent statutory accounting guidance and RBC application, enhance transparency in financial reporting, and better align classification outcomes with the underlying economic risk of mortgage loan exposures.

The Investment Analysis (E) Working Group support staff are available to provide additional background, data, or analysis as needed to assist with the Statutory Accounting Principles (E) Working Group or the Life Risk-Based Capital (E) Working Group's evaluation of this matter. Please contact NAIC staff, Jim Pinegar (jpinegar@naic.org), if you have any questions.

Cc: Jim Pinegar, Dimitris Karapiperis, Topher Hughes, Julie Gann, Robin Marcotte, Jake Stultz, Wil Oden, Jason Farr, Maggie Chang, Kazeem Okosun.

<https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2026/08-12-26SummerNationalMeeting/Meeting/E-INVAVGtoSAPWG&LRBCReferral-Final.docx>

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

Issue: IMR Impact to Reinsurance Collateral

Check (applicable entity):

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

Description of Issue: This agenda item has been prepared to establish clear guidance in *SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance* and Schedule S, Part 4, on how IMR derecognized by the cedent pursuant to a reinsurance transaction should be reflected in determining the amount of reinsurance collateral required from the assuming entity to receive reinsurance credit. The requirement for collateral is only a component for assuming reinsurers that are unauthorized or certified for which full or partial collateral is required under the *Credit for Reinsurance Model Law* (#785) and *Credit for Reinsurance Model Regulation* (#786). It does not apply to reciprocal jurisdiction reinsurers, authorized, accredited or licensed reinsurers where collateral is not required.

Although the existing guidance in SSAP No. 61 requires derecognized net positive IMR to be captured as an increase in the collateral requirement, from what industry communicated during the IMR Ad Hoc Group discussions, this SSAP No. 61 requirement has not been consistently followed. Industry representatives advised that the inclusion of derecognized net positive IMR in the collateral requirement has been driven by the terms of their reinsurance treaties. NAIC staff have highlighted that this is inconsistent with statutory accounting principles, and deviations should have been supported by a permitted or prescribed practice. Through discussions of the IMR Ad Hoc Group, consensus of the group was reached that SSAP No. 61 does appropriately require that any IMR associated with reinsured reserves be included in any collateral requirements under the Credit for Reinsurance Models.

However, there is no current mention of derecognized net negative IMR in the existing SSAP No. 61 for collateral requirements, and the IMR Ad Hoc Group has been discussing if/how derecognized net negative IMR should factor into the collateral requirement for reinsurance credit. If net negative IMR were to be included in the collateral requirement, it would reduce required collateral. As the ad hoc group was not able to arrive at a consensus position between regulators and industry on how this should be treated, this Form A includes two possible options for the Working Group to consider.

One point of note for which the ad hoc group was able to reach consensus was that the consideration of net negative IMR should not consider the admissibility of the IMR for the cedant prior to reinsurance. Rather, the balance should be either fully included or fully excluded from the collateral requirement. This is because the calculation of any surplus-based limitation of negative IMR admissibility would become circular after the reinsurance is in place and unable to be repeated from that point forward.

The question being presented to the Working Group to decide is as follows:

Ref #2025-22

Should the treatment of derecognized net negative IMR reduce required collateral for reinsurance (i.e. be treated symmetrically with positive IMR)? If the treatment is symmetrical, then derecognized net positive IMR increases the collateral requirement, and derecognized net negative IMR would decrease the collateral requirement. If the treatment is asymmetrical, derecognized net positive IMR still increases the collateral requirement, but derecognized net negative IMR would not decrease the collateral requirement.

The agenda item includes discussion and illustrations for the two potential options. The arguments for each option are summarized below:

- **Symmetrical Treatment:** Industry advocates for IMR to be treated symmetrically for reinsurance collateral requirements. The rationale for including IMR in the collateral requirement, whether positive or negative, is the view that it represents a valuation adjustment to the ceded reserves. It reflects the partial unlocking of the reserve valuation rate resulting from sales and reinvestments of the supporting fixed income investments. Therefore, the most accurate reflection of the value of the current reserves being ceded is inclusive of the IMR balance. For this reason, any collateral requirements should be inclusive of IMR regardless of direction. Asymmetrical treatment is generally viewed by industry as arbitrary and punitive and may have an unfavorable impact on reinsurance costs for ceding insurers.
- **Asymmetrical Treatment:** The alternative view which is supported by NAIC staff is that net negative IMR derecognized from a reinsurance transaction should not be permitted to influence the collateral required to receive reinsurance credit. In addition to the questions/issues on how this can be perceived to allow IMR to reflect a collateral asset, particularly as IMR (which reflects realized gains and losses) are not transferable assets, this is also recommended to prevent incentivizing reinsurance transactions to derecognize nonadmitted IMR. This is also perceived to be consistent with existing guidance as only IMR liability adjustments are currently captured in SSAP No. 61 and Schedule S.

This agenda item was driven from discussion at the IMR Ad Hoc Group. With differing opinions among staff, regulators and industry reps, it was requested that this issue be presented to the full Working Group.

Discussion and illustration entries are presented to illustrate the impact of these options:

1. Net Positive IMR Increases Collateral Requirements (current SSAP No. 61 guidance)

Positive IMR is generated when a fixed-income asset is sold in a decreasing interest rate environment, in that the fair value of the sold investment is greater than the book/adjusted carrying value (BACV), resulting in a realized gain. When this occurs, although the entity may have received a gain from the sale, they will be reinvesting in a lower-yielding asset resulting in fewer cash flows over the asset's duration. Recognizing that the entity still has long-term obligations for which the asset should be matched, the realized gain is recognized as a liability (positive IMR) and amortized to income over the life of the originally held fixed-income investment.

Example: Cedent has \$20 of positive IMR from the sale of a \$100 fixed-income instrument for \$120 in a declining interest rate environment. The entity then ceded the \$100 reserve under an 80% coinsurance transaction. Assuming everything was equal:

- Remove \$80 policy reserves ($\$100 * 80\%$)
- Remove \$16 of positive IMR (liability) ($\$20 * 80\%$)
- Remove \$96 of assets ($\$120 * 80\%$)

Ref #2025-22

Prior to the transaction, the cedent had \$96 reported as a total liability – the \$80 reserve and the \$16 IMR. For reinsurance collateral purposes, an amount of \$96 is required to equal the cedent's liability that was established prior to the reinsurance transaction. If the positive IMR was not required to increase the collateral requirement, then the cedent would only have protection of \$80 for the \$96 in liability they had recognized prior to the reinsurance transaction. With the assumption that the specific assets backing the liability are transferred to the assuming entity, which equals \$96 after the reinvestment and reinsurance transaction, and no additional amounts or different types of investments are required, by including the positive IMR in the collateral requirement, the transaction would be surplus neutral to the ceding entity. If the positive IMR was not included in the collateral requirement, then the reinsurer would be permitted to provide less collateral than what would be needed to cover the transferred policy reserves.

2. Net Negative IMR Decreases Collateral Requirements

Negative IMR is generated when a fixed-income asset is sold in an increasing interest rate environment, in that the fair value of the sold investment is lower than the book/adjusted carrying value (BACV), resulting in a realized loss. When this occurs, the reporting entity would be re-investing a lower amount into a higher-yielding asset, generating more cash flow over the asset's duration. (For example, if the asset was on book for \$100 (with a fair value of \$80) and paying 4% prior to the sale, after the sale/re-investment, the entity would have an asset on book for \$80 and paying 6%.) If the loss qualifies for IMR under the guidance, the realized loss is recognized as an asset (negative IMR) and amortized to income over the life of the originally held fixed-income investment. Prior to 2023, this negative IMR asset was nonadmitted. Under the current INT 23-01, if the reporting entity qualifies, this negative IMR asset is admitted.

Example: Cedent has \$20 of admitted negative IMR from the sale of a \$100 fixed-income instrument for \$80 in a rising interest rate environment. The reporting entity then ceded the \$100 reserve under an 80% coinsurance transaction. If everything is always equal:

- Remove \$80 policy reserves ($\$100 * 80\%$)
- Remove \$16 of negative IMR (asset) ($\$20 * 80\%$)
- Remove \$64 of assets ($\$80 * 80\%$)

In an example where everything is equal, it may appear that offsetting liabilities and assets of \$80 were removed by the cedent in a surplus neutral transaction. However, the assuming entity only received \$64 of hard assets that could be used to pay claims. The cedent's policy reserve was still \$80, therefore if only \$64 of assets were used to collateralize the transaction, the collateral does not provide protection for the full reserve. It should also be noted that non-US reinsurers would not be recognizing the IMR.

Including negative IMR into the calculation results with these questions / issues:

- It may be viewed that the negative IMR is being used as a collateral asset towards the full \$80 policy reserve. Under the Model, IMR does not qualify as a collateral asset.
- If negative IMR is permitted, the collateral (hard assets) required is less than the cedent's recognized policy reserve prior to the transaction.

Note: The ACLI position is that the IMR should be considered an adjustment to the cedent's recognized policy reserve. If this position is supported, then the IMR is not viewed as collateral and the amount of collateral required would equal the policy reserve (\$64 in this example).

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- If the assuming entity only received the \$64 of hard assets, requiring the assuming entity to post collateral of \$80 could make the transaction undesirable from a reinsurer perspective. However, there are questions whether reinsurers would accept only \$64 in hard assets to assume the \$80 policy reserve.
- IMR (either positive or negative) is not a transferable component. As previously noted, IMR does not qualify as an asset or liability under U.S. GAAP or SAP definitions. IMR is strictly a SAP concept that allows deferred recognition of realized gains and losses.

The questions / issues involving negative IMR in the reinsurance collateral calculation become more nuanced if the negative IMR did not qualify for admittance. The elimination of nonadmitted IMR results in a surplus bump to the ceding entity. This is shown as follows:

Example: Cedent has \$20 of nonadmitted negative IMR from the sale of a \$100 fixed-income instrument for \$80 in a rising interest rate environment. The reporting entity then ceded the \$100 reserve under an 80% coinsurance transaction. If everything was always equal:

- Remove \$16 of negative IMR (asset) $(\$20 * 80\%)$
- Decrease \$16 as nonadmitted assets, increasing cedent's surplus.
- Remove \$80 policy reserves $(\$100 * 80\%)$
- Remove \$64 of assets $(\$80 * 80\%)$

With this dynamic, the removal of the nonadmitted assets increases the company's surplus. Then, with the reinsurance arrangement the same questions arise as to whether the IMR should be a factor in the collateral of the reinsurance arrangement. If allowing the nonadmitted IMR to be included in the collateral calculation, the ceding entity has a benefit to their financial statements in a manner as though the IMR was always admitted. This may incentivize reinsurance transactions for companies with nonadmitted negative IMR, particularly in situations when the IMR had exceeded admittance thresholds.

Under the ACLI proposal, they do not believe the admittance/nonadmittance status at the ceding entity should impact the consideration of IMR in the collateral calculation. Rather, the calculation of nonadmittance would then be completed after the ceding transaction (and removal of IMR), recognizing that with less negative IMR, it would be more likely that a company would be within admittance parameters. As a very simple example, if a company had exceeded admittance thresholds by \$10, and derecognized net negative IMR by \$12 because of a reinsurance transaction, then the company would be fully able to admit the remaining net negative IMR after the result of the reinsurance transaction. Under the ACLI proposal, the derecognized nonadmitted IMR of \$12 should still be considered as a reduction of the policy reserve. Therefore, if the policy reserves removed were \$80, then only \$68 would be required as collateral from the assuming entity.

Existing Authoritative Literature:

SSAP No. 61—Life, Deposit-Type and Health Reinsurance

Paragraphs 47 and 50 provides guidance for the collateral requirement for certified and unauthorized reinsurers to receive reinsurance credit. This guidance is specific that the collateral requirement is equal to the reserve credit taken. If the collateral requirement is not met, then the ceding entity must set up a net liability that includes the reserve credits taken, including any IMR liability adjustment as detailed in paragraphs 47a and 50a.

Reinsurance Ceded to a Certified Reinsurer

47. A liability is established by the ceding entity to offset credit taken in various balance sheet accounts for reinsurance ceded to a certified reinsurer in an amount proportionate to any deficiency in the amount of acceptable security that is provided by the certified reinsurer as compared to the amount of security that is required to be provided in accordance with the certified reinsurer's rating. **In determining the amount of this liability, the ceding insurance entity must first determine the net obligations subject to collateral from the certified reinsurer,** which is equal to the following:
- a. Reserve credits taken including **any Interest Maintenance Reserve (IMR) liability adjustment; plus**
 - b. Claim liability credits taken on paid and unpaid (in course of settlement) claims recoverable; plus
 - c. Other asset increases or liability reductions resulting from amounts recoverable from the assuming entity including commissions, expense allowances, modified coinsurance reserve adjustments, experience rating refunds, and estimated incurred but not reported claim liabilities; less
 - d. Amounts contractually due the assuming entity.

Unauthorized Reinsurance

50. If the reinsurer is not authorized, otherwise approved or certified to do business, the reinsurance is considered to be unauthorized. A liability is established to offset credit taken in various balance sheet accounts for reinsurance ceded to unauthorized reinsurers. **Credit for reinsurance with unauthorized companies shall be permitted if the ceding entity holds securities or cash of the assuming entity equal to the reserve credit taken.** Such deposits are to be held under the control of the ceding entity. Additionally, any securities held under such an arrangement must be investments that the ceding entity is allowed to make under the provision of the investment sections of the insurance statutes. Other permissible arrangements include irrevocable trusts or "clean" letters of credit. **If the assuming entity is not licensed or is not an authorized reinsurer in the domiciliary state of the ceding entity or if the reinsurance does not meet required standards, the ceding entity must set up a net liability equal to the** following:
- a. Reserve credits taken including **any IMR liability adjustment; plus**
 - b. Claim liability credits taken on paid and unpaid (in course of settlement) claims recoverable; plus
 - c. Other asset increases or liability reductions resulting from amounts recoverable from the assuming entity including commissions, expense allowances, modified coinsurance reserve adjustments, experience rating refunds, and estimated incurred but not reported claim liabilities; less
 - d. Deposits by or funds withheld from the reinsurer, as provided for in the reinsurance treaty and in compliance with the security requirements of Appendix A-785, pledged as security for the payment of reinsurance obligations. Such deposits or funds are typically held by the ceding entity or are placed in a trust or custodial account. Amounts placed in trust or custodial accounts are held subject to withdrawal by, and under the control of, the ceding entity; less

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- e. Amounts of reinsurance recoverables covered by a clean, irrevocable letter of credit issued by a qualified U.S. financial institution as defined in Appendix A-785; less
 - f. Amounts contractually due the assuming entity.
51. The net liability defined in paragraph 50 shall never be less than zero for any particular reinsurer. The change in liability for unauthorized reinsurance is a direct charge or credit to surplus.

Annual Statement Instructions, Schedule S – Part 4 & Part 5

Schedule S, Part 4: Reinsurance Ceded to Unauthorized Companies and Schedule S, Part 5: Reinsurance Ceded to Certified Reinsurers include reinsurance ceded data used in the development of the liability for reinsurance in unauthorized or certified companies.

- For unauthorized - The liability serves to offset those assets and liability reductions that reflect the result of reinsurance ceded with unauthorized companies.
- For certified – The liability serves to offset those assets and liability reductions that reflect the result of reinsurer ceded with certified reinsurers that is not properly collateralized in accordance with the rating assigned to the certified reinsurer by the commissioner of the reporting company's state of domicile.

These schedules include the following columns:

Part 4 – Column 5 / Part 5 – Column 9: Reserve Credit Taken

This column includes the amount by which aggregate reserve for life contracts, deposit-type contracts, and accident and health companies has been reduced on account of reinsurance with unauthorized (or certified) companies. The amounts by company should be the same as those shown for life reinsurance ceded in Schedule S, Part 3, Section 1, Column 9 and for accident and health reinsurance ceded in Schedule S, Part 3, Section 2, Columns 9 & 10.

Part 4 – Column 6 / Part 5 – Column 10: Paid and Unpaid Recoverable, Including IBNR

This column is to include all paid and unpaid losses recoverable, including IBNR. It shall include the reduction in claim liability on account of reinsurance on incurred but not reported claims (estimated).

Part 4 – Column 7 / Part 5 – Column 11: Paid and Unpaid Recoverable, Including IBNR

This column is include all asset and liability reductions resulting from reinsurance ceded to unauthorized (or certified) reinsurers not included in columns 5 or 6 (or 9 or 10 for certified). Examples of items included in the column include:

- **Unamortized Interest Maintenance Reserve (IMR) liability adjustment**, if any, of the ceding company.
- Commissions and expense allowances due the ceding company.
- Modified coinsurance reserve adjustments due.
- Experience rating refunds due.

Both Schedule S Part 4 & Part 5 have explicit summary instructions that the securities held on deposit or held in a trust account should be valued at fair market value. This is also reiterated in the following instructions:

Column 12 (Part 4) and Column 20 (Part 5): Funds Deposited by and Withheld from Reinsurers

Ref #2025-22

Where permissible to be taken as credit against the loss and reserve liabilities in Column 8 (Total of Columns 5, 6 & 7), amounts deposited by the reinsurer with or for the reporting insurance company, letters of credit, and trust agreements. Securities held on deposit or held in a trust fund should be valued at fair market value.

NAIC Note: Clarification on the fair value reporting requirements has been highlighted for a separate agenda item.

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): Pursuant to the IMR Ad Hoc Group call on July 28, the issue of whether negative IMR should be a factor in determining the extent of reinsurance collateral required was directed to the full Statutory Accounting Principles (E) Working Group. The ad hoc group did not reach a consensus between industry and regulators, as industry supported symmetrical treatment with positive IMR (both impacting the reinsurance collateral) whereas regulators noted concern with this approach, particularly if negative IMR was nonadmitted by the ceding entity. It was noted that if nonadmitted negative IMR could be used to reduce collateral requirements, reporting entities could be incentivized to enter reinsurance transactions for the surplus bump they would receive.

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 categorized as a SAP clarification and expose proposed revisions to SSAP No. 61 to clarify how IMR derecognized as part of a reinsurance transaction should influence the reinsurance collateral required to receive reinsurance credit. These revisions reiterate the current requirement to increase reinsurance collateral requirements for net positive IMR derecognized from a reinsurance transaction and the staff recommendation to prohibit a decrease in reinsurance collateral requirements from the derecognition of net negative IMR.

With this exposure, regulators are asked to comment on whether different IMR treatment should be considered from what is recommended. Specifically, instead of the asymmetrical approach, whether both positive and negative IMR derecognized from reinsurance transactions should impact the reinsurance collateral treatment (symmetrical treatment). Additionally, with exposure, a referral is recommended to the Reinsurance (E) Task Force to provide notice of this discussion and request comments.

As discussed within, the recommendation for asymmetrical treatment is supported by NAIC staff for the following reasons:

- **Positive IMR:** Both the policy reserve and IMR are needed in the collateral requirement to ensure that the collateral equals the established cedent's liability prior to the reinsurance transaction.
- **Negative IMR:** By including negative IMR derecognized from a reinsurance transaction, the collateral required drops below the required policy reserve. IMR is not permitted to reflect a collateral asset, and as negative IMR simply reflects previously recognized realized losses, IMR is not a transferable asset. Further, if negative IMR was nonadmitted, the process to include negative IMR as a reduction of the collateral

requirement could incentivize reinsurance transactions to obtain a surplus bump from the elimination of the nonadmitted IMR.

Proposed Revisions to SSAP No. 61 to paragraphs 47a and 50a for both certified and unauthorized reinsurers and the calculation of the reserve credits: (Remaining subparagraphs excluded for brevity.)

Proposed Revisions to SSAP No. 61:

Reinsurance Ceded to a Certified Reinsurer

47. A liability is established by the ceding entity to offset credit taken in various balance sheet accounts for reinsurance ceded to a certified reinsurer in an amount proportionate to any deficiency in the amount of acceptable security that is provided by the certified reinsurer as compared to the amount of security that is required to be provided in accordance with the certified reinsurer's rating. **In determining the amount of this liability, the ceding insurance entity must first determine the net obligations subject to collateral from the certified reinsurer,** which is equal to the following:
- a. Reserve credits taken, which shall include all net positive Interest Maintenance Reserve (IMR) derecognized as a result of the reinsurance transaction, but shall exclude all net negative IMR derecognized as a result of the reinsurance transactions¹ ~~including any Interest Maintenance Reserve (IMR) liability adjustment~~; plus
 - b. Claim liability credits taken on paid and unpaid (in course of settlement) claims recoverable; plus
 - c. Other asset increases or liability reductions resulting from amounts recoverable from the assuming entity including commissions, expense allowances, modified coinsurance reserve adjustments, experience rating refunds, and estimated incurred but not reported claim liabilities; less
 - d. Amounts contractually due the assuming entity.

Unauthorized Reinsurance

50. If the reinsurer is not authorized, otherwise approved or certified to do business, the reinsurance is considered to be unauthorized. A liability is established to offset credit taken in various balance sheet accounts for reinsurance ceded to unauthorized reinsurers. Credit for reinsurance with unauthorized companies shall be permitted if the ceding entity holds securities or cash of the assuming entity equal to the reserve credit taken. Such deposits are to be held under the control of the ceding entity. Additionally, any securities held under such an arrangement must be investments that the ceding entity is allowed to make under the provision of the investment sections of the insurance statutes. Other permissible arrangements include irrevocable trusts or "clean" letters of credit. If the assuming entity is not licensed or is not an authorized reinsurer in the domiciliary state of the ceding entity or

¹ The guidance for derecognized net positive and net negative IMR is required in the collateral requirement calculation for all cedents regardless of the reinsurance treaty terms.

Ref #2025-22

if the reinsurance does not meet required standards, the ceding entity must set up a net liability equal to the following:

- e. Reserve credits taken, which shall include all net positive IMR derecognized as a result of the reinsurance transaction, but shall exclude all net negative IMR derecognized as a result of the reinsurance transactions²; ~~including any IMR liability adjustment~~; plus
 - f. Claim liability credits taken on paid and unpaid (in course of settlement) claims recoverable; plus
 - g. Other asset increases or liability reductions resulting from amounts recoverable from the assuming entity including commissions, expense allowances, modified coinsurance reserve adjustments, experience rating refunds, and estimated incurred but not reported claim liabilities; less
 - h. Deposits by or funds withheld from the reinsurer, as provided for in the reinsurance treaty and in compliance with the security requirements of Appendix A-785, pledged as security for the payment of reinsurance obligations. Such deposits or funds are typically held by the ceding entity or are placed in a trust or custodial account. Amounts placed in trust or custodial accounts are held subject to withdrawal by, and under the control of, the ceding entity; less
 - i. Amounts of reinsurance recoverables covered by a clean, irrevocable letter of credit issued by a qualified U.S. financial institution as defined in Appendix A-785; less
 - j. Amounts contractually due the assuming entity.
51. The net liability defined in paragraph 50 shall never be less than zero for any particular reinsurer. The change in liability for unauthorized reinsurance is a direct charge or credit to surplus.

Staff Review Completed by: Julie Gann, NAIC Staff—August 2025

Status:

On December 9, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions to SSAP No. 61 to clarify how IMR that has been derecognized as part of a reinsurance transaction should impact the reinsurance collateral required to receive credit for reinsurance. The exposed revisions reflect the asymmetrical proposal, in which derecognized positive IMR increased collateral requirements, but that derecognized negative IMR does not decrease collateral requirements. Comments on the symmetrical and asymmetrical approaches as well as the proposed revisions are requested.

On March 23, 2026, the Statutory Accounting Principles (E) Working Group heard public comments on this agenda item and deferred action, pending a response from the Reinsurance (E) Task Force.

² The guidance for derecognized net positive and net negative IMR is required in the collateral requirement calculation for all cedents regardless of the reinsurance treaty terms.

Ref #2025-22

On August 12, 2026, the Statutory Accounting Principles (E) Working Group adopted, as final, revisions to *SSAP No. 61—Life, Deposit-Type and Health Reinsurance* to clarify how IMR derecognized as part of a reinsurance transaction should influence the reinsurance collateral required to receive reinsurance credit. These revisions clarify that derecognized IMR shall have an asymmetrical effect on reinsurance collateral requirements, meaning reinsurance collateral requirements are increased in response to net positive IMR derecognized from a reinsurance transaction but reinsurance collateral requirements cannot be decreased in response to derecognition of net negative IMR.

<https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2026/08-12-26SummerNationalMeeting/Adoptions/25-22-ReinsCollateral.docx>

To: Kevin Clark, Chair of the Statutory Accounting Principles (E) Working Group
Dale Bruggeman, Vice Chair of the Statutory Accounting Principles (E) Working Group

From: Ben Slutsker, Chair of Life Risk-Based Capital (E) Working Group
Philip Barlow, Vice Chair of Life Risk-Based Capital (E) Working Group

Re: Collateral Loans BA Schedule Reporting

Date: July 16, 2026

Life Risk-Based Capital (E) Working Group met June 18, 2025, and received a referral from Statutory Accounting Principles (E) Working Group (SAPWG) regarding collateral loan schedule BA reporting changes. The referral included the impetus of implementing more granular reporting:

The SAPWG identified that some reporting entities were using collateral loans as a way to access certain types of investment structures while obtaining more favorable RBC than if they held the underlying collateral directly. As such, the ability to incorporate RBC parity for certain collateral loans to what would be incurred if the collateral was held directly was a focus of the project to incorporate more granular reporting lines.

In response to SAPWG's request to reconsider risk-based capital (RBC) and Asset Valuation Reserve (AVR) factors for collateral loans, the Life Risk-Based Capital (E) Working Group deliberated RBC proposal 2025-16-L (Collateral loans) in late 2025 to early 2026. Ultimately, the Working Group adopted a modified proposal to assess RBC charges based on overcollateralization %, for two types of collateral loans only: i) collateral loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' Interests and ii) collateral loans backed by residual tranches, collectively "collateral loans in scope". The proposal will take effect from 2027 RBC filings.

To address regulators' concerns over valuation of collaterals, the adopted methodology requires independent verification of collaterals' fair value, absent of which will lead to full look-through in assessing charges as if the collaterals are owned directly. To further enhance transparency, American Council of Life Insurers (ACLI) further suggest in its comment letter dated April 10, 2026: *"insurers could disclose the valuation range associated with the independent valuation analysis. While regulators already have access to this information as required by SSAP 21, proactive disclosure of a valuation range, rather than a single point estimate, would allow regulators to better assess the reasonableness of the fair value used in the LTV calculation and provide additional context around estimation uncertainty."*

In order to facilitate effective implementation of adopted proposal 2025-16-L MOD (Collateral loans), the Working Group directs this referral to Statutory Accounting Principles (E) Working Group, requesting additional disclosures in Annual Statement Blanks, Schedule BA Other Long-Term Invested Assets page such that the following information become readily available for collateral loans in scope:

- a) Whether or not independent verifications of collaterals' fair values are obtained.
- b) Details of the verification, date of appraisal, name of entity performing verification etc.
- c) Range of valuations.

Note that with the adoption of 2024-19BWG MOD, insurers are already required to disclose "Fair Value of Collateral Backing the Collateral Loan" and "Current Overcollateralization Percentage to the Collateral Loan", with effect from 2026 Annual Statement filings.

Finally, proposal 2025-16-L MOD (Collateral loans) also made permanent the interim solution adopted for collateral loans backed by mortgage loans (Proposal 2024-15-L). As such, the Working Group would like to request refresh of SAPWG memo and/or guidance be incorporated into the annual statement instructions to effectuate the look through of collateral loans backed by mortgage loans in the Asset Valuation Reserve's Equity and Other Invested Asset Component table.

Please contact NAIC staff of the Life Risk-Based Capital (E) Working Group with any questions about this referral.

Cc: Julie Gann, Robin Marcotte, Jake Stultz, Wil Oden, Jason Farr, Maggie Chang, Kazeem Okosun

<https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2026/08-12-26SummerNationalMeeting/Meeting/L-ReferraltoSAPWGCollateralLoanreportinggranularity.docx>

2026 Summer National Meeting - Review of U.S. GAAP Exposures for Statutory Accounting:

Pursuant to a 2014 direction from the SAPWG chair, there is a desire for the Statutory Accounting Principles (E) Working Group to be more proactive in considering FASB exposures that may be significant to statutory accounting and reporting. Historically, the SAPWG has commented on limited, key FASB exposures – mostly pertaining to insurance contracts and financial instruments. To ensure consideration of all FASB exposures, staff prepared this memorandum to highlight the current exposures, comment deadlines, and to provide a high-level summary of the exposed item's potential impact to statutory accounting. It is anticipated that this information would assist the Working Group in determining whether a comment letter should be submitted to the FASB on the issues. Regardless of the Working Group's election to submit comments to the FASB on proposed accounting standards, under the NAIC Policy Statement on Statutory Accounting Principles Maintenance Agenda Process, issued US GAAP guidance noted in the hierarchy within Section V of the Preamble to the *Accounting Practices and Procedures Manual* must be considered by the Statutory Accounting Principles (E) Working Group.

FASB Exposures: [Exposure Documents and Public Comment Documents \(fasb.org\)](https://www.fasb.org/exposures)

Exposed FASB Guidance	Comment Deadline & Initial Staff Comments
Derivatives and Hedging (Topic 815): <i>Targeted Improvements to Accounting for Interest Rate Risk Hedging and Net Investment Hedging</i>	August 17, 2026

The proposed update is to address three discrete hedge accounting issues that have been identified by stakeholders. Each of the three issues relates to exceptions or limitations in the general hedge accounting model that restrict its application. The Financial Accounting Standards Board (Board) intends to broaden the application of hedge accounting by removing these exceptions and limitations. In response to the 2025 Invitation to Comment, Agenda Consultation (2025 ITC), stakeholders provided feedback indicating that although the Board's efforts to simplify hedge accounting over the last several years have been helpful in aligning financial reporting with the underlying economics of entities' risk management strategies, challenges remain in applying hedge accounting. In particular, stakeholders emphasized three key aspects of hedge accounting guidance that could be improved with limited amendments to better reflect the economics of their risk management activities. Stakeholders also noted that some of these exceptions and limitations can constrain an entity's risk management activities.

Issue 1: Hedging Interest Rate Risk for Held-to-Maturity (HTM) Debt Securities

The amendments in the proposed update would permit an entity to hedge interest rate risk for HTM debt securities in fair value hedges and cash flow hedges. Under current GAAP, entities cannot designate the interest rate risk of HTM debt securities as the hedged risk. The proposed amendments would improve GAAP by enabling entities to more closely align hedge accounting with the economics of their risk management activities. As a result, entities would be able to more consistently reflect their risk management strategies in the financial information provided to investors. The proposed amendments also would more closely align the application of hedge accounting to HTM debt securities with the application of hedge accounting to held-for-investment loans and with guidance in International Financial Reporting Standards (IFRS) Accounting Standards.

Issue 2: Amendments to the Definition of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap Rate

The amendments in the proposed update would amend the definition of the SOFR Overnight Index Swap Rate in current GAAP so that the overnight index swap rate would no longer be the only SOFR-based rate included as a

U.S. benchmark interest rate under Topic 815, thereby permitting designation of any tenor of SOFR. The amendments in the proposed update would improve GAAP by more closely aligning hedge accounting with the economics of entities' risk management activities. The proposed amendments also would more closely align SOFR with the other rates included in the benchmark interest rate list that are not constrained to a particular tenor. Furthermore, the proposed amendments would better reflect market developments such as the increased use of Term SOFR. The proposed amendments would benefit entities that apply cash flow hedge accounting to (a) forecasted purchases or sales of fixed rate debt instruments by expanding the eligible rates to be designated and (b) forecasted issuances when entities have not yet determined whether they will issue fixed-rate or floating-rate debt by limiting the occurrence of missed forecasts. In addition, the proposed amendments would benefit entities that apply fair value hedge accounting to fixed-rate debt instruments by reducing the complexity of hedge effectiveness assessments.

Issue 3: Permitting Float-to-Float Cross-Currency Swaps with Different Reset Dates to Be Hedging Instruments in Net Investment Hedges

The amendments in the proposed update would expand the population of eligible net investment hedging instruments by permitting the use of certain float-to-float cross-currency swaps with different reset dates. The proposed amendments would eliminate the requirement that both legs of a float-to-float cross-currency swap have the same repricing intervals and dates and, instead, would require that the repricing intervals and dates occur every six months or more frequently, which is considered sufficient to justify an assumption that the variable payment or receipt is at a market rate. In addition, the proposed amendments would update hedge effectiveness guidance to align the terms of the hypothetical swap with the actual cross-currency interest rate swap as modified by the proposed amendments related to repricing intervals and dates. For those net investment hedges, the amendments in the proposed update would improve the financial reporting of effective hedging relationships and better reflect the economic results of an entity's risk management activities in its financial statements. The proposed amendments also would align GAAP with the market conventions that have developed following the cessation of the London Interbank Offered Rate (LIBOR).

To address stakeholders' concerns and align with the objectives of the Board's recently completed hedging projects, in particular Accounting Standards Update No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities, and Accounting Standards Update No. 2025-09, Derivatives and Hedging (Topic 815): Hedge Accounting Improvements, the amendments in the proposed update are intended to better reflect the economics of an entity's risk management activities in its financial statements. The proposed amendments also are intended to enhance the operability of hedge accounting. Application of the hedge accounting guidance is optional. The amendments in the proposed update would apply to any entity that elects to apply hedge accounting in accordance with Topic 815.

Staff Review and Commentary:

Comment deadline is August 17, 2026

NAIC staff recommend that ASU be reviewed under the SAP Maintenance Process as detailed in *Appendix F—Policy Statements*.

Exposed FASB Guidance	Comment Deadline & Initial Staff Comments
Compensation—Retirement Benefits—Defined Benefit Plans—Pension (Subtopic 715-30): <i>Discount Rate Used to Measure the Benefit Obligation for Certain Market-Return Cash Balance Plans</i>	August 10, 2026

The proposed update is to clarify the discount rate that should be used to measure the benefit obligation under Subtopic 715-30, Compensation—Retirement Benefits—Defined Benefit Plans—Pension, for certain market-return cash balance plans. Market-return cash balance plans are a type of cash balance plan with a variable interest crediting rate based on an investable market return. In a market-return cash balance plan, the promised benefit to the participant at retirement (or termination) is equal to the principal credits and interest credits, which could be the actual investment returns on the principal credits, subject to certain requirements. Stakeholders noted that (1) there are different interpretations in practice about how the measurement guidance in Subtopic 715-30 should be applied to market-return cash balance plans and (2) the accounting may not reflect the economics of those plans. When an entity uses a discount rate other than the assumed interest crediting rate to measure the benefit obligation for those plans, the benefit obligation often is different from the plans' hypothetical account balances (which are made up of principal credits and future interest credits based on those principal credits).

The amendments in the proposed update would specify the discount rate required to be used to measure the benefit obligation for certain market-return cash balance plans and would apply to all entities that have market-return cash balance plans that meet the specified conditions. They would require that an entity use the assumed interest crediting rate as the discount rate to measure the benefit obligation under Subtopic 715-30 for market-return cash balance plans that meet the following conditions:

1. Pension benefits are communicated to employees in the form of an account balance that comprises principal credits and interest credits based on an investable market return in any of the following forms:
 - a. The return on plan assets
 - b. The return on a subset of plan assets that approximates the associated cash balance liabilities
 - c. The return on a regulated investment company.
2. Participants have the option to elect lump-sum payments.

The amendments would not change how market-return cash balance plans should be accounted for under current guidance in Subtopic 715-30, except for requiring that the assumed interest crediting rate be used as the discount rate when measuring the benefit obligation of qualifying plans. As a result of using the assumed interest crediting rate as the discount rate, the benefit obligation of those plans generally would be equal to their hypothetical account balance. The amendments would (1) better reflect the economics of market-return cash balance plans that meet the conditions listed above (in-scope market-return cash balance plans) and (2) reduce diversity in practice on how the measurement guidance in Subtopic 715-30 should be applied to those plans.

An entity would be required to apply the amendments in the proposed update prospectively at its next pension measurement date as determined under Subtopic 715-30 and early adoption would be permitted. The effective date will be determined after the Board considers stakeholder feedback on the amendments.

Staff Review and Commentary:

Comment deadline is August 10, 2026. NAIC staff recommend that ASU be reviewed under the SAP Maintenance Process as detailed in *Appendix F—Policy Statements*.

August 11, 2026

To: Kevin Clark, (IA), Chair, Statutory Accounting Principles (E) Working Group
Dale Bruggeman (OH), Vice Chair, Statutory Accounting Principles (E) Working Group

From: Rachel Hemphill (TX), Chair, Life Actuarial (A) Task Force,
Craig Chupp (VA), Vice Chair, Life Actuarial (A) Task Force

RE: Life Actuarial (A) Task Force Coordination with the Statutory Accounting Principles (E) Working Group 2026

The Statutory Accounting Principles (E) Working Group charges requires the Working Group to coordinate with the Life Actuarial (A) Task Force on changes to the AP&P Manual related to the *Valuation Manual* (VM)-A, Requirements, and VM-C, Actuarial Guidelines, as well as other VM requirements. This process includes the receipt of periodic reports on changes to the VM on items that require coordination. To facilitate the coordination, the Task Force provides to the Working Group a memorandum of VM amendments, actuarial guidelines and valuation related NAIC model revisions. This memorandum provides the Working Group updates to the publications since the 2025 NAIC Summer Meeting.

Valuation Manual – Attachment A to this memo includes a detailed listing of the amendments made to the VM since the 2025 NAIC Summer Meeting. The amendments were adopted by the Life Insurance and Annuities (A) Committee on July 13, 2026. The full amendments package adopted by the A Committee is available at https://content.naic.org/pbr_data.htm under the “Next Year” subsection of the “Valuation Manual” website section. All the amendments will be considered by the Executive (EX) Committee and Plenary at the 2026 NAIC Summer Meeting.

The Working Group should consider the following amendment, in particular:

- Amendment Proposal Form (APF) 2026-02 which updates VM-21 and VM-22 references to reflect IMR being attributed to a group of policies or contracts, not a group of assets. The IMR change did not modify the actual handling of IMR but was a clarification of the language in VM-21 and VM-22 to be consistent with existing language in VM-20.
- Amendment Proposal Form (APF) 2025-15 updates VM guidance for credit rating mapping to use the more granular NAIC Designation Category and corrects how NAIC tables are accessed. This coordinated VM references to reflect changes in the annual statement and other NAIC tables, no action by the SAPWG is required.

Actuarial Guidelines – Since the 2025 NAIC Summer Meeting the Task Force has created or revised the actuarial guidelines created listed below:

Actuarial Guideline XLIX-A (AG 49-A) – Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest Sold On or After December 14, 2020 (AG 49-A)

- AG 49-A clarified the requirements of AG49 Section 7.B and 7.C, to address the observed practice of including historical averages exceeding the maximum illustrated rate and backcasted performance.
- Life Insurance and Annuities (A) Committee adoption – November 17, 2025
- Executive (EX) Committee and Plenary consideration for adoption – December 11, 2025.

NAIC Models – The Task Force has not created or revised any models since the 2025 NAIC Fall Meeting.

Attachment A

LATF VM Amendment	Valuation Manual Reference	Valuation Manual Amendment Proposal Descriptions	LATF Adoption Date
2025-05	Guidance notes under VM-20 Section 9.G.8 and VM-21 Section 4.A.5	This amendment provides clearer definitions and examples of what constitutes as “contractually guaranteed” revenue sharing income.	10/2/25
2025-13	VM-20 Section 3.C.1.h.i	This amendment clarifies the timing and documentation requirements for companies seeking approval to use a non-U.S. valuation mortality table in compliance with the <i>Valuation Manual</i> .	11/6/2025
2025-15	VM-20 Sections 9.F.3, 9.F.4, and Appendix 2	This amendment updates guidance for credit rating mapping to use the more granular NAIC Designation Category and corrects how NAIC tables are accessed.	1/29/2026
2025-12	VM-22 Section 3.C and VM-31 Section 3.F.14	This amendment strengthens disclosure expectations and clarifies the role of the VM-22 Standard Projection Amount (SPA). It also reinforces credibility standards for company assumptions and confirms that the SPA is not a safe harbor.	2/26/2026
2025-16	VM-20 Section 7.E.1.g, VM-21 Section 4.D.4.b, and VM-22 Section 4.D.3.b	This amendment implements a consistent credit quality blend for the reinvestment guardrail across VM-20, VM-21, and VM-22.	3/21/2026
2025-17	VM-20 Section 5.G	This amendment allows reflection of an aggregation benefit in the VM-20 stochastic reserve.	3/22/2026
2024-12	VM-50 Sections 2.B and 4.B VM-51 Sections 2, New Section 3, Appendices 1-4, and New Appendix 5	This amendment establishes a Statistical Plan for Group Annuity Mortality and designates the NAIC as the Experience Reporting Agent.	4/9/2026
2026-02	VM-21 Sections 4.A.7 and 4.D.1 and VM-22 Sections 4.A.7 and 4.D.1.iii	This amendment updates VM-21 and VM-22 references to reflect IMR being attributed to a group of policies or contracts, not a group of assets.	4/30/2026
2026-03	VM-22 Section 6.C.5	This amendment clarifies calculation mechanics in the VM-22 SPA dynamic lapse formula, specifically in the Market Factor and Rate Factor formulas.	4/30/2026
2025-14	Section II, VM-21 Section 6.C.9, and VM-V Section 1.A.2	This amendment clarifies the reserving treatment for variable annuities in payout, specifically permitting classification as either variable annuities (consistent with their pre-annuitization treatment, subject to domiciliary commissioner notification) or as fixed annuities.	6/11/2026
2026-04	VM-M Section 1.H.1	This amendment clarifies that the 2017 CSO refers to the Loaded version of the tables unless Unloaded tables are specifically referenced.	6/11/2026
2026-05	Various Sections of VM-20, VM-21, VM-22, VM-31, VM-50, and VM-51	This amendment corrects editorial inconsistencies across multiple sections of the Valuation Manual, including reference errors and formatting discrepancies, to ensure clarity, consistency, and technical accuracy.	6/11/2026
2025-18	VM-22 Sections 1.A and 2.A	This amendment clarifies the scope of VM-22 with respect to deposit-type contracts.	6/11/2026
2025-20	VM-22 Section 3.F and VM-31 Section 3.F.14.	This amendment removes aggregation criteria for payout and deferred annuities in VM-22 and adds a disclosure in VM-31 for the aggregation benefit.	6/11/2026

Draft: 7/31/26

Blanks (E) Working Group
E-Vote
July 29, 2026

The Blanks (E) Working Group of the Accounting Practices and Procedures (E) Task Force conducted an e-vote that concluded July 29, 2026. The following Working Group members participated: Roy Eft, Chair (IN); Steve Drutz, Vice Chair (WA); Kim Hudson (CA); N. Kevin Brown (DC); Daniel Mathis (IA); Jason Trippett (MI); Danielle Smith (MO); Tadd Wegner (NE); Paul Lupo (NJ); Ryan Keeling (OR) Shawn Fredrick (TX); Jake Garn (UT); Adrian Jaramillo (WI); and Justin Parr (WV).

1. Adopted the May 28, 2026 Minutes

The Working Group conducted an e-vote to consider adoption of its May 28, 2026 minutes.

Wegner made a motion, seconded by Mathis, to adopt the May 28 minutes (Attachment Two-A). The motion passed with no objection.

No additional business was addressed.

Draft: 6/2/26

Blanks (E) Working Group
Virtual Meeting
May 28, 2026

The Blanks (E) Working Group of the Accounting Practices and Procedures (E) Task Force met May 28, 2026. The following Working Group members participated: Roy Eft (IN), Chair; Steve Drutz, Vice Chair (WA); David Phifer (AK); Kim Hudson and Thomas Reedy (CA); Ken Cotrone and William Arfanis (CT); N. Kevin Brown (DC); Tom Hudson (DE); Carolina Herrera Wagoner (FL); Kevin Clark, Daniel Mathis, and Carrie Mears (IA); Jason Tippet (MI); Julie Lederer and Danielle Smith (MO); Tadd Wegner (NE); Paul Lupo (NJ); Cam Platt (OH) Diana Sherman (PA); Shawn Frederick (TX); Keda Yang (UT); Michael Erdman (WI); and Justin E. Parr (WV). Also participating were: Ben Slutsker (MN); Christian Citarella (NH); and Robert Kasinow (NY).

1. Adopted its March 5 Minutes

Eft stated that the Working Group met March 5. During this meeting, the Working Group took the following action: 1) adopted eight proposals; 2) deferred five proposals; 3) re-exposed a risk-based capital (RBC) proposal; 4) exposed four new items; 5) adopted its editorial listing; and 6) received two memorandums—one from the Statutory Accounting Principles (E) Working Group regarding Schedule S, Part 8—Reporting of Modified Coinsurance (Modco) and Funds Withheld Assets, and another from the Macroprudential (E) Working Group regarding funding agreement-backed notes (FABNs) and other structures.

Drutz made a motion, seconded by Sherman, to adopt the Working Group's March 5 minutes (*see NAIC Proceedings, Spring 2026, Accounting Practices and Procedures (E) Task Force, Attachment Two*). The motion passed unanimously.

2. Adopted Previously Deferred/Re-Exposed Items

A. Agenda Item 2025-23BWG

Clark stated that this blanks proposal incorporates the concept of nonadmitted assets within the separate account balance sheet and corresponding schedules pursuant to Statutory Accounting Principles (E) Working Group agenda item 2025-25. This agenda item was deferred during the Blanks (E) Working Group's March 5 meeting as it was still pending adoption consideration by the Statutory Accounting Principles (E) Working Group. That adoption occurred at the Spring National Meeting. There were minor editorial modifications made within the proposal.

Clark made a motion, seconded by Kim Hudson, to adopt the modifications to the proposal. The motion passed unanimously. Clark made a motion, seconded by Kim Hudson, to adopt the modified proposal (Attachment Two-A1). The motion passed unanimously.

B. Agenda Item 2025-24BWG

Clark stated that this blanks proposal incorporates revisions consistent with Statutory Accounting Principles (E) Working Group agenda item 2025-30 to clarify the disclosure of amounts received and paid by the insurance reporting entity on behalf of administrative service contract (ASC) plans and improve the data-captured template to ensure consistent application and cross-checks. This agenda item was deferred during the Blanks (E) Working Group March 5 meeting as it was still pending adoption consideration by the Statutory Accounting Principles (E)

Working Group. That adoption occurred at the Spring National Meeting. There were no interested party comments.

Clark made a motion, seconded by Drutz, to adopt the proposal (Attachment Two-A2). The motion passed unanimously.

C. Agenda Item 2025-25BWG

Clark stated this blanks proposal incorporates revisions consistent with Statutory Accounting Principles (E) Working Group agenda item 2025-34 to expand the existing phase-in disclosure to include the economic scenario generator phase-in by adding reference to *Valuation Manual* standard VM-20, Requirements for Principle-Based Reserves for Life Products. Prior interested party comments were considered when this agenda item was deferred during the Blanks (E) Working Group's March 5 meeting. At that time, the adoption consideration was still pending by the Statutory Accounting Principles (E) Working Group. The accounting issue adoption occurred at the Statutory Accounting Principles (E) Working Group's meeting at the Spring National Meeting. There were no additional interested party comments.

Clark made a motion, seconded by Tippet, to adopt the proposal (Attachment Two-A3). The motion passed unanimously.

D. Agenda Item 2025-26BWG

Clark stated that this blanks proposal incorporates revisions to update and modernize the expense descriptions and categories in the annual statement blanks consistent with Statutory Accounting Principles (E) Working Group agenda item 2025-33. This agenda item was deferred during the Blanks (E) Working Group's March 5 meeting as it was still pending adoption consideration by the Statutory Accounting Principles (E) Working Group. That adoption occurred at the Spring National Meeting. Minor editorial modifications were made to the proposal.

Clark made a motion, seconded by Drutz, to adopt the modifications to the proposal. The motion passed unanimously. Clark made a motion, seconded by Drutz, to adopt the modified proposal (Attachment Two-A4). The motion passed unanimously.

E. Agenda Item 2025-27BWG

Reedy stated that this blanks proposal incorporates revisions to separate collateralized loan obligations (CLOs) from other asset-backed securities (ABS) in the asset valuation reserve (AVR). This will allow securities in that reporting line for CLOs/collateralized debt obligations (CDOs)/collateralized bond obligations (CBOs) to pull directly into the RBC formula for specific factors. The interested parties' suggestion to add additional footnotes to report the amount of broadly syndicated and middle-market CLOs has not been incorporated. Such disclosure components are expected to be considered first by the Statutory Accounting Principles (E) Working Group and, if incorporated, captured as new reporting disclosures.

Reedy made a motion, seconded by Drutz, to adopt the modifications to the proposal. The motion passed unanimously. Reedy made a motion, seconded by Drutz, to adopt the modified proposal (Attachment Two-A5). The motion passed unanimously.

F. Agenda Item 2025-29BWG

Clark stated that this blanks proposal originally was drafted to incorporate additional “restricted asset” codes to be used in the investment schedules to identify investments that are pledged under funds withheld or modco reinsurance agreements consistent with Statutory Accounting Principles (E) Working Group agenda item 2025-27. However, after the Statutory Accounting Principles (E) Working Group May 18 meeting, it was noted that further discussion is needed before incorporating additional restricted asset codes to the investment schedule reporting. The current reporting was identified to be potentially misleading, as only one code can be identified for a given Committee on Uniform Security Identification Procedures (CUSIP) number while multiple restrictions may apply. Any noted code may not be applicable to the entire balance of that CUSIP. As such, it is recommended that the Blanks (E) Working Group defer this item for subsequent discussion. With the deferral, the effective date will move to annual 2027 and quarterly 2028.

Clark made a motion, seconded by Kim Hudson, to defer the proposal, which includes a change in the effective date to annual 2027 and quarterly 2028, for a 60-day public comment period ending July 27. The motion passed unanimously.

3. Adopted Items Previously Exposed

A. Agenda Item 2026-01BWG

Clark stated that this agenda item proposes updating Note 26 – Intercompany Pooling Arrangements to reflect changes in an intercompany pooling arrangement. It requires disclosing the fair value and amortized cost of transferred assets when fair values differ from cost or amortized cost. This aligns with Statutory Accounting Principles (E) Working Group agenda item 2022-12, adopted in 2024. During the NAIC staff annual disclosure checklist review, the need to update Note 26 was identified, rather than keeping this information in Note 21 – Other Items.

Clark made a motion, seconded by Arfanis, to adopt the proposal (Attachment Two–A6). The motion passed unanimously

B. Agenda Item 2026-02BWG

Clark stated that this blanks proposal simply incorporates cross-checks between the Federal Home Loan Bank (FHLB) note disclosure, Note 11B, and the general interrogatory #26 to ensure that the information reported for FHLB stock and collateral pledged agrees within the financial statements. NAIC staff have reviewed the proposed modifications and agree with their inclusion.

Clark made a motion, seconded by Parr, to adopt the modifications to the proposal. The motion passed unanimously. Clark made a motion, seconded by Parr, to adopt the modified proposal (Attachment Two–A7). The motion passed unanimously.

C. Agenda Item 2026-03BWG

Scott O’Neal (NAIC) stated that this proposal updates the Life/Fraternal Annual and Quarterly Statement Blanks and Instructions for Exhibit 5, the Variable Annuity Supplement, due to the implementation of principles-based reserving (PBR) for *Valuation Manual* standard VM-22, Requirements for Principle-Based Reserves for Non-Variable Annuities. These changes are intended to allow state insurance regulators to review and analyze data on variable and non-variable annuities as they relate to the implementation of VM-22.

The changes related to the implementation of VM-22 will help regulators analyze the effectiveness of the framework and monitor the business written under the framework. Exhibit 5 clarifies how companies should report valuation standards for VM-22 business. An edit to the mortality tables section was identified during the VM-22 updates. The edit aligns the valuation tables listed in the Life/Fraternal Instructions with those identified in the *Valuation Manual*. There were editorial comments received from interested parties during the comment period, which have been incorporated into the proposal as modifications.

Kim Hudson made a motion, seconded by Tom Hudson, to adopt the modifications to the proposal. The motion passed unanimously. Kim Hudson made a motion, seconded by Parr, to adopt the modified proposal (Attachment Two-A8). The motion passed unanimously.

D. Agenda Item 2026-04BWG

Kasinow stated that the Macroprudential (E) Working Group is seeking additional funding agreement disclosures to monitor the activity and the funding agreement-backed note (FABN) market in accordance with its financial stability monitoring objectives. This proposed disclosure will provide the Financial Stability (E) Task Force the ability to identify transmission channels and potential risk to and from the insurance industry and the interconnectedness to the capital markets. The disclosure will also give regulators more transparent insight into operating leverage.

The Macroprudential (E) Working Group has been monitoring funding agreement-backed notes for FABN activity over the past five years and observed a significant increase in activity. However, currently the data is not available in the financial statement. Therefore, the Working Group's monitoring efforts have been hampered due to the lack of availability of data in the annual statement to identify FABNs. Although this proposal does not specifically identify FABNs, the identification of funding agreements that back them, and in most cases mirror FABNs, should give regulators adequate insight to monitor the activity.

Tim Nauheimer (NAIC) stated that interested parties requested a minor change to delete "debt" under the note reference and replace with "this note". This can be done as a friendly amendment as part of the modifications to the proposal.

Sherman made a motion, seconded by Drutz, to adopt the modifications to the proposal. The motion passed unanimously. Drutz made a motion, seconded by Sherman, to adopt the modified proposal (Attachment Two-A9). The motion passed unanimously.

E. Agenda Item 2026-05BWG

Mears stated that this proposal is updating the instructions to require explicit identification of instances where the net asset value (NAV) is used by requiring direct reporting, rather than inference through omission, in the Fair Value Hierarchy Level and Method Used to Obtain Fair Value Code column in Schedules D, DL and BA. The updates will also require completion of this column for all reported items and restrict reporting to indicators expressly permitted in the annual statement instructions.

This proposal has two objectives: 1) to require explicit identification of the fair value hierarchy used to obtain reported values, including clear designation of instances where NAV is utilized; and 2) to improve the completeness and consistency of reporting. Determination of fair value, particularly of Level 3 items, remains an area of significant regulatory interest, and clearer identification along with fully completed reporting will enhance transparency and support more efficient and effective regulatory oversight. Currently, these columns permit

"blank" reporting, requiring reference to another column that may also be incorrectly or incompletely completed. Determining fair value by inference or cross-checking multiple fields is not reliable and increases the risk of errors, delays, and resource-intensive reviews.

While the NAV information may be reported elsewhere in the annual or quarterly statement, this proposal requires its inclusion in the Fair Value Hierarchy Level and Method Used to Obtain Fair Value Code column to provide a single, consistent, and unambiguous location for this information. Explicit reporting in this column ensures that downstream analysis, cross-checking, and regulatory review can be conducted efficiently without relying on inference or manual reconciliation from other schedules. It standardizes reporting across all filers, reducing the risk of errors or omissions. There were no interested party comments received during the comment period.

Mears made a motion, seconded by Sherman, to adopt the proposal (Attachment Two-A10). The motion passed unanimously.

F. Agenda Item 2026-06BWG

Clark stated that this blank proposal simply incorporates a reconciling adjustment line to the restricted asset Note 5L(1) to identify assets pledged under multiple arrangements. This revision is intended to obtain a total of restricted assets that reflect the actual assets restricted at a reporting entity and highlight the extent that assets are pledged for multiple purposes.

Clark made a motion, seconded by Kim Hudson, to adopt the proposal (Attachment Two-A11). The motion passed unanimously.

G. Agenda Item 2026-07BWG

Clark stated that this blank proposal incorporates minor edits to specific reporting columns and instructions to clarify guidance and improve consistency in reporting. The impacted aspects are "payment due at maturity," "origination balloon payment," and determining whether a Schedule BA item should be reported with a maturity date. The revisions correspond with adopted Statutory Accounting Principles (E) Working Group agenda item 2025-29.

Clark made a motion, seconded by Sherman, to adopt the proposal (Attachment Two-A12). The motion passed unanimously.

H. Agenda Item 2026-08BWG

Bailey Henning (NAIC) stated that this proposal adds a new code "O – Other" to the active status column on Schedule T for reporting entities that have a unique, restricted license type that does not fit into one of the other existing categories. This will assist regulators in monitoring the license status and business activities of these companies. The new category is intended for entities such as captive insurers, international insurers, or other insurers that may have received an insurance authorization from a United States jurisdiction, but that do not qualify as a traditional admitted carrier and, therefore, would not fit within the existing status code categories.

This proposal revises the "N – None of the Above" status code to "N – None" as many of the "none of the above" situations would be captured in the new "O-other" code category. There is also a field being added that would require a brief description when the "O" other license type is reported to indicate the license type. The proposed change is not intended to expand the NAIC filing requirements nor require additional companies to file with the

NAIC. This proposal is intended to apply to those companies that are already filing with the NAIC that have the other status types. There were minor editorial modifications made to the proposal.

Drutz made a motion, seconded by Kim Hudson, to adopt the modifications to the proposal. The motion passed unanimously. Drutz made a motion, seconded by Kim Hudson, to adopt the modified proposal (Attachment Two–A13). The motion passed unanimously.

I. Agenda Item 2026-09BWG

Clark stated that this blanks proposal incorporates reporting lines for affiliated short-term and cash-equivalent items to the five-year historical page to allow for the full picture of affiliated items from that schedule. The revisions from the principles-based bond definition deleted prior references with the intent that affiliated short-term and long-term bonds would be aggregated together in the schedule. It has since been determined that those separate reporting lines are needed and should be incorporated to ensure accurate and consistent inclusion.

Clark made a motion, seconded by Parr, to adopt the proposal (Attachment Two-A14). The motion passed unanimously.

J. Agenda Item 2026-10BWG

Clark stated that this blanks proposal was to address inconsistent guidance regarding the valuation of the liability for funds withheld in a life or health reinsurance agreement. The corresponding Statutory Accounting Principles (E) Working Group agenda item 2026-02 was exposed with proposed modifications during the Statutory Accounting Principles (E) Working Group's May 18 meeting and not adopted at this time. Therefore, this item should be deferred by the Blanks (E) Working Group. With the deferral of this proposal, the effective date will need to be changed to annual 2027.

Clark made a motion, seconded by Kim Hudson, to defer the proposal with a change in effective date to annual 2027 for a 60-day public comment period ending July 27. The motion passed unanimously.

K. Agenda Item 2026-11BWG

Clark stated that this blanks proposal was to update the Notes to the Financials with the new disclosures reflected in *Statement of Statutory Accounting Principles (SSAP) No. 37—Mortgage Loans* related to residential mortgage loans held in statutory trusts adopted by the Statutory Accounting Principles (E) Working Group in agenda item 2025-13. The investment code to identify these items on Schedule B was already adopted, but the additional disclosures were not previously captured.

Clark made a motion, seconded by Sherman, to adopt the proposal (Attachment Two-A15). The motion passed unanimously.

L. Agenda Item 2026-12BWG

Slutsker stated that this proposal requests the updating of the AVR factors to zero in columns 7 and 9 for the Collateral Loan section. The purpose of this proposal is to make the factors for collateral loan in the AVR Reserve Objective and Maximum Reserve consistent with the Life Risk-Based Capital (E) Working Group intent of proposal 2025-16 L with the factors of zero. The Life Risk-Based Capital (E) Working Group discussed AVR factors during its Nov 14, 2025, meeting and was aware of historical precedence that AVR factor updates can trail behind RBC factor updates. As such, NAIC staff modified the proposal to set AVR basic contribution, reserve objective, and maximum

reserve to zero and continue the current practice until otherwise advised by the American Academy of Actuaries (Academy). There were no interested party comments received.

Kim Hudson made a motion, seconded by Sherman, to adopt the proposal (Attachment Two-A16). The motion passed unanimously.

4. Exposed New Items

A. Agenda Item 2026-13BWG

Andy Daleo (NAIC) stated that this proposal requests the addition of an active status code column to the Property and Casualty Cybersecurity Insurance Coverage Supplement Part 5 and to Private Flood Insurance Supplement Parts 2 through 6 to identify the active status for each state. This will allow state insurance regulators to determine whether premium is being written on an admitted or nonadmitted basis.

Hearing no objection, Eft stated that the proposal is exposed for a 60-day public comment period ending July 27.

B. Agenda Item 2026-14BWG

Lederer stated that this proposal impacts the property/casualty (P/C) statement and proposes revisions to the Schedule P instructions. The revisions are designed to clarify the instructions especially for the prior year's row, which is for accident or reporting years prior to the most recent 10. The changes are to the reporting instructions only and not to the blank. These revisions were exposed by the Casualty Actuarial and Statistical (C) Task Force. It has an effective date of annual 2027.

Hearing no objection, Eft stated that the proposal is exposed for a 60-day public comment period ending July 27.

C. Agenda Item 2026-15BWG

Cotrone stated that at the 2025 Fall National Meeting and 2026 Spring National Meeting, the Securities Valuation Office (SVO) put forward a recommendation that the annual and quarterly financial statement investment schedules be updated to combine investment security identifiers (SIDs) CUSIP, CUSIP International Numbering System (CINS), private placement number (PPN), and International Securities Identification Number (ISIN) into a single reporting field called Security Identifier paired with a Security Identifier Type field. The SVO further recommended adding one new identifier, S&P Global's LoanX ID (LXID), which is a unique identifier developed to track individual loans, borrowers, and lenders in the syndicated loan and private credit markets.

The Security ID Type field would be an abbreviation to denote the type of SID being reported: C = CUSIP and CINS (including syndicated loans with an CUSIP), I = ISIN (including syndicated loans with an ISIN), P = PPN, and L = LXID. The objective of combining these fields is to improve investment security identification and integration with other NAIC systems, data, and reporting. These changes would permit additional SIDs to be added in the future as needed. The SVO worked closely with the Blanks (E) Working Group support staff, American Council of Life Insurers (ACLI), Private Placement Investors Association (PPIA), and North American Securities Valuation Association (NASVA) on the proposal.

The proposal includes two special situation security identifications (ID) to accommodate common reporting issues. The first would be for securities acquired within the initial reporting year-end of the financial statement reporting

date that have not yet been issued an NAIC recognized security ID, but where one was requested. A temporary security ID of "0"s would be used for that initial reporting year-end until the security ID is assigned. The temporary security ID of "0"s would only be used one time in the initial reporting year-end but would need to be changed to an identifier of "9"s in any subsequent reporting year-end. The second special situation security ID would be for securities that the insurer does not expect to receive a security ID and for which an identifier of "9"s would be used to clearly identify these securities as not having an NAIC recognized security ID. The security ID of "0"s and "9"s would not have a security ID type. Securities with the security IDs of "0"s and "9"s would still need to follow the guidance in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) to determine the NAIC designation category and the appropriate use of the administrative symbols.

The Investment Designation Analysis (E) Working Group and Invested Assets (E) Task Force approved this referral to the Blanks (E) Working Group along with making informational referrals to the Capital Adequacy (E) Task Force and Statutory Accounting Principles (E) Working Group. No comments have been received from those groups. The Investment Designation Analysis (E) Working Group recommends exposing this blanks change with a proposed first-quarter 2027 effective date.

Hearing no objection, Eft stated that the proposal is exposed for a 60-day public comment period ending July 27.

D. Agenda Item 2026-16BWG

Clark stated that this proposal corresponds with Statutory Accounting Principles (E) Working Group exposed agenda item 2026-06 and eliminates the exclusion of "equity method investments" from the financial instruments fair value disclosure. As the disclosure has variable lines, revisions are not necessary to the blanks illustration for companies to reflect this change in their year-end 2026 financial statements. However, disclosure illustrations are recommended to include *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* and *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* investments as example inclusions.

Hearing no objection, Eft stated that the proposal is exposed for a 60-day public comment period ending July 27.

E. Agenda Item 2026-17BWG

Clark stated that this blanks proposal corresponds with Statutory Accounting Principles (E) Working Group exposed agenda item 2026-05 and incorporates a terminology change for the restricted asset category specific to securities lending agreements. For securities lending, the security lent, which is retained on the investment schedules, shall be identified as restricted. If collateral is received that qualifies to be reported on the financial statements where the reporting entity has the ability to sell or repledge that collateral, then that collateral will also be recognized in the "collateral received with liability recognized for return" category.

Hearing no objection, Eft stated that the proposal is exposed for a 60-day public comment period ending July 27.

5. Adopted the Editorial Listing

Kim Hudson made a motion, seconded by Phifer, to adopt the editorial listing (Attachment Two-A17). The motion passed unanimously.

6. Received a Referral Memorandum for Combining SIDs and Adding a Security Identifier Type Field to the Financial Statements

Charles Therriault (NAIC) stated that this memorandum from the SVO is consistent with proposal 2026-15BWG, adding the new identifiers in the financial statements and the reporting of those in a single column.

Kim Hudson made a motion, seconded by Drutz, to receive the memorandum (Attachment Two-A18). The motion passed unanimously.

7. Discussed the Technical Systems Issue of Line Number Expansion for Schedule B, Parts 1, 2, and 3

Eft stated that an issue was brought to the attention of NAIC staff regarding the number of lines allowed in the NAIC reporting system for Schedule B Parts 1, 2, and 3. Companies are currently having to aggregate mortgage loans on one line as there are not enough detailed line numbers allowed within the system. This request is to change the line numbering to 10 digits for the annual 2026 filing. This is not being presented as a proposal, as it is not necessarily a change in reporting, and it is not necessarily editorial, as it is not a correction or clarification. This is an NAIC system issue. A similar line number expansion was previously performed in the other investments schedules to accommodate company reporting. The software vendors have been made aware of the issue and the need for the change. With no objection to increasing the line numbering in Schedule B, Parts 1, 2, and 3 beginning with the annual 2026 reporting, Eft instructed NAIC staff to proceed with this change.

Having no further business, the Blanks (E) Working Group adjourned.

Blanks Agenda Item Submission Form

DATE: <u>12/10/2025</u> CONTACT PERSON: _____ TELEPHONE: _____ EMAIL ADDRESS: _____ ON BEHALF OF: _____ NAME: <u>Dale Bruggeman</u> TITLE: <u>Chair SAPWG</u> AFFILIATION: <u>Ohio Department of Insurance</u> ADDRESS: <u>50W. Town St., 3rd Fl., Ste. 300</u> <u>Columbus, OH 43215</u>	FOR NAIC USE ONLY Agenda Item # <u>2025-23BWG MOD</u> Year <u>2026</u>~~2027~~ Changes to Existing Reporting [X] New Reporting Requirement [] REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT No Impact [X] Modifies Required Disclosure [] Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No] ***If Yes, complete question below*** DISPOSITION [] Rejected For Public Comment [] Referred To Another NAIC Group [] Received For Public Comment [X] Adopted Date <u>5/28/2026</u> [] Rejected Date _____ [] Deferred Date _____ [] Other (Specify) _____

BLANK(S) TO WHICH PROPOSAL APPLIES

☒ ANNUAL STATEMENT	☒ INSTRUCTIONS	☒ CROSSCHECKS
☐ QUARTERLY STATEMENT	☒ BLANK	
☐ Life, Accident & Health/Fraternal	☒ Separate Accounts	☐ Title
☐ Property/Casualty	☐ Protected Cell	☐ Other _____
☐ Health	☐ Health (Life Supplement)	☐ Life (Health Supplement)

Anticipated Effective Date: Annual 2027

IDENTIFICATION OF ITEM(S) TO CHANGE

Update the Separate Account Assets page by adding a "Nonadmitted Assets" and "Net Admitted General Account Assets." Add a new line on the Separate Account Summary of Operations for "Change in Nonadmitted Assets" within the surplus account. Insert a new page "Exhibit of Nonadmitted Assets" that will detail the current and prior total nonadmitted assets, and the change in nonadmitted assets.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

This proposal was prepared to capture nonadmitted assets on the separate account blank for assets held at the general account basis. (SAPWG Ref #2025-25)

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

ANNUAL STATEMENT INSTRUCTIONS – SEPARATE ACCOUNTS

INSTRUCTIONS

FOR COMPLETING SEPARATE ACCOUNTS ANNUAL STATEMENT BLANK



Detail Eliminated To Conserve Space

ASSETS

Receivables from the General Account Statement must be excluded from the assets of the Separate Accounts Statement to eliminate the need for consolidating adjustments in the General Account Statement. Such receivables must be reported as a negative liability and netted against payables to the General Account Statement (see instructions for Page 3, Line 10, Other Transfers to General Account Due or Accrued (Net)).

Column ~~1~~

~~& 2~~ – General Account Basis ~~and Fair Value Basis~~

Report ~~in the General Account Basis column, Column 1,~~ the assets of those separate accounts whose assets are carried at the same basis as the general account. Include all separate accounts whose assets support fund accumulation contracts (GICs), which do not participate in underlying portfolio experience, with fixed interest rate guarantee, purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer. Such assets must be valued as if the assets were held in the general account.

~~Report in the Fair Value Basis column, Column 2, the assets of those separate accounts whose assets are carried at market value. Include separate account whose assets support all other policies and contracts and those liabilities being recorded at current interest rates.~~

Contracts with assets held in a separate account where the separate account's plan of operations was filed and approved prior to codification's effective date, that are continuing to be valued on the approved basis shall be reported in the General Account or Fair Value basis columns.

Further instruction in the determination of appropriate valuation basis for amounts that are to be reported in the assets can be located in SSAP No. 56—*Separate Accounts*.

Column 2 – Nonadmitted Assets

Include: Amounts for which the state does not allow the reporting entity to take credit.

Refer to the Annual Statement Instructions, Exhibit of Nonadmitted Assets.

Column 3 – Net Admitted Assets

The amount in Column 3 equals Column 1 minus Column 2. The amounts reported in Column 3 should agree to the appropriate schedules.

Column 4 – Fair Value Basis

Report the assets of those separate accounts whose assets are carried at market value. Include separate account whose assets support all other policies and contracts and those liabilities being recorded at current interest rates.

Contracts with assets held in a separate account where the separate account's plan of operations was filed and approved prior to codification's effective date, that are continuing to be valued on the approved basis shall be reported in the General Account or Fair Value basis columns.

Further instruction in the determination of appropriate valuation basis for amounts that are to be reported in the assets can be located in SSAP No. 56—Separate Accounts.

Column ~~3~~5 – Total of General Account Admitted and Fair Value

The amount to be reported equals the sum of Columns ~~1, 2, 3, and 4.~~3 and 4.

SUMMARY OF OPERATIONS



Detail Eliminated To Conserve Space



SURPLUS ACCOUNT

Line 22 – [Change in Nonadmitted Assets](#)

[Equals the amount on the Exhibit of Nonadmitted Assets, Line 28, Column 3.](#)

Line ~~22~~²³ – Transfer from Separate Accounts of the Change in Expense Allowances Recognized in Line 21

Report the amount of decrease or (increase), if any, in the excess of policyholder account values as appropriate, over modified reserves such as the expense allowance provided by the use of CARVM or CRVM, reported in Exhibit 3A and Line 22. Such excess or expense allowance must be reported as a transfer to the general account.

EXHIBIT OF NONADMITTED ASSETS

This schedule should include the nonadmitted amounts for all assets. ~~(both group and individual) amounts for both invested assets and other than invested assets.~~

The lines in this schedule are identical to those included in the Separate Account Assets Page. The Column 1 amount should equal the amount reported in the same specific line in the Nonadmitted Assets column of the Assets Page (Page 2, Column 2, Line 2816).

Column 1 – Current Year Total Nonadmitted Assets

Include: Nonadmitted goodwill as prescribed in SSAP No. 68—Business Combinations and Goodwill.

Nonadmitted invested assets due to state aggregate investment limitations.

Nonadmitted amounts due to specific surplus notes.

Nonadmitted invested asset amounts due to designation restrictions by the state (e.g., designation 6 securities must be partially or wholly nonadmitted).

Non-operating systems software.

Electronic data processing (EDP) equipment and operating software in excess of 3% of capital and surplus for the most recently filed statement adjusted to exclude any EDP equipment and operating system software, net deferred tax assets and net positive goodwill.

Prepaid expense (SSAP No. 29—Prepaid Expenses).

Column 2 – Prior Year Total Nonadmitted Assets

This column should contain the total (sum of group and individual) nonadmitted amounts from the prior year annual statement.

Column 3 – Change in Total Nonadmitted Assets

This column should equal Column 2 minus Column 1. The amount reported in the total line of this column should equal the amount reported in the “Change in Nonadmitted Assets” line of the Capital and Surplus Account calculation.

ANNUAL STATEMENT BLANK – SEPARATE ACCOUNTS

ASSETS

	Current Year					Prior Year
	1 General Account Basis	2 ~~Fair Value~~ Basis Nonadmitted Assets	3 ~~Total~~ (Cols. 1 + ~~2~~) Net Admitted General Account Assets (Cols 1-2)	4 Fair Value Basis	5 Total of General Account Admitted and Fair Value (Cols ~~1+2~~ +3+4)	6 ~~Total of~~ General Account Admitted and Fair Value
1. Bonds (Schedule D)						
2. Stocks (Schedule D):						
2.1 Preferred stock						
2.2 Common stocks						
3. Mortgage loans on real estate (Schedule B)						
4. Real estate (Schedule A):						
4.1 Properties held for the production of income (less \$..... encumbrances)						
4.2 Properties held for sale (less \$..... encumbrances) .						
5. Cash (\$....., Schedule E – Part 1) and cash equivalents (\$....., Schedule E – Part 2)						
6. Short-term investments (Schedule DA)						
7. Derivatives (Schedule DB)						
8. Other invested assets (Schedule BA)						
9. Securities lending reinvested collateral assets (Schedule DL) .						
10. Aggregate write-ins for invested assets						
11. Subtotals—Cash and invested assets (Lines 1 to 10)						
12. Investment income due and accrued						
13. Receivables for securities						
14. Net adjustment in assets and liabilities due to foreign exchange rates						
15. Aggregate write-ins for other-than-invested assets						
16. Lines 11 to 15						
DETAILS OF WRITE-INS						
1001.						
1002.						
1003.						
1098. Summary of remaining write-ins Line 10 from overflow page						
1099. Totals (Lines 1001 through 1003 plus 1098) (Line 10 above)						
1501.						
1502.						
1503.						
1598. Summary of remaining write-ins for Line 15 from overflow page						
1599. Totals (Lines 1501 through 1503 plus 1598) (Line 15 above)						

SUMMARY OF OPERATIONS

	1 Current Year	2 Prior Year
1. Transfers to Separate Accounts:		
1.1 Net premiums and annuity considerations for life and accident and health contracts		
1.2 Considerations for supplementary contracts with life contingencies		
1.3 Aggregate write-ins for other transfers to Separate Accounts.....		
1.4 Totals (Lines 1.1 to 1.3).....		
2. Transfers on account of deposit-type contracts (including \$.....deposits less \$.....withdrawals)		
3. Net investment income and capital gains and losses		
4. Aggregate write-ins for other income		
5. Totals (Lines 1.4 to 4)		
DEDUCT:		
6. Transfers from the Separate Account on account of contract benefits:		
6.1 Death benefits		
6.2 Matured endowments		
6.3 Annuity benefits		
6.4 Payments on supplementary contracts with life contingencies		
6.5 Accident and health benefits.....		
6.6 Surrender benefits and withdrawals for life contracts		
6.7 Aggregate write-ins for other transfers from Separate Accounts on account of contract benefits		
7. Transfers on account of policy loans		
8. Net transfer of reserves from or (to) Separate Accounts		
9. Other transfers from the Separate Accounts:		
9.1 Federal and foreign income taxes incurred		
9.2 Change in expense allowances recognized in reserves		
9.3 Aggregate write-ins for other transfers from Separate Accounts		
10. Subtotals (Lines 6.1 to 9.3)		
11. Fees associated with charges for investment management, administration and contract guarantees		
12. Increase in aggregate reserve for life and accident and health contracts		
13. Increase in liability for deposit-type contracts		
14. Increase in reserve for future federal income taxes		
15. Aggregate write-ins for reserves and funds.....		
16. Totals (Lines 10 to 15)		
17. Net gain from operations (including \$.....unrealized capital gains) (Line 5 minus Line 16)		
SURPLUS ACCOUNT		
18. Surplus, December 31, prior year		
19. Net gain from operations (Line 17)		
20. Surplus contributed or (withdrawn) during year		
21. Change in reserve on account of change in valuation basis, (increase) or decrease		
~~22.~~ <u>Change in Nonadmitted Assets</u>	<u>.....</u>	<u>.....</u>
~~22.23.~~ Transfer from Separate Accounts of the change in expense allowances recognized in Line 21		
~~23.24.~~ Aggregate write-ins for gains and losses in surplus		
~~24.25.~~ Surplus, December 31, current year (Page 3, Line 21)		
DETAILS OF WRITE-INS		
01.301.		
01.302.		
01.303.		
01.398. Summary of remaining write-ins for Line 1.3 from overflow page		
01.399. Totals (Lines 01.301 through 01.303 plus 01.398) (Line 1.3 above)		
0401.		
0402.		
0403.		
0498. Summary of remaining write-ins for Line 4 from overflow page		
0499. Totals (Lines 0401 through 0403 plus 0498) (Line 4 above)		
06.701.		
06.702.		
06.703.		
06.798. Summary of remaining write-ins for Line 6.7 from overflow page		
06.799. Totals (Lines 06.701 through 06.703 plus 06.798) (Line 6.7 above)		
09.301.		
09.302.		
09.303.		
09.398. Summary of remaining write-ins for Line 9.3 from overflow page		
09.399. Totals (Lines 09.301 through 09.303 plus 09.398) (Line 9.3 above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503 plus 1598) (Line 15 above)		
~~2301~~ <u>2401.</u>		
~~2302~~ <u>2402.</u>		

~~2302~~ 2403.	Summary of remaining write-ins for Line ~~23-24~~ from overflow page		
~~2398~~ 2498.	Totals (Lines ~~2301-2401~~ through ~~2302-2403~~ plus ~~2398~~ 2498) (Line ~~23-24~~ above)		

EXHIBIT OF NONADMITTED ASSETS

	<u>1</u> Current Year Total Nonadmitted Assets	<u>2</u> Prior Year Total Nonadmitted Assets	<u>3</u> Change in Total Nonadmitted Assets (Col. 2 – Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stock			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B)			
4. Real estate (Schedule A):			
4.1 Properties held for the production of income (less			
\$..... encumbrances)			
4.2 Properties held for sale (less \$..... encumbrances)			
5. Cash (\$....., Schedule E – Part 1) and cash equivalents			
(\$....., Schedule E – Part 2)			
6. Short-term investments (Schedule DA)			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Securities lending reinvested collateral assets (Schedule DL) ..			
10. Aggregate write-ins for invested assets			
11. Subtotals—Cash and invested assets (Lines 1 to 10)			
12. Investment income due and accrued			
13. Receivables for securities			
14. Net adjustment in assets and liabilities due to foreign			
exchange rates			
15. Aggregate write-ins for other-than-invested assets			
16. Lines 11 to 15			
DETAILS OF WRITE-INS			
1001.			
1002.			
1003.			
1098. Summary of remaining write-ins Line 10 from overflow page			
1099. Totals (Lines 1001 through 1003 plus 1098) (Line 10 above)			
1501.			
1502.			
1503.			
1598. Summary of remaining write-ins for Line 15 from overflow			
page			
1599. Totals (Lines 1501 through 1503 plus 1598) (Line 15 above)			

***** Drafting Note – The Exhibit of Nonadmitted Assets in this proposal was initially setup using the General Account’s Exhibit of Nonadmitted Assets. It should be using the same rows as the Separate Account Assets page. Due to this whole table changing we are showing this as deleting the original table (on next page) and the one on this page is the correct Separate Account Exhibit of Nonadmitted Assets.*****

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			
2. Stocks (Schedule D):.....			
2.1 Preferred stocks.....			
2.2 Common stocks.....			
3. Mortgage loans on real estate (Schedule B):.....			
3.1 First liens.....			
3.2 Other than first liens.....			
4. Real estate (Schedule A):.....			
4.1 Properties occupied by the company.....			
4.2 Properties held for the production of income.....			
4.3 Properties held for sale.....			
5. Cash (Schedule E Part 1), cash equivalents (Schedule E Part 2) and short term investments (Schedule DA).....			
6. Contract loans.....			
7. Derivatives (Schedule DB).....			
8. Other invested assets (Schedule BA).....			
9. Receivables for securities.....			
10. Securities lending reinvested collateral assets (Schedule DL).....			
11. Aggregate write ins for invested assets.....			
12. Subtotals, cash and invested assets (Lines 1 to 11).....			
13. Title plants (for Title insurers only).....			
14. Investment income due and accrued.....			
15. Premiums and considerations:.....			
15.1 Uncollected premiums and agents' balances in the course of collection.....			
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			
15.3 Accrued retrospective premiums and contracts subject to redetermination.....			
16. Reinsurance:.....			
16.1 Amounts recoverable from reinsurers.....			
16.2 Funds held by or deposited with reinsured companies.....			
16.3 Other amounts receivable under reinsurance contracts.....			
17. Amounts receivable relating to uninsured plans.....			
18.1 Current federal and foreign income tax recoverable and interest thereon.....			
18.2 Net deferred tax asset.....			
19. Guaranty funds receivable or on deposit.....			
20. Electronic data processing equipment and software.....			
21. Furniture and equipment, including health care delivery assets.....			
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			
23. Receivables from parent, subsidiaries and affiliates.....			
24. Health care and other amounts receivable.....			
25. Aggregate write ins for other than invested assets.....			
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....			
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			
28. Total (Lines 26 and 27).....			
DETAILS OF WRITE-INS			
1101.			
1102.			
1103.			
1198. Summary of remaining write ins for Line 11 from overflow page.....			
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above).....			
2501.			
2502.			
2503.			
2598. Summary of remaining write ins for Line 25 from overflow page.....			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....			

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NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

DATE: <u>12/10/2025</u> CONTACT PERSON: _____ TELEPHONE: _____ EMAIL ADDRESS: _____ ON BEHALF OF: _____ NAME: <u>Dale Bruggeman</u> TITLE: <u>Chair SAPWG</u> AFFILIATION: <u>Ohio Department of Insurance</u> ADDRESS: <u>50W. Town St., 3rd Fl., Ste. 300</u> <u>Columbus, OH 43215</u>	<u>FOR NAIC USE ONLY</u> Agenda Item # <u>2025-24BWG</u> Year <u>2026</u> Changes to Existing Reporting [X] New Reporting Requirement [] <u>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</u> No Impact [X] Modifies Required Disclosure [] Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No] ***If Yes, complete question below*** <u>DISPOSITION</u> [] Rejected For Public Comment [] Referred To Another NAIC Group [] Received For Public Comment [X] Adopted Date <u>5/28/2026</u> [] Rejected Date _____ [] Deferred Date _____ [] Other (Specify) _____

BLANK(S) TO WHICH PROPOSAL APPLIES

[X] ANNUAL STATEMENT [] QUARTERLY STATEMENT [X] Life, Accident & Health/Fraternal [X] Property/Casualty [X] Health	[X] INSTRUCTIONS [] BLANK [] Separate Accounts [] Protected Cell [] Health (Life Supplement)	[X] CROSSCHECKS [] Title [] Other _____ [] Life (Health Supplement)

Anticipated Effective Date: Annual 2026

IDENTIFICATION OF ITEM(S) TO CHANGE

Update Notes to Financials Note 18B – ASC Plans for the disclosure clarifications in SSAP No. 47 – *Uninsured Plans*.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

This proposal was prepared as clarifications to the Administrative Services Contracts (ASC) disclosure in SSAP No. 47—*Uninsured Plans* in annual statement note 18B. (SAPWG Ref #2025-30)

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, PROPERTY, & HEALTH

NOTES TO FINANCIAL STATEMENTS

Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

Instruction:

Provide information with regard to the profitability to the reporting entity of uninsured accident and health plans and the uninsured portions of partially insured plans for which the reporting entity serves as an Administrative Services Only (ASO) or an Administrative Services Contract (ASC) plan administrator.



Detail Eliminated To Conserve Space

B. ASC Plans

For ASC plans, provide information with regard to the profitability to the reporting entity of all ASC plans and the uninsured portions of partially insured plans for which the reporting entity serves as an ASC administrator.

For the total and each category separately provide:

- Gross reimbursement for medical cost incurred
- Gross administrative fees accrued
- Other ~~income or expense~~ amounts received by the insurance reporting entity (including interest paid to the insurer or received from ASC plans)
- Other amounts paid by the insurance reporting entity (including interest paid to or on behalf of the ASC plans)
- Gross expenses incurred (claims and administrative)
- Total net gain or loss from operations.

Illustration:

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.

B. ASC Plans

The gain from operations from Administrative Services Contract (ASC) uninsured plans and the uninsured portion of partially insured plans was as follows during 20__:

Uninsured Portion

	<u>ASC Uninsured Plans</u>	<u>of Partially Insured Plans</u>	<u>Total ASC</u>
a. Gross reimbursement for medical cost incurred	\$ _____	\$ _____	\$ _____
b. Gross administrative fees accrued	\$ _____	\$ _____	\$ _____
c. Other ~~income or expenses~~ <u>amounts received by the insurance reporting entity</u> (including interest paid to <u>the insurer</u> or received from <u>ASC</u> plans)	\$ _____	\$ _____	\$ _____
<u>d. Other amounts paid by the insurance reporting entity (including interest paid to or on behalf of the ASC plan)</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>
~~d.e.~~ Gross expenses incurred (claims and administrative) ~~-(a+b+c)~~	\$ _____	\$ _____	\$ _____
~~e.f.~~ Total net gain or loss from operations <u>(a+b+c)-(d+e)</u>	\$ _____	\$ _____	\$ _____

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NAIC BLANKS (E) WORKING GROUP

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DATE: <u>12/10/2025</u> CONTACT PERSON: _____ TELEPHONE: _____ EMAIL ADDRESS: _____ ON BEHALF OF: _____ NAME: <u>Dale Bruggeman</u> TITLE: <u>Chair SAPWG</u> AFFILIATION: <u>Ohio Department of Insurance</u> ADDRESS: <u>50W. Town St., 3rd Fl., Ste. 300</u> <u>Columbus, OH 43215</u>	FOR NAIC USE ONLY Agenda Item # <u>2025-25BWG</u> Year <u>2026</u> Changes to Existing Reporting [X] New Reporting Requirement [] REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT No Impact [X] Modifies Required Disclosure [] Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No] <i>***If Yes, complete question below***</i> DISPOSITION [] Rejected For Public Comment [] Referred To Another NAIC Group [] Received For Public Comment [X] Adopted Date <u>5/28/2026</u> [] Rejected Date _____ [] Deferred Date _____ [] Other (Specify) _____

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[X] ANNUAL STATEMENT [] QUARTERLY STATEMENT [X] Life, Accident & Health/Fraternal [X] Property/Casualty [X] Health	[X] INSTRUCTIONS [] BLANK [] Separate Accounts [] Protected Cell [] Health (Life Supplement)	[] CROSSCHECKS [X] Title [] Other _____ [] Life (Health Supplement)

Anticipated Effective Date: Annual 2026

IDENTIFICATION OF ITEM(S) TO CHANGE

Update Notes to Financial Statements Note # 2 – Accounting Changes and Corrections of Errors, by adding the reference to VM-20: Requirements for Principles Based Reserves for Life Products.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

This proposal was prepared to update the Notes to Financial Statements to be consistent with the updates to the Valuation Manual (VM). (SAPWG Ref #2025-34)

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

**** This section must be completed on all forms.**

Revised 11/17/2022

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY, & TITLE

NOTES TO FINANCIAL STATEMENTS

Note 2 - Accounting Changes and Corrections of Errors

Instruction:

Describe material changes in accounting principles and/or correction of errors. Include:

- A brief description of the change, encompassing a general disclosure of the reason and justification for the change or correction.
- 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).
- 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 pensions costs. Disclosure of the effect on those income statement amounts is not necessary for estimates made each period in the ordinary course of accounts for items such as uncollectible accounts. However, disclosure is recommended if the effect of a change in the estimate is material.
- 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~~ [chapters 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*.

Reporting entities shall provide disclosure of the following:

- ❖ The phase-in period being applied, and the remaining time period of the phase in.
- ❖ Any adjustments to the phase-in period.
- ❖ Amount of change in valuation basis phase-in.
- ❖ The remaining amount to be phased-in.
- 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.

Illustration:

During the current year's financial statement preparation, the Company discovered an error in the compiling and reporting of investment income from an affiliate for the prior year. In the prior year, common stocks (Assets Page, Line ____) and investment income earned from affiliates (included in Statement of Revenue and Expenses, Line ____) were understated by \$ _____. Line ____ on the Assets Page and Line ____ on the Gains and Losses section of the Statement of Revenue and Expenses have been adjusted in the current year to correct for this error.

In 2020, the Company, [with Commissioner approval](#) elected a phase-in period of ~~three~~ [seven](#) years of a change in reserve valuation basis as described in *SSAP No. 51—Life Contracts* for its variable annuity reserves. This change in valuation basis, which impacts annuities reserves written from 1981 to 2019 is permitted under the revisions to the

Commissioners Annuity Reserve Valuation Method (CARVM) adopted in *Valuation Manual Requirements for Principle-Based Reserves for Variable Annuities (VM-21)*, and Actuarial Guideline 43 CARVM for variable annuities (AG 43). There have been no adjustments to the phase-in period. The amount of phase-in, which has been recognized in unassigned funds is \$_____. The remaining amount to be phased-in is \$_____.

In 2026, the Company elected a phase-in period of three years of a change in reserve valuation basis as described in SSAP No. 51—Life Contracts for its reserves changes related to the prescribed economic scenario generator. This change in valuation basis, which impacts reserves for policies written from years XXXX to XXXX is permitted under the revisions to VM-20: Requirements for Principle-Based Reserves for Life Products and VM -21: Valuation Manual Requirements for Principle-Based Reserves for Variable Annuities (VM-21). There have been no adjustments to the phase-in period. The amount of phase-in, which has been recognized in unassigned funds is \$_____. The remaining amount to be phased-in is \$_____.

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Blanks Agenda Item Submission Form

DATE: <u>12/10/2025</u> CONTACT PERSON: _____ TELEPHONE: _____ EMAIL ADDRESS: _____ ON BEHALF OF: _____ NAME: <u>Dale Bruggeman</u> TITLE: <u>Chair SAPWG</u> AFFILIATION: <u>Ohio Department of Insurance</u> ADDRESS: <u>50W. Town St., 3rd Fl., Ste. 300</u> <u>Columbus, OH 43215</u>	<u>FOR NAIC USE ONLY</u> Agenda Item # <u>2025-26BWG MOD</u> Year <u>2026</u> Changes to Existing Reporting ☒ [X] New Reporting Requirement ☐ [] <u>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</u> No Impact ☒ [X] Modifies Required Disclosure ☐ [] Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? ☒ [No] <i>***If Yes, complete question below***</i> <u>DISPOSITION</u> ☐ [] Rejected For Public Comment ☐ [] Referred To Another NAIC Group ☐ [] Received For Public Comment ☒ [X] Adopted Date <u>5/28/2026</u> ☐ [] Rejected Date _____ ☐ [] Deferred Date _____ ☐ [] Other (Specify) _____

BLANK(S) TO WHICH PROPOSAL APPLIES

☒ [X] ANNUAL STATEMENT ☐ [] QUARTERLY STATEMENT	☒ [X] INSTRUCTIONS ☒ [X] BLANK	☐ [] CROSSCHECKS
☒ [X] Life, Accident & Health/Fraternal ☒ [X] Property/Casualty ☒ [X] Health	☐ [] Separate Accounts ☐ [] Protected Cell ☐ [] Health (Life Supplement)	☒ [X] Title ☐ [] Other _____ ☐ [] Life (Health Supplement)

Anticipated Effective Date: Annual 2026

IDENTIFICATION OF ITEM(S) TO CHANGE

Update the annual statement expense categories and instructions to remove outdated expense terminology and update to reflect the current types of expenses that exist for companies.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The purpose of this proposal is to update the expense categories based on a review of the current instructions at the request of comments from industry. This proposal will remove outdated terminology and also update expense categories to reflect current types of expenses. (SAPWG Ref. 2025-33)

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

**** This section must be completed on all forms.**

Revised 11/17/2022

ANNUAL STATEMENT INSTRUCTIONS – PROPERTY

APPENDIX

INSTRUCTIONS FOR UNIFORM CLASSIFICATIONS OF EXPENSES OF

PROPERTY AND CASUALTY INSURERS

For the purpose of establishing uniformity in classifications of expenses of property and casualty insurers recorded in statements and reports filed with and statistics reported to Insurance Departments, all such insurers shall observe the instruction set forth below. Refer to *SSAP No. 63—Underwriting Pools* for accounting guidance.

LIST OF OPERATING EXPENSE CLASSIFICATIONS FOR ANNUAL STATEMENT PURPOSES

1. Claim Adjustment Services
 - 1.1 Direct
 - 1.2 Reinsurance Assumed
 - 1.3 Reinsurance Ceded
2. Commission and Brokerage
 - 2.1 Direct excluding contingent
 - 2.2 Reinsurance Assumed excluding contingent
 - 2.3 Reinsurance Ceded excluding contingent
 - 2.4 Contingent—Direct
 - 2.5 Contingent—reinsurance assumed
 - 2.6 Contingent—reinsurance ceded
 - 2.7 Policy and Membership Fees
3. Allowances to Managers and Agents
4. Advertising
5. Boards, Bureaus, and Associations
6. Surveys and Underwriting Reports
7. Audit of Assureds' Records
8. Salary and Related Items
 - 8.1 Salaries
 - 8.2 Payroll taxes

9. Employee Relations and Welfare
10. Insurance
11. Directors' Fees
12. Travel and Travel Items
13. Rent and Rent Items
14. Equipment
15. Cost or Depreciation of EDP Equipment and Software
16. Printing and Stationery
17. Postage, ~~and~~ Telephone ~~and Telegraph, Exchange and Express~~
18. Legal and Auditing
20. Taxes, Licenses and Fees
 - 20.1 State and Local Insurance Taxes deducting guaranty association credits
 - 20.2 Insurance Department Licenses and Fees
 - 20.3 Guaranty Association Assessments
 - 20.4 Other (excluding Federal Income and Real Estate)
21. Real Estate Expenses
22. Real Estate Taxes
24. Miscellaneous

RULES RELATING TO OPERATING EXPENSE CLASSIFICATIONS

1. CLAIM ADJUSTMENT SERVICES

1.1 Direct

Include: The Following Expenses When in Connection With the Investigation and Adjustment of Policy Claims:

Independent Adjusters: Fees and expenses of independent adjusters or settling agents

Legal: Fees and expenses of lawyers for legal services in the defense, trial, or appeal of suits, or for other legal services

Bonds: Premium costs of bonds

Appeal Costs and Expenses: Appeal bond premiums, charges for printing records, charges for printing briefs, court fees and incidental to appeals

General Court Costs and Fees: Entry fees and other court costs, and other fees not includible in Losses (Note: Interest and costs assessed as part of or subsequent to judgment are includible in Losses.)

Medical Testimony: Fees and expenses of medical witnesses of attendance or testimony at trials or hearings ("Medical" includes physicians, surgeons, chiropractors, chiropodists, dentists, osteopaths, veterinarians, and hospital representatives.)

Expert Witnesses: Fees and expenses of expert witnesses for attendance or testimony at trials or hearings

Lay Witnesses: Fees and expenses of lay witnesses for attendance or testimony at trials or hearings

Services of Process: Constables, sheriffs, and other fees and expenses for service of process, including subpoenas

Transcripts of Testimony: Stenographers' fees and fees for transcripts of testimony

Medical Examinations: Fees for medical examinations, fees for performing autopsies, fees for impartial examination, x-rays, etc., for the purpose of trial and determining questions of liability (This does not include fees for medical examinations, x-rays, etc., made to determine necessary treatment, or made solely to determine the extent or continuation of disability, or first aid charges, as such fees and charges are includible in Losses.)

Miscellaneous: Costs of appraisals, expert examinations, surveys, plans, estimates, photographs, maps, weather reports, detective reports, audits, credit or character reports, watchmen (Charges for hospital records and records of other kinds, notary fees, certified copies of certificates and legal documents,

charges for Claim Adjustment Services by underwriting syndicates, pools, and associations)

- Exclude:
- Compensation to employees (see Salaries)
 - Expenses of salaried employees (see Travel and Travel Items)
 - Items includible in Allowances to Managers and Agents
 - Payments to State Industrial Commissions (see Taxes, Licenses, and Fees)
 - Payments to claim adjusting organizations except where the expense is billed specifically to individual companies (see Boards, Bureaus, and Associations)
 - Cost of services of medical examiners for underwriting purposes (see Surveys and Underwriting Reports)
 - Salvage and subrogation recovery expense, rewards, lost and found advertising, expenses for disposal of salvage (Such expenses shall be deducted from salvage.)
 - Any expenses which by these instructions are includible elsewhere

Separation of Claim Adjustment Services:

The Statistical Plans filed by certain rating bureaus contain definitions of "Allocated Loss Adjustment Expenses" which exclude for rating purposes certain types of claim adjustment services as defined herein. For the lines of business thus affected, companies that are members of such rating bureaus shall maintain records necessary to the reporting of Claim Adjustment Services—Direct, as follows:

- a. As defined in Statistical Plans
- b. Other than as defined in Statistical Plans

1.2 Reinsurance Assumed

Include: Claim adjustment expenses in bills rendered by ceding companies

1.3 Reinsurance Ceded

Include: Claim adjustment expenses billed to assuming entities

2. COMMISSION AND BROKERAGE

2.1 Direct excluding contingent

Include: All payments, reimbursements and allowances, on direct writings, computed as a percentage of premiums for production, management, or other services to:

Managers	Office Agents
Supervising General Agents	Brokers
General Agents	Solicitors
Regional and District Agents	Other producers and agents

Local Agents

Commissions and brokerage to employees when the activities for which the commissions are paid are not a part of their duties as employees.

Exclude: Compensation to employees except as noted above (see Salaries)

Allowances, reimbursements and payments not computed as a percentage of premiums (see Allowances to Managers and Agents)

Expenses involved in transactions between insurance companies (see Joint Expenses; Commission and Brokerage—Reinsurance Assumed and Ceded; Expenses for Account of Another, and Income from Special Services)

Contingent commission (see Commission and Brokerage—Contingent)

Fees of investment counsel (see Legal and Auditing)

Expenses includible in Boards, Bureaus, and Associations

Taxes on premiums (see Taxes, Licenses, and Fees)

Commission received for special services such as loss adjustment and inspection not related to policies issued by the company (see Income from Special Services)

2.2 Reinsurance Assumed excluding contingent

Commission and allowances of every nature on reinsurance assumed including tax and board allowances and reinsurance brokerage, except contingent commission, should be included in Commission and Brokerage—Reinsurance Assumed

Exception: Where commission and allowances under reinsurance assumed take the form of accurate proportions of actual expenses incurred, as in some quota share and pooling arrangements, entries shall be made to the actual expenses.

2.3 Reinsurance Ceded excluding contingent

Commission and allowances of every nature on reinsurance ceded including tax and board allowances and reinsurance brokerage, except contingent commission, shall be included in Commission and Brokerage-Reinsurance Ceded.

Exception: Where commission and allowances under reinsurance ceded take the form of accurate proportions of actual expenses incurred, as in some quota share and pooling agreements, entries shall be made to the actual expenses.

Commissions and fee allowances received from FEMA should be reported consistent with reinsurance ceding commissions. Refer to *SSAP No. 62R—Property and Casualty Reinsurance*.

Examples Relating to the Treatment of Commission on Reinsurance Assumed and Reinsurance Ceded

1. Company A cedes business to Company B under a treaty specifying a commission of 35% and an allowance for taxes and board fees of 5%. On the statement filed by Company A, both the 35% and the

5% shall be entered in Commission and Brokerage—Reinsurance Ceded. On the statement filed by Company B, both the 35% and the 5% shall be entered in Commission and Brokerage—Reinsurance Assumed.

2. Company A cedes 10% of all of its business to Company B under an agreement whereby Company B pays 10% of all actual expenses on such business incurred by Company A. Assume the expenses of Company A on the business reinsured as follows:

	Paid on Written Business
Commission and Brokerage - Direct	\$ 100,000
Salaries	30,000
Rent and Rent Items	7,000
Printing and Stationary	7,000
Postage, etc.	5,000
Surveys and Underwriting Reports	8,000
	0
Total	<u>\$ 157,000</u>

(NOTE: These are not intended to show the complete list of expenses involved but are given only for illustrative purposes.)

On the statement filed by Company A the commission and allowances by Company B shall be credited as follows:

	Paid on Written Business
Commission and Brokerage - Ceded	\$ 10,000
Salaries	3,000
Rent and Rent Items	700
Printing and Stationary	700
Postage, etc.	500
Surveys and Underwriting Reports	800
Total	<u>\$ 15,700</u>

On the statement filed by Company B the commission and allowances made to Company A shall be debited as follows:

	Paid on Written Business
Commission and Brokerage – Reinsurance Assumed	\$ 10,000
Salaries	3,000
Rent and Rent Items	700
Printing and Stationary	700
Postage, etc.	500
Surveys and Underwriting Reports	800
Total	<u>\$ 15,700</u>

2.4 Contingent Direct

Contingent or profit commission paid

Contingent or profit commission received

Contingent commission to employees when the activities for which the contingent commission is paid is not a part of their duties as employees

2.5 Contingent reinsurance assumed

2.6 Contingent reinsurance ceded

2.7 Policy and Membership Fees

Include: Policy and membership fees retained by or paid to agents

Policy and membership fees to employees when the activities for which the policy and membership fees are paid are not a part of their duties as employees

3. ALLOWANCES TO MANAGERS AND AGENTS

Include: Net allowances, reimbursements and payments for expenses of every nature, not computed as a percentage of premiums, to managers, agents, brokers, solicitors, and other producers

Exclude: Compensation to employees (see Salaries)

Expenses of salaried employees (see Travel and Travel Items)

Expenses of management where one insurance company has been appointed manager for another (see Joint Expenses; Commission and Brokerage—Reinsurance Assumed and Ceded; and Expenses for Account of Another)

Contingent commission (see Commission and Brokerage—Contingent)

Policy and membership fees (see Commission and Brokerage—Policy and Membership Fees)

Expenses in connection with owned real estate (see Real Estate Expenses)

Amounts representing exact reimbursements for Losses, Taxes, Licenses and Fees, Boards, Bureaus and Associations, and Advertising, where only the minimum space required by law is taken

Amounts representing exact reimbursements for Claim Adjustment Services, Surveys and Underwriting Reports and Audit of Assureds' Records when these services are performed by others than employees of managers, agents, brokers, solicitors or other producers

4. ADVERTISING

Include: Services of advertising agents

Public relations counsel

Space in newspapers, periodicals, billboards, programs, and other publications [including electronic formats](#)

Circulars, pamphlets, calendars, and literature issued for advertising or promotional purposes

Drawings, plates, etchings, etc., in connection with advertising

All charges for printing, paper, etc., in bills covering advertising

Media [b](#)roadcasts (e.g., radio, television, etc.)

Prospect and mailing lists

Signs, frames, medals, etc., for agents

Souvenirs for general distribution

House organs [\(in-house periodical or employee periodical\)](#) and similar publications distributed to others than employees

Advertising required by law when more than the minimum space required to comply with the law is taken

Exclude: Compensation to employees (see Salaries)

Items includible in Travel and Travel Items, Claim Adjustment Services, and Boards, Bureaus, and Associations

Cost of literature, booklets, placards, signs, etc., issued solely for accident and loss prevention (see Surveys and Underwriting Reports)

Advertising and business development expenses allowed, reimbursed or paid to managers, agents, brokers, solicitors, and other producers (see Allowances to Managers and Agents)

Cost of help wanted advertising (see Employee Relations and Welfare)

Cost of advertising in connection with owned real estate (see Real Estate Expenses)

Cost of house organs [\(in-house periodical or employee periodical\)](#) and similar publications for the use of employees (see Printing and Stationery)

Donations to organized charities (see Miscellaneous)

Cost of souvenirs not generally distributed (see Travel and Travel Items)

5. **BOARDS, BUREAUS, AND ASSOCIATIONS**

Include: Dues, assessments, fees and charges of:

Underwriting boards, rating organizations, statistical agencies, inspection and audit bureaus

Underwriters' advisory and service organizations

Accident and loss prevention organizations

Claim organizations

Specific payments to boards, bureaus and associations for rate manuals, revisions, fillers, rating plans, and experience data

Exclude: Cost of inspection, engineering, or accident and loss prevention billed specifically to individual companies (see Surveys and Underwriting Reports)

Loss adjustment expenses billed specifically to individual companies (see Claim Adjustment Services)

Allowances under reinsurance contracts for board and bureau expenses (see Commission and Brokerage—Reinsurance Assumed and Ceded)

Payments to State Industrial Commissions (see Taxes, Licenses, and Fees)

Payments into State Security Funds (see Taxes, Licenses, and Fees)

Commission and Brokerage, Claim Adjustment Services, and Taxes, Licenses and Fees of underwriting syndicates, pools, and associations

Cost of Survey, credit, moral hazard, character, and commercial reports obtained for underwriting purposes (see Surveys and Underwriting Reports)

Cost of commercial reporting services (see Surveys and Underwriting Reports)

Dues and subscriptions to social or civic clubs or affairs (see Travel and Travel Items)

Dues and subscriptions to accounting, legal, actuarial or similar societies and associations (see Travel and Travel Items)

6. SURVEYS AND UNDERWRITING REPORTS

Include: Survey, credit, moral hazard, character, and commercial reports obtained for underwriting purposes

Commercial reporting services

Appraisals for underwriting purposes

Fire records

Inspection, engineering, and accident and loss prevention billed specifically

Literature, booklets, placards, signs, etc., issued solely for accident and loss prevention

Maps and corrections

Services of medical examiners for underwriting purposes

Exclude: Compensation to employees (see Salaries)

Expenses of salaried employees (see Travel and Travel Items)

Items includible in Boards, Bureaus, and Associations, Claim Adjustment Services, and Allowances to Manager and Agents

Cost of character or credit reports on employees or applicants for employment (see Employee Relations and Welfare)

Fees for physical examination of employees or applicants for employment (see Employee Relations and Welfare)

Income from inspections, which shall be classified in accordance with the instruction "Income from Special Services"

7. AUDIT OF ASSURED'S RECORDS

Include: Auditing fees and expenses of independent auditors for auditing payrolls and other premium bases

Exclude: Compensation to employees (see Salaries)

Expenses of salaried employees (see Travel and Travel Items)

Items includible in Claim Adjustment Services

Items includible in Allowances to Managers and Agents

8. SALARY AND RELATED ITEMS

8.1 Salaries

Include: Salaries, bonus, overtime, contingent compensation, pay while on leave, dismissal allowance, pay while training and other compensation of employees

Commission and brokerage to employees when the activities for which the commission is paid are a part of their duties as employees

Exclude: Salaries or wages of janitors, caretakers, maintenance workers and agents paid in connection with owned real estate (see Real Estate Expenses)

8.2 Payroll Taxes

Include: [Employer FICA, FUTA, SUTA, and other federal state and local payroll taxes](#)~~Old-age benefit taxes~~

~~Unemployment insurance taxes~~

Exclude: Payroll taxes includible in Real Estate Taxes

9. EMPLOYEE RELATIONS AND WELFARE

A. Pensions and Insurance Benefits for Employees

Include: Cost of retirement insurance

Payments or appropriations to funds irrevocably devoted to the payment of pensions or other employees' benefits

Pensions or other retirement allowances

Accident, health and hospitalization insurance for employees

Group life insurance for employees

Workers' compensation insurance

Payments to or on behalf of employees under self-insurance

Any other insurance for the benefit of employees

Exclude: Cost of insurance on lives of employees when the ~~company~~ reporting entity is the beneficiary

Payments or appropriations to pension funds not irrevocably devoted to the payment of pensions or other employees' benefits (such payments or appropriations shall not appear among expenses.)

Items includible in Real Estate Expenses

All other types of insurance premiums

B. All Other

Include: Advertising—help wanted

Training and welfare of employees

Physical examinations of employees or applicants for employment

Character or credit reports on employees or applicants for employment

Gatherings, outings and entertainment for employees

Visiting nurse service for or on behalf of employees

Medical and hospital bills for employees (not covered by 9A)

Direct payments, other than salaries, to employees for injury and sickness (not covered by 9A)

~~Supper money~~ Overtime meals

Donations to or on behalf of employees

Food and catering for employees

Exclude: Salaries, bonus, overtime, contingent compensation, pay while on leave, dismissal allowances, pay while training and other compensation of employees (see Salaries)

Items includible in Real Estate Expenses

Cost of house organs (in-house periodical or employee periodical) and similar publications (see Advertising, and Printing and Stationery)

10. INSURANCE

Include: Fidelity or surety bonds covering employees and agents

Burglary, and robbery insurance premiums

Public liability insurance premiums (Excluding owned Real Estate)

Premiums for insurance on office contents

Cost of insurance on automobiles

All other insurance premiums not specifically provided for in other operating accounts

Exclude: Items includible in Employee Relations and Welfare

Items includible in Real Estate expenses

11. DIRECTORS' FEES

- Include: Directors' fees and other compensation of directors for attendance at board or committee meetings
- Other fees, compensation, and expenses paid to directors
- Exclude: Commission to directors for the production of business (see Commission and Brokerage—Direct)

12. TRAVEL AND TRAVEL ITEMS

- Include: Transportation, hotel, meals, postage, [shipping, delivery](#), telephone, ~~telegraph, express~~ and incidental living expenses of employees while traveling
- Expenses for transfer of employees
- Depreciation, repairs and other operating expenses of automobiles
- Rent of automobiles
- Fees for automobile ~~license plates~~ [registration](#)
- Cost of transportation, hotel, meals and entertainment of guests
- Cost of favors and presents given or extended to others than employees
- Cost of souvenirs not generally distributed
- Dues and subscriptions to social or civic clubs or affairs
- Dues and subscriptions to accounting, legal, actuarial, or similar societies and associations
- Exclude: Items includible in Salaries, Advertising, Commission and Brokerage, Taxes, Licenses and Fees, Boards, Bureaus and Associations, and Equipment
- Cost of gatherings, outings, etc., and entertainment for employees (see Employee Relations and Welfare)
- Travel and Travel Items expenses paid, reimbursed, or allowed to managers, agents, brokers, solicitors and other producers (see Allowances to Managers and Agents)
- Items includible in Real Estate Expenses
- Donations to organized charities (see Miscellaneous)
- Cost of souvenirs for general distribution (see Advertising)

13. RENT AND RENT ITEMS

- Include:
- Rent of home office and branch offices
 - Rent for space occupied in buildings owned
 - Light, heat, power and water charges in leased premises
 - Interest, taxes, etc., paid in lieu of rent for leased premises
 - Cost of alternations and repairs of leased premises
 - Rent of storage, safekeeping and warehouse space
 - Rent of safe deposit boxes
 - Rent of post office boxes
 - Time clock service charges
 - Cost of cleaning, towels, ice, water, electric lamp replacements and other expenses incidental to office maintenance
- Exclude:
- Compensation to employees (see Salaries)
 - Rent of automobiles (see Travel and Travel Items)
 - Rent allowed, reimbursed, or paid to managers, agents, brokers, solicitors and other producers (see Allowances to Managers and Agents)
 - Items includible in Real Estate Expenses
 - Rent income from owned real estate

14. EQUIPMENT

- Include:
- Rent and repairs of furniture, equipment, and office machines (including printers' equipment, postage machines and data processing equipment)
 - Depreciation on furniture, equipment and office machines (including printers' equipment, postage machines and data processing equipment)
- Exclude:
- Compensation to employees (see Salaries)
 - Rent, repairs and depreciation of automobiles (see Travel and Travel Items)
 - Cost of insurance on automobiles (see Insurance)
 - Cost of alterations and repairs of leased premises (see Rent and Rent Items)
 - Equipment expenses allowed, reimbursed or paid to managers, agents, brokers, solicitors and other producers (see Allowances to Managers and Agents)

Items includible in Real Estate Expenses

16. PRINTING AND STATIONERY

Include: Printing, stationery and office supplies such as: letterhead, envelopes, paper stock, printed forms or manuals, adding machine tape, ~~carbon paper~~, binders and posts, ~~photostatic~~ copies, pencils, pens, leads, ink, glue, stamps and stamp pads, staplers, staples, clips and pins, desk top equipment (calendars, trays, etc.), waste baskets, analysis pads, ledgers, journals, minute books, etc.

Policies and policy forms

House organs [\(in-house periodical or employee periodical\)](#) and similar publications for the use of employees

Books, newspapers and periodicals including investment, tax and legal publications and services [whether in print or electronic format](#)

Exclude: Compensation to employees (see Salaries)

Specific payments to boards, bureaus and associations for rate manuals, revisions, fillers, rating plans and experience data (see Boards, Bureaus and Associations)

Literature, booklets, placards, signs, etc., issued solely for accident and loss prevention (see Surveys and Underwriting Reports)

Items includible in Claim Adjustment Services

Items includible in Advertising

Printers' equipment in company owned printing departments (see Equipment)

Printing and stationery allowed, reimbursed or paid to managers, agents, brokers, solicitors and other producers (see Allowances to Managers and Agents)

House organs [\(in-house periodical or employee periodical\)](#) and similar publications distributed to others than employees (see Advertising)

Commercial reporting services (see Surveys and Underwriting Reports)

Items includible in Real Estate Expenses

17. POSTAGE, ~~AND~~ TELEPHONE ~~AND TELEGRAPH, EXCHANGE AND EXPRESS~~

Include: ~~Express, Freight~~, [shipping, delivery](#), and cartage

Postage

Cost of telephone ~~and telegrams, cable, radiograms and teletype~~

Bank charges for collection and exchange

Exclude: Compensation to employees (see Salaries)

Rent, repairs and depreciation of postage machines (see Equipment)

Postage, shipping, delivery, and telephone, ~~telegraph and express~~ of employees while traveling (see Travel and Travel Items)

Postage, shipping, delivery, and telephone ~~and telegraph, exchange, and express~~ allowed, reimbursed or paid to managers, agents, brokers, solicitors and other producers (see Allowances to Managers and Agents)

Profits or losses resulting from exchange on remittances to Home Office by a United States Branch. Such profits or losses shall not be included in expenses

Items includible in Real Estate Expenses

Rent of post office boxes (see Rent and Rent Items)

18. LEGAL AND AUDITING

- Include:
- Legal retainers, fees and other legal expenses (except on losses and salvage)
 - Auditing fees of independent auditors for examining records of home and branch offices
 - Cost of services of tax experts
 - Fees of investment counsel
 - Registrar fees
 - Custodian fees
 - Trustees' fees
 - Transfer agent fees
 - Fees and expenses of others than employees, for collecting balances
 - Notary fees
- Exclude:
- Compensation to employees (see Salaries)
 - Expenses of salaried employees (see Travel and Travel Items)
 - Items includible in Claim Adjustment Services
 - Items includible in Real Estate Expenses
 - Cost of auditing of assureds' records (see Audit of Assureds' Records)

20. TAXES, LICENSES AND FEES

20.1 State and Local Insurance Taxes deducting guaranty association assessment association credits

- Include: State, county and municipal taxes, licenses and fees based upon premiums
- Fire Patrol assessments
- Payments to State Industrial (or other) Commissions for administration of Workers' Compensation or other State Benefit Acts (including assessments for administering Financial Responsibility Laws) regardless of basis of assessment
- Net payments to State Security Funds, Reopened Case Funds, Second Injury Funds and other State Funds, when construed by the ~~company~~-reporting entity as operating expenses, regardless of basis of assessment
- Exclude: Allowances for taxes under reinsurance contracts (see Commission and Brokerage Reinsurance Assumed and Ceded)

20.2 Insurance Department Licenses and Fees

- Include: Agents' licenses
- Certificates of authority, compliance, deposit, etc.
- Filing fees
- Fees and expenses of examination by insurance departments or other governmental agencies
- Exclude: Items includible in Claim Adjustment Services

20.4 All Other (Excluding Federal Income and Real Estate)

- Include: Qualifying bond premiums
- Statement publication fees
- Advertising required by law
- Personal property taxes
- State income taxes
- Capital stock taxes
- Business or corporation licenses or fees (not includible under 20.1 or 20.2)
- Marine profits taxes
- Documentary stamps on reinsurance
- Any other taxes not assignable under 20.1, 20.2, and 20.3 and not otherwise excluded
- Exclude: Cost of advertising required by law where more than minimum space required to comply with the law is taken. Such expense shall be included in Advertising.

Real estate taxes, licenses and fees (see Real Estate Taxes)

Items includible in Claim Adjustment Services

Fees for automobile license plates (see Travel and Travel Items)

Federal income tax

Sales taxes, etc., included on invoices of vendors. Such taxes are to follow allocation of cost of items purchased.

21. REAL ESTATE EXPENSES

Include: Salaries, wages and other compensation of janitors, caretakers, maintenance workers and agents paid in connection with owned real estate

Cost of operating and maintaining owned real estate

Cost of insurance in connection with owned real estate

Cost of advertising in connection with owned real estate

22. REAL ESTATE TAXES

Include: Taxes, licenses and fees on owned real estate

24. MISCELLANEOUS

Expenses not listed as includible in other operating expense classifications, and not analogous thereto, shall be included in "Miscellaneous." Specifically, the following shall be included:

Cost of tabulating service when such service is rendered by outside organizations

Amounts received and handled in accordance with the Instruction "Income from Special Services"

Donations to organized charities

Differences between actual amounts paid, and amounts apportioned in accordance with the Instruction "Joint Expenses"

GENERAL INSTRUCTIONS IN CONNECTION WITH OPERATING EXPENSE CLASSIFICATIONS

A. Joint Expenses

Whenever personnel or facilities are used in common by two or more companies, or whenever the personnel or facilities of one company are used in the activities of two or more companies, the expenses involved shall be apportioned in accordance with the instructions relating to Joint Expenses, and such apportioned expenses shall be allocated by each company to the same operating expense classifications as if the expenses had been borne wholly. Any difference between the actual amount paid, and the amount of such apportioned expenses shall be included in the operating expense classification "Miscellaneous."

This instruction does not apply to the allocation of the following, which are covered by separate instructions herein:

Reinsurance commission and allowances (see Commission and Brokerage—Reinsured Assumed and Ceded)

Commission and brokerage paid to managers and agents (see Commission and Brokerage—Direct)

Allowances to managers and agents (see Allowances to Managers and Agents)

Expenses allocable in accordance with the instruction "Income from Special Services"

B. Expenses for Account of Another

Whenever expenses are paid by one company for account of another, the payments shall not appear among the expenses reported by the former and shall be included by the latter in the same expense classifications as if originally paid by it.

C. Income from Special Services

Whenever an insurance company receives compensation for sales or services, such as loss adjustment or inspection not related to policies written by the company, and such compensation is not calculated as a joint expense reimbursement, the amount thereof shall be included in the operating expense classification "Miscellaneous." Where an insurance company pays the compensation, allocation shall be made to the expense classification dictated by the nature of the expense.

Reinsurance commission and allowances (see Commission and Brokerage—Reinsurance Assumed and Ceded)

Expenses incurred for the benefit of companies in the same group or fleet are covered by the instruction "Joint Expenses."

D. Analogous Items

The lists of expenses includible in the operating expense classifications are representative and do not exclude analogous items that are omitted from the lists.

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Pool and quota share agreements, Sec. 2 (B) (C)
Post office boxes, rent of, Sec. 13
Postage machines, Sec. 14
Postage, [shipping, and delivery](#), expenses incurred by employees while traveling, Sec. 12
Postage, ~~and~~ telephone, ~~telegraph, exchange and express~~, Sec. 17
Power, light, heat and water charges in leased premises, Sec. 13
Premium cost of bonds relating to claim adjustment, Sec. 1 (A)
Premium taxes, licenses and fees, Sec. 20 (A)
Premiums for insurance on office contents, Sec. 10
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Printed forms, Sec. 16
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Services, tabulating, rendered by outside organizations, Sec. 24
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State premium taxes, licenses and fees, Sec. 20 (A)
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Statement publication fees, Sec. 20 (D)
Stationery, Sec. 16
Statistical services, Sec. 24
Statistical agencies, Sec. 5
Stenographers' fees relating to claim adjustment, Sec. 1 (A)
Stock taxes, Sec. 20 (D)
Storage, safekeeping and warehouse space, rent of, Sec. 13
Subpoenas relating to claim adjustment, Sec. 1 (A)
Subscriptions to accounting, legal, actuarial and similar societies, Sec. 12
Subscription to social or civic clubs or affairs, Sec. 12
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Surveys and underwriting reports, Sec. 6
Syndicates, underwriting, Sec. 5
Tabulating services, Sec. 24
Tax allowances, reinsurance, Sec. 2 (B) (C)
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Taxes, interest, etc., paid in lieu of rent for leased premises, Sec. 13
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Transfer agents' fees, Sec. 18
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Wages paid in connection with owned real estate, Sec. 21
Warehouse, storage and safekeeping space, rent of, Sec. 13
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ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL

EXHIBIT 2 – GENERAL EXPENSES

General expense items must be itemized and entered in sufficient detail to indicate their precise nature. General expenses include virtually all of the expenses of a life insurance company other than benefits to policyholders; commissions; and taxes, licenses and fees.

The statutory financial statement provides for two broad categories of general expenses: (1) insurance, subdivided into life insurance, accident and health insurance, and all other lines of business; and (2) investment. In addition, the Analysis of Operations by Lines of business requires allocation of general expenses to more detailed lines of business. The Summary of Operations classifies the investment expense portion of general expenses as an offset to investment income while classifying general insurance expenses separately in the expense section of the summary.

General Expenses Due or Accrued

The amount included in the balance sheet under this caption represents the ~~company's~~ reporting entities' liability for general expenses applicable to the current year that are unpaid at year end. There are a number of guidelines to consider with respect to whether an item represents a liability of the ~~company~~ reporting entity at the statement date. Distinguish between: (1) bills for items purchased or services rendered; and (2) the recognition of accruals for such things as payroll. With respect to accruals, the liability should be established so that each period bears its pro rata share of the expense even though no bill has been received. Accrual payroll, for example, represents the cost for the period from the last payroll to period-end.

Generally, the liability for purchases of supplies and materials should be established as of the receipt date or shipment date if FOB. If a ~~company~~ reporting entity has an irrevocable contract as of the statement date, the liability must be established even though the supplies or materials have not been received.

Functional Costs

General expenses are not to be reported on a functional basis unless specifically permitted and then only if: (1) services are independently organized; (2) rent, salaries and wages, and other major items of direct expense are charted to the functions; and (3) adequate accounting for the functional classifications is maintained. Those expense classifications that companies may specifically report on a functional basis are rent, salaries and wages, other employee and agent welfare and printing and stationery.

Allocation of Expenses

As stated above, companies must allocate general expenses to life insurance, accident and health insurance, or investment expense. The "All Other Lines of Business" category should include the corporate overhead line of business where that normal designation exists. In addition, the Analysis of Operations by Lines of Business requires allocation of general insurance expenses to more detailed lines of business. The *Annual Statement Instructions* discuss the allocation of receipts and expenses to lines of business.

The *Annual Statement Instructions* state that the ~~company~~ reporting entity shall employ those principles and methods that reflect the actual incidence of cost by lines of business. Companies should consider the relative time spent, the extent of usage and the varying volume of work performed. The instructions further state that companies should base the allocations upon objective measurement rather than estimates unless the cost of the measurement clearly outweighs the benefit derived. Where estimates are used, individuals familiar with the nature of the activity should make these estimates and thoroughly responsible persons should review these estimates.

The *Annual Statement Instructions* also state that companies should not use general indices such as premium volume, number of policies and insurance in force unless the incidence of cost is closely related to the indices or

there is no more appropriate basis. In no event should such indices be used to distribute claims costs to secondary lines of business.

Report expenses incurred by the reporting entity for uninsured accident and health plans on a gross basis by type of expense. However, administrative fees and expense reimbursements relating to uninsured business are reduced in the general expense and general insurance expenses are to be reported in the Summary of Operations net of such fees and reimbursements.

Expenses for accident and health activities must be allocated between cost containment expenses, Column 2 or all other, Column 3. For guidance on cost containment expenses, refer to *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses*.

Whenever personnel or facilities are used in common by two or more companies, or whenever the personnel or facilities of one ~~company~~ reporting entity are used in the activities of two or more companies, each reporting entity shall assign its share of the expense to the same expense classification as if it had incurred the entire expense. This latter requirement shall not apply to activities such as administration of jointly underwritten group contracts and joint mortality and morbidity studies.

A reporting entity ~~company~~ that pays any affiliated entity (including a managing general agent) for the management, administration, or service of all or part of its business or operations shall allocate these costs to the appropriate expense classification item (salaries, rent, postage, etc.) as if these costs had been borne directly by the company reporting entity. Management, administration, or similar fees should not be reported as a one-line expense. The ~~company~~ reporting entity may estimate these expense allocations based on a formula or other reasonable basis.

A ~~company~~ reporting entity that pays any non-affiliated entity (including a managing general agent) for the management, administration, or service of all or part of its business or operations shall allocate these costs to the appropriate expense classification items as follows:

- a. Payments for claims handling or adjustment services shall be reported as Expense of Investigation and Settlement of Contract Claims, Line 4.5 and allocated to Life, Accident and Health, and/or All Other Lines of Business as appropriate (Columns 1, 2, 3 and/or 4) in Exhibit 2, General Expenses. If the total of such expenses incurred equals or exceeds 10 percent of the total General Expenses Incurred (Line 10), the ~~company~~ reporting entity shall allocate these costs to the appropriate expense classification item as if these costs had been borne directly by the ~~company~~ reporting entity.
- b. Payments for services other than claims handling or adjustment services shall be allocated to the appropriate expense classifications as if these costs had been borne directly by the ~~company~~ reporting entity, if the total of such fees paid to the non-affiliate(s) equals or exceeds 10 percent of the total General Expenses Incurred (Line 10). If the total is less than 10 percent, the payments may be reported on Line 7.1.

The total management and service fees incurred attributable to affiliates and non-affiliates shall be reported in the footnote to Exhibit 2, General Expenses in the annual statement blank, and the method(s) used for allocation shall be disclosed in the Notes to Financial Statements. The ~~company~~ reporting entity shall use the same method(s) on a consistent basis. Refer to *SSAP No. 70—Allocation of Expenses* for accounting guidance.

Column 6 – Fraternal

Transactions related to the fraternal mission.

Line 1 – Rent

Rent expense includes, in addition to rent paid for leased properties, an estimated amount that represents “rent” for properties owned and occupied by the ~~company~~reporting entity. Report the offset to this amount as investment income. Net rents received for property under sublease against rent expense.

Include: Rent for all premises occupied by the ~~company~~reporting entity, including any adequate rent for occupancy of its own buildings, in whole or in part, except to the extent that allocation to other expense classifications on a functional basis is permitted and used.

Expenses incurred as tenant for light, heat, water, fuel, interest, taxes, building maintenance, alterations and service, etc.

Amortization expense for leasehold improvements as lessee.

Deduct: Rent under sublease.

Line 2 – Salaries and Wages

Salaries and wages, in addition to virtually all direct payments of compensation to employees, should include all payments to directors for attendance at board or committee meetings.

Include: Salaries and wages, bonuses and incentive compensation to employees, overtime payments, continuation of salary during temporary short-term absences, dismissal allowances, payments to employees while in training and other compensation to employees not specifically designated herein, except to the extent that allocation to other expense classifications is permitted and used.

Fees and other compensation to directors for attendance at board or committee meetings and any other fees and compensation paid to them in their capacities as directors or committee members.

Agency compensation other than commissions.

Line 3.11 – Contributions for Benefit Plans for Employees and

Line 3.12 – Contributions for Benefit Plans for Agents



Include: Contributions by ~~company~~reporting entity for pension and total and permanent disability benefits, life insurance benefits, accident, health, hospitalization, medical, surgical, or other temporary disability benefits under a self-administered or trusteed plan or for the purchase of annuity or insurance contracts.

Appropriation or any other assignment of funds by ~~company~~reporting entity in connection with any benefit plan of the types enumerated herein, e.g., the net periodic postretirement benefit cost, whether it be defined in terms of specified benefits or in terms of monetary amounts.

Earned amounts related to employee stock option plans.

Exclude: Contributions or appropriations for past service if reported in Surplus Account.

Benefit payments (to be reported in the appropriate benefit item of the Summary of Operations when reserves are included in Page 3, Lines 1 and 2, and as a separate item in the Summary of Operations when the liability is included in Page 3, Line 21).

Line 3.21	–	Payments to Employees Under Non-Funded Benefit Plans and	}
Line 3.22	–	Payments to Agents Under Non-Funded Benefit Plans	

Include: Payments by company under a program for pension, stock options, purchase and award plans (including change in quoted market value), and total and permanent disability benefits, death benefits, accident, health hospitalization, medical, surgical, or other temporary disability benefits, where no contribution or appropriation is made prior to the payment of the benefit.

Refer to SSAP No. 12—*Employee Stock Ownership Plans* and SSAP No. 104~~R~~—*Share-Based Payments*.

Line 3.31	–	Other Employee Welfare and	}
Line 3.32	–	Other Agent Welfare	

Expenses included in this line may be reported on a functional basis.

Include: Meals to employees. Companies so desiring may exclude this item from Other Employee Welfare and Other Agent Welfare and include it under Details of Write-ins Aggregated on Line 9.3 for Expenses.

Contributions to employee associations or clubs.

Expense and maintenance of recreation grounds.

Payments to employees and agents in military service.

Expense of periodical medical or dental examinations or of medical dispensary, convalescent home or sanitarium for employees and agents.

- Line 4.1 – Legal Fees and Expenses

Include: Cost of outside counsel, as well as court costs to the extent that these costs do not relate to the claims or investment functions, penalties, and all fees or retainers for legal services or expenses in connection with matters before administrative or legislative bodies.

Exclude: Salaries and expenses of ~~company~~ reporting entity personnel.

Legal expenses in connection with investigation, litigation and settlement of contract claims.

Legal fees specifically associated with real estate transactions.

Line 4.2 – Medical Examination Fees

Include: Fees to medical examiners in connection with new business, reinstatements, contract changes and applications for employment.

Exclude: Fees for medical examinations for the welfare of employees and agents.

Medical examination fees in connection with the investigation, litigation and settlement of contract claims.

Line 4.3 – Inspection Report Fees

Include: Fees for inspection reports in connection with new business, reinstatements, contract changes and applications for employment.

Cost of services furnished by the Medical Information Bureau (M.I.B.).

Exclude: Salaries of inspectors.

Inspection report fees in connection with the investigation, litigation and settlement of contract claims.

Assessment for expenses of M.I.B. Executive Committee.

Line 4.4 – Fees of Public Accountants and Consulting Actuaries

Exclude: Fees for examinations made by State Departments.

Expense of internal audits by company employees.

Line 4.5 – Expense of Investigation and Settlement of Policy Claims

Include: Payment to other than employees of fees and expenses for the investigation, litigation and settlement of policy claims.

Exclude: Payments to a policyholder, agent, broker, or a third party for administration of group claims.

Line 5.1 – Traveling Expenses

Include: Traveling expense of officers, other employees, directors and agents, including hotel, meals, telephone, ~~telegraph~~ and postage charges incurred while traveling.

Amounts allowed employees for use of their own cars on company business.

The cost of, or depreciation on, and maintenance and running expenses of company-owned automobiles.

Exclude: Such expenses properly chargeable to Real Estate Expenses (Line 9.1) or required to be reported in Lines 7.1 and 7.3.

Line 5.2 – Advertising

- Include:
- All costs relating to advertising for new insurance business except salaries and expenses of an advertising department.
 - Newspaper, magazine and trade journal advertising for the purpose of solicitation and conservation of business, [whether in print or electronic formats](#).
 - Billboard, sign and directory advertising.
 - Television, radio broadcasting and motion picture advertising, excluding subjects dealing wholly with health and welfare.
 - All canvassing or other literature, such as pamphlets, circulars, leaflets, contract/certificate illustration forms and other sales aids, printed material, etc., prepared for distribution to the public by agents, ~~or~~ through the mail [or electronic format](#) for purposes of solicitation and conservation of business.
 - All calendars, blotters, wallets, advertising novelties, etc., for distribution to the public.
 - Printing, paper stock, etc., in connection with advertising.
 - Prospect and mailing lists when used for advertising purposes.
 - Fees and expenses of advertising agencies related to advertising.
- Exclude:
- Pamphlets on health, welfare and educational subjects.
 - Advertising required by law, regulation or ruling except to the extent that it substantially exceeds the space required for compliance.
 - Salaries and expenses of advertising department.
 - Help-wanted advertisements.
 - Advertising in connection with investments.

Line 5.3 – Postage, ~~Express, Telegraph~~ and Telephone

- Include:
- Freight and cartage.
 - [Postage](#) ~~Cables, radiograms and teletype~~.
 - Charges for use, installation and maintenance of related equipment if not included elsewhere.

Line 5.4 – Printing and Stationery

Expenses included in this line may be reported on a functional basis.

Include: Contract/certificate forms, riders, supplementary contracts, applications, etc., rate books, instruction manuals, ~~punch-cards~~, house organs [\(in-house periodical or employee periodical\)](#), and all other printed material which is not required to be included in any other expense classification.

Office supplies.

Pamphlets on health, welfare and educational subjects.

Annual reports to policyholders/members and stockholders if not included in Line 5.2.

Line 5.5 – Cost or Depreciation of Furniture and Equipment

The general practice with respect to “Cost or depreciation of furniture and equipment” is to either: (1) charge depreciation to this expense classification and write off the remaining asset balance to surplus as a nonadmitted asset; or (2) charge expenditures for furniture and equipment directly to expense, in which case, those expenditures would be included in this classification.

Include: The cost or depreciation of office machines except for such charges as may be reported in Line 5.3.

Exclude: The cost or depreciation of equipment used by employees handling maintenance and repair work on company-occupied property.

Line 5.6 – Rental of Equipment

Include: Rental of office machines except for such charges as may be reported in Line 5.3.

Line 5.7 – Cost or Depreciation of EDP Equipment and Software

Include: Depreciation and amortization expense for electronic data processing equipment and operating and non-operating systems software.

Refer to SSAP No. 16~~R~~—*Electronic Data Processing Equipment and Software* for accounting guidance.

Line 6.1 – Books and Periodicals

Include: Books, newspapers, periodicals, etc., including investment, tax and legal publications and information services, and including all such material for ~~company's~~ [reporting entity's](#) law department and libraries [whether in print or electronic format](#).

Line 6.2 – Bureau and Association Fees

Include: All dues and assessments of organizations of which the ~~company~~ [reporting entity](#) is a member.

All dues for employees' and agents' memberships on the ~~company's~~ [reporting entities'](#) behalf.

Exclude: Contributions in connection with scientific, disease prevention, or other activity directly pertaining to the welfare of policyholders and the public.

Line 6.3 – Insurance, Except on Real Estate

Include: Premiums for Workers' Compensation, burglary, holdup, forgery and public liability insurance, fidelity or surety bonds, insurance on contents of company-occupied buildings and all other insurance or bonds not included elsewhere.

Line 6.4 – Miscellaneous Losses

Include: Uncollectible losses due to deficiencies, defalcations, robbery, or forgery, except those offset by bonding companies' payments.

Workers' Compensation benefits not covered by insurance.

Other uninsured losses not included elsewhere.

Exclude: Capital and investment losses.

Line 6.5 – Collection and Bank Service Charges

Include: Collection charges on checks and drafts and charges for checking accounts and money orders.

[Credit card fees.](#)

Exclude: Foreign exchange losses on funds transferred in or out of the country (include in Exhibit of Capital Gains and (Losses), Line 10, Column 2).

Line 6.6 – Sundry General Expenses

Amounts paid to agents for administering group, credit, or individual blocks of business.

Include: Direct expense of local agency meetings, luncheons and dinners.

Tabulating service rendered by outside organizations.

Gifts and donations.

Any portion of commissions and expense allowances on reinsurance assumed for group business that represents specific reimbursement of expenses.

Reimbursement to another insurer for expense of jointly underwritten group contracts.

Exclude: Any one type of expense that would represent more than 25 percent of the total for this line. Such items should be reported on Line 9.3.

Deduct: Any portion of commissions and expense allowances on reinsurance ceded for group business that represents specific reimbursement of expenses.

Reimbursement from other insurers for expense of jointly underwritten group contracts.

Line 6.7 – Group Service and Administration Fees

Include: Administration fees, service fees, or any other form of allowance, reimbursement of expenses, or compensation (other than commissions) to agents, brokers, applicants, policyholders or third parties in connection with the solicitation, sale, issuance, service and administration of group business.

Line 6.8 – Reimbursements by Uninsured Plans

Report as a negative amount, administrative fees, direct reimbursement of expenses, or other similar receipts or credits attributable to uninsured plans and the uninsured portion of partially insured plans.

Line 7.1 – Agency Expense Allowance

Include: All bona fide allowances for agency expense, but not allowances constituting additional compensation.

Line 7.2 – Agents' Balances Charged Off (Net)

Include: Agents' balances charged off less any amounts recovered during the year.

Line 7.3 – Agency Conferences Other Than Local Meetings

Include: Cost of banquets and rental of meeting rooms.

Expenses of all persons traveling to conferences and their expenses at conferences.

Line 8.1 – Official Publication (Fraternal Benefit Societies Only)

Expenses incurred by a fraternal benefit society for publications related to the society and its fraternal mission. Does not include publications related to the insurance operations.

Line 8.2 – Expense of Supreme Lodge Meetings (Fraternal Benefit Societies Only)

Expenses incurred by a fraternal benefit society for supreme lodge meetings of the society and its fraternal mission. Does not include meetings related to the insurance operations.

Line 9.1 – Real Estate Expenses

Include: The cost of repairs, maintenance, service, and operation of all real estate properties including insurance whether occupied by the ~~company~~-reporting entity or not; salaries and other compensation of managing agents and their employees; expenses incurred in connection with rental of such properties; legal fees specifically associated with real estate transactions other than sale; rent,

salaries and wages, and other direct expenses of any branch or home office unit engaged solely in real estate work (not real estate and mortgages combined).

Salaries or wages of janitors, caretakers, maintenance workers and agents paid in connection with owned real estate.

Exclude: Salaries and wages of any other home office, general branch office, or investment branch office employees. These should be charged to salaries and wages, where they will automatically be subject to allocation as "insurance" or "investment," in Exhibit 2. The same rule applies to other expenses or charges associated with the activities of such employees.

Line 9.2 – Investment Expenses Not Included Elsewhere

Include: Only items for which no specific provision has been made elsewhere, e.g., contributions or assessments for bondholders' protective committees, fees of investment counsel, custodian and trustee fees.

All other costs including internal costs or costs paid to an affiliated company related to origination, purchase or commitment to purchase bonds.

Exclude: Home office salaries and expenses on account of investment work, salaries and expenses of mortgage loan branch offices.

Legal fees and expenses.

Real Estate expenses properly chargeable to Line 9.1.

Brokerage and other related fees; to the extent they are included in the actual cost of a bond upon acquisition. Refer to SSAP No. 26R.

Line 9.3 – Aggregate Write-ins for Expenses

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 9.3 for Expenses.

Line 10 – General Expenses Incurred

The sum of Columns 1, 2, 3 and 4 should agree with Page 4, Line 23.

Column 5 should agree with Exhibit of Net Investment Income, Line 11, Column 2.

Column 2 plus Column 3 should agree with Schedule H, Part 1, Line 4 plus Line 8, Column 1 amount.

Sum of Columns 1 and 4 should equal the sum of Line 23, Column 1 for the following pages:

Analysis of Operations by Lines of Business – Individual Life Insurance

Analysis of Operations by Lines of Business – Group Life Insurance

Analysis of Operations by Lines of Business – Individual Annuities

Analysis of Operations by Lines of Business – Group Annuities

Sum of Columns 2 and 3 should equal Line 23, Column 1 for the Analysis of Operations by Lines of Business – Accident and Health.

Details of Write-ins Aggregated on Line 9.3 for Expenses

List separately all expenses for which there is no pre-printed line on Exhibit 2.

Include: Any type of expense that would represent more than 25 percent of Line 6.6,
Sundry General Expenses.

Adjustments due to fluctuations in foreign exchange rates.

ANNUAL STATEMENT INSTRUCTIONS – HEALTH

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 – ANALYSIS OF EXPENSES

Administrative Services Contracts (ASC) and Administrative Services Only (ASO) commissions, expenses and taxes paid by the administrator to administer such plan shall be reported on a gross basis by type of expense. General expense items must be itemized and entered in sufficient detail to indicate their precise nature. Expenses are not reported on a functional basis, except to the extent specifically permitted herein and only if: (1) services are independently organized, (2) rent, salaries and wages, and other major items of expense directly incident thereto, but not necessarily including the cost of employee benefit plans and Social Security taxes, are charged to function, and (3) adequate accounting thereof is maintained. Whenever personnel or facilities are used in common by two or more companies, or whenever the personnel or facilities of one company are used in the activities of two or more companies, each company shall assign its share of the expense to the same expense classification as if it had incurred the entire expense. This latter requirement shall not apply to activities such as administration of jointly underwritten group contracts and joint mortality and morbidity studies.

Costs for managed care activities must be allocated between claim adjustment expenses and general administrative expenses. Claim adjustment expenses should be allocated to either cost containment expenses, Column 1 or other claim adjustment expenses, Column 2, in accordance with *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses*.

Other costs such as network development costs, provider contracting costs and other similarly related costs should be allocated to Columns 1 through 3 as appropriate, in accordance with *SSAP No. 55*.

A reporting entity that pays any affiliated entity (including a managing general agent) for the management, administration, or service of all or part of its business or operations shall allocate these costs to the appropriate expense classification item (salaries, rent, postage, etc.) as if these costs had been borne directly by the ~~company~~reporting entity. Do not report management, administration, or similar fees as one-line expenses. The reporting entity may estimate these expense allocations based on a formula or other reasonable basis.

A reporting entity that pays any non-affiliated entity (including a managing general agent) for the management, administration, or service of all or part of its business or operations shall allocate these costs to the appropriate expense classification items as follows:

- a. If the total payments for claims handling or adjustment services equals or exceeds 10 percent of the “Total Claim Adjustment Expenses Incurred,” allocate these costs to the appropriate expense classification items as if these costs had been borne directly by the reporting entity.
- b. Allocate payments for services other than claims handling or adjustment services to the appropriate expense classifications as if these costs had been borne directly by the ~~company~~reporting entity, if the total of such fees paid to the non-affiliate(s) equals or exceeds 10 percent of Column 3, Line 26. If the total is less than 10 percent, the ~~company~~reporting entity may report the payments on Line 14.

The total management and service fees incurred attributable to affiliates and non-affiliates shall be reported in the footnote to Underwriting and Investment Exhibit – Part 3, and the method(s) used for allocation shall be disclosed in the Notes to Financial Statements. The reporting entity shall use the same method(s) on a consistent basis. Refer to *SSAP No. 70—Allocation of Expenses* for accounting guidance.

Line 1 – Rent

Include: Rent for all premises occupied by the reporting entity, including any adequate rent for occupancy of its own buildings, in whole or in part, except to the extent that allocation to other expense classifications on a functional basis is permitted and used.

Expenses incurred as tenant for light, heat, water, fuel, interest, taxes, building maintenance, alterations and service, etc.

Deduct: Rent under sublease.

Exclude: These items for health care delivery.

Line 2 – Salaries, Wages and Other Benefits

Include: Salaries and wages, bonuses and incentive compensation to employees, overtime payments, continuation of salary during temporary short-term absences, dismissal allowances, payments to employees while in training and other compensation to employees not specifically designated herein, except to the extent that allocation to other expense classifications is permitted and used.

Fees and other compensation to directors for attendance at board or committee meetings and any other fees and compensation paid to them in their capacities as directors or committee members.

Agency compensation other than commissions.

Payments by reporting entity under a program for pension, stock options, purchases, and award plans (including change in quoted market value) and total and permanent disability benefits, life insurance benefits, accident, health, hospitalization, medical, surgical, or other temporary disability benefits under a self-administered or trusteed plan or for the purchase of annuity or insurance contracts.

Appropriation or any other assignment of funds by ~~company~~ reporting entity in connection with any benefit plan of the types enumerated herein, (e.g., the net periodic postretirement benefit cost) whether it be defined in terms of specified benefits or in terms of monetary amounts.

Payments by reporting entity under a program for pension, stock options, purchases and award plans (including change in quoted market price), total and permanent disability benefits, death benefits, accident, health, hospitalization, medical, surgical, or other temporary disability benefits, where no contribution or appropriation is made prior to the payment of the benefit.

Meals to employees.

Contributions to employee associations or clubs.

Expense and maintenance of recreation grounds.

Payments to employees and agents in military service.

Expense of periodical medical or dental examinations, or of medical dispensary, convalescent home or sanitarium for employees and agents.

Earned amounts related to employee stock ownership plans.

Exclude: Contributions or appropriations for past service if reported in Capital and Surplus Account.

Benefit payments. (To be reported in the appropriate item of the Statement of Revenue and Expenses.)

Refer to SSAP No. 12—*Employee Stock Ownership Plans* and SSAP No. 104~~R~~—*Share-Based Payments*.

Line 3 — Commissions

Include: Collection or service fees, policy fees, membership fees and other fees, Commuted renewal commissions.

Line 4 — Legal Fees and Expenses

Include: Court costs, penalties and all fees or retainers for legal services or expenses in connection with matters before administrative or legislative bodies.

Exclude: Salaries and expenses of ~~company~~ reporting entity personnel.

Legal expenses associated with investigation, litigation and settlement of policy claims.

Legal fees specifically associated with real estate transactions.

Line 5 — Certifications and Accreditation Fees

Include: Fees associated with the certification and accreditation of a health plan, including but not limited to, fees paid to Joint Commission on Accreditation of Health Care Organizations (JCAHO); National Commission on Quality Assurance (NCQA); American Association for Health Care Certification (Utilization Review Accreditation Commission (URAC)).

Exclude: Rating agencies and other similar organizations.

Line 6 — Auditing, Actuarial and Other Consulting Services

Exclude: Fees for examinations made by State Departments.

Expense of internal audits by ~~company~~ reporting entity employees.

Line 7 – Traveling Expenses

Include: Traveling expense of officers, other employees, directors and agents, including hotel, meals, telephone, ~~telegraph~~ and postage charges incurred while traveling.

Amounts allowed employees for use of their own cars on company business.

The cost of, or depreciation on, and maintenance and running expenses of company-owned automobiles.

Exclude: Such expenses properly allocated to Real Estate Expenses (Line 21).

Line 8 – Marketing and Advertising

Include: Newspaper, magazine and trade journal advertising for the purpose of solicitation and conservation of business, whether in print or electronic formats.

Billboard, sign and directory advertising.

Television, radio broadcasting and motion picture advertising, excluding subjects dealing wholly with health and welfare.

All canvassing or other literature, such as pamphlets, circulars, leaflets, policy illustration forms and other sales aids, printed material, etc., prepared for distribution to the public by agents, ~~or~~ through the mail or electronic format for purposes of solicitation and conservation of business.

All calendars, blotters, wallets, advertising novelties, etc., for distribution to the public.

Printing, paper stock, etc., in connection with advertising.

Prospect and mailing lists when used for advertising purposes.

Fees and expenses of advertising agencies related to advertising.

Exclude: Pamphlets on health, welfare and educational subjects.

Advertising required by law, regulation or ruling except to the extent that it substantially exceeds the space required for compliance.

Salaries and expenses of advertising department.

Help wanted advertisements.

Advertising in connection with investments.

Line 9 – Postage, ~~Express~~, and Telephone

Include: Freight and cartage, ~~cables, radiograms and teletype~~.

Postage.

Charges for use, installation and maintenance of related equipment if not included elsewhere.

Line 10 – Printing and Office Supplies

Expenses included in this line may be reported on a functional basis.

Include: Policy forms, riders, supplementary contracts, applications, etc., rate books, instruction manuals, ~~punch-cards~~, house organs (in-house periodical or employee periodical), and all other printed material that is not required to be included in any other expense classification.

Office supplies, pamphlets on health, welfare and educational subjects, annual reports to policyholders and stockholders if not included in Line 8.

Books, newspapers, periodicals, etc., including investment, tax and legal publications and information services, and including all such material for ~~company's~~ reporting entity's law department and libraries whether in print or electronic format.

Line 11 – Occupancy, Depreciation and Amortization

Include: The amount of depreciation and amortization expense that is directly associated with administrative services. Expenses associated with administrative services include the costs of occupancy to the health entity that are directly associated with health administration. These include the costs of using a facility, fire and theft insurance, utilities, maintenance, lease, etc.

Exclude: The cost or depreciation of equipment used by employees handling maintenance and repair work on company-occupied property.

Line 12 – Equipment

Include: Rental of all office equipment except for such charges as may be reported in Line 9.

Line 13 – Cost or Depreciation of EDP Equipment and Software

Include: Depreciation and amortization expense for electronic data processing equipment, operating software and non-operating software.

Refer to SSAP No. 16~~R~~—*Electronic Data Processing Equipment and Software* for accounting guidance.

Line 14 – Outsourced Services Including EDP, Claims, and Other Services

Include: Expenses for administrative services, claim management services, new programming, membership services, and other similar services.

Exclude: Services provided by affiliates under management agreements.

Line 15 – Boards, Bureaus and Association Fees

Include: All dues and assessments of organizations of which the reporting entity is a member.

All dues for employees' and agents' memberships on the reporting entity's behalf.

Exclude: Contributions associated with scientific research, disease prevention, or other activity directly pertaining to the welfare of subscribers and the public.

Line 16 – Insurance, Except on Real Estate

Include: Premiums for Workers' Compensation, burglary, holdup, forgery and public liability insurance, fidelity or surety bonds, insurance on contents of company-occupied buildings and all other insurance or bonds not included elsewhere.

Line 17 – Collection and Bank Service Charges

Include: Collection charges on checks and drafts and charges for checking accounts and money orders.

[Credit card fees.](#)

Line 18 – Group Service and Administration Fees

Include: Administration fees, service fees, or any other form of allowance, reimbursement of expenses, or compensation (other than commissions) to agents, brokers, applicants, policyholders or third parties in connection with the solicitation, sale, issuance, service and administration of group business.

Line 19 – Reimbursements by Uninsured Plans

Report as a negative amount, pharmaceutical rebates of uninsured plans that are received or change in due and uncollected by the reporting entity, to the extent that they are in excess of amounts to be remitted to the uninsured plan, administrative fees, direct reimbursement of expenses, or other similar receipts or credits attributable to uninsured health plans and the uninsured portion of partially insured accident and health plans. Deduct administrative fees and related reimbursements from general administrative expenses or claim adjustment expenses if the administrative services provided include services for claim adjustment expenses as defined in *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses*.

Refer to *SSAP No. 84—Health Care and Government Insured Plan Receivables* for accounting guidance.

Line 20 – Reimbursements from Fiscal Intermediaries

Report as a negative amount, administrative fees, direct reimbursement of expenses, or other similar receipts or credits attributable to Medicare, ~~CHAMPUS~~ [TRICARE](#) and other federal and local governmental agencies.

Line 21 – Real Estate Expenses

Include: The cost of insurance, repairs, maintenance, service, and operation of all real estate properties, whether occupied by the company or not.

Expenses incurred in the rental of real estate properties.

Salaries and other compensation of real estate managing agents and their employees.

Legal fees specifically associated with real estate transactions other than sale; rent, salaries and wages, and other direct expenses of any branch or home office unit engaged solely in real estate work (not real estate and mortgages combined).

Salaries or wages of janitors, caretakers, maintenance workers and agents in connection with owned real estate.

Exclude: Salaries and wages of any other home office, general branch office, or investment branch-office employees. Charge these amounts to salaries and wages, where they will automatically be subject to allocation as "insurance" or "investment." The same rule applies to other expenses or charges associated with the activities of such employees.

Line 22 – Real Estate Taxes

Include: Those taxes directly assessed against property owned by the ~~company~~ reporting entity. Canadian and other foreign taxes should be included appropriately.

Line 23.1 – State and Local Insurance Taxes

Include: Assessments of state industrial boards or other boards for operating expenses or for benefits to sick unemployed persons in connection with disability benefit laws or similar taxes levied by states. Canadian and other foreign taxes are to be included appropriately.

Advertising required by law, regulation or ruling, except advertising associated with investments.

State sales taxes, if ~~company~~ reporting entity does not exercise option of including such taxes with the cost of goods and services purchased.

State income taxes.

Line 23.2 – State Premium Taxes

Include: State taxes based on policy reserves, if in lieu of premium taxes. Canadian and other foreign taxes should be included appropriately.

Any portion of commissions or allowances on reinsurance assumed that represents specific reimbursement of premium taxes.

Deduct: Any portion of commissions or allowances on reinsurance ceded that represents specific reimbursement of premium taxes.

Line 23.3 – Regulatory Authority Licenses and Fees

Include: Assessments to defray operating expenses of any state insurance department. Canadian and other foreign taxes should be included appropriately.

Fees for examinations by state departments.

Exclude: Fines and penalties of regulatory authorities. Report these fines and penalties as a separate item on Page 4, Details of Write-ins Aggregated at Line 29 for Other Income or Expenses.

Line 23.4 – Payroll Taxes

Include: Accrued payroll tax including FICA, FUTA, [SUTA](#) and other federal, state and local payroll taxes.

Line 23.5 – Other

Include: Guaranty fund assessments and taxes of Canada or of any other foreign country not specifically provided for elsewhere.

Sales taxes, other than state sales taxes, if ~~company~~ [reporting entity](#) does not exercise option of including such taxes with the cost of goods and services purchased.

Line 24 – Investment Expenses Not Included Elsewhere

Include: Only items for which no specific provision has been made elsewhere, (e.g., contributions or assessments for bondholders' protective committees, fees of investment counsel, custodian and trustee fees).

All other costs, including internal costs or costs paid to an affiliated company, related to origination, purchase or commitment to purchase bonds.

Exclude: Home office salaries and expenses on account of investment work, salaries and expenses of mortgage loan branch offices.

Legal fees and expenses.

Real Estate expenses properly chargeable to Line 21.

Interest expense incurred for experience rated refunds.

Brokerage and other related fees, to the extent that these are included in the actual cost of a bond upon acquisition. Refer to SSAP No. 26~~R~~—*Bonds* for accounting guidance.

Line 25 – Aggregate Write-ins for Expenses

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 25 for Expenses.

Line 26 – Total Expenses Incurred

Column 1 + Column 2 should agree with Statement of Revenue and Expenses, Line 20. Column 3 should agree with Statement of Revenue and Expenses, Line 21. Column 4 should agree with the Exhibit of Net Investment Income, Line 11 plus 12.

Details of Write-ins Aggregated on Line 25 for Expenses

List separately all expenses for which there is no pre-printed line.

Enter in Column 3 interest incurred for experience rated refunds.

ANNUAL STATEMENT INSTRUCTIONS – TITLE

OPERATIONS AND INVESTMENT EXHIBIT

PART 3 – EXPENSES

A ~~company-reporting entity~~ that pays management fees to an affiliate (including a managing general agent) shall allocate these costs to the appropriate expense classification item (salaries, rent, postage, etc.) as if these costs had been borne directly by the ~~company-reporting entity~~. Management (or similar) fees should not be reported as a one-line expense. It is appropriate for the ~~company-reporting entity~~ to estimate these expense allocations based on a formula or other reasonable basis.

The total management fees and the method(s) used for allocation shall be disclosed in the Notes to Financial Statements. The ~~company-reporting entity~~ shall use the same allocation method(s) on a consistent basis. Refer to *SSAP No. 70—Allocation of Expenses* for accounting guidance.

Exclude from investment expenses brokerage and other related fees, to the extent they are included in the actual cost of a bond upon acquisition. Refer to *SSAP No. 26R—Bonds* for accounting guidance.

Include all other internal costs or costs paid to an affiliated company related to origination, purchase or commitment to purchase bonds.

Column 1 – Title and Escrow Operating Expenses - Direct Operations

The amounts shown in this column represent expenses related to the ~~company's-reporting entities'~~ title and escrow operations. It does not include losses, loss adjustment expenses (allocated or unallocated) or investment expenses. The expenses include only amounts incurred directly by the ~~company-reporting entity~~, and do not include expenses incurred by any agents (regardless of ownership interest).

Exclude: Expenses on orders not produced by the ~~company-reporting entity~~ (report this in Column 6, Other Operations).

Column 2 – Title and Escrow Operating Expenses - Non-affiliated Agency Operations

The amounts shown in this column represent expenses related to the ~~company's-reporting entities'~~ title and escrow non-affiliated agency operations. It does not include losses, loss adjustment expenses (allocated or unallocated) or investment expenses. The expenses include only amounts incurred directly by the ~~company-reporting entity~~ and do not include expenses incurred by any agency (regardless of ownership interest).

Exclude: Expenses on orders not produced by the ~~company-reporting entity~~ (report this in Column 6, Other Operations).

Column 3 – Title and Escrow Operating Expenses - Affiliated Agency Operations

The amount shown in this column represent expenses related to the ~~company's-reporting entities'~~ title and escrow affiliated agency operations. It does not include losses, loss adjustment expenses (allocated or unallocated) or investment expenses. The expenses include only amounts incurred directly by the ~~company-reporting entity~~ and do not include expenses incurred by any agency (regardless of ownership interest).

Exclude: Expenses on orders not produced by the ~~company~~ [reporting entity](#) (report this in Column 6, Other Operations).

An agency operation is affiliated if the agency is an affiliate as defined by *SSAP No. 25—Affiliates and Other Related Parties*.

Column 4 – Total

The amounts reported in this column are the total of Columns 1, 2 and 3.

Column 5 – Unallocated Loss Adjustment Expenses

The amounts shown in this column represent the indirect costs incurred by the ~~company~~ [reporting entity](#) in settlement of title and other claims. As an example, the costs related to salaried employees of the insurer involved in the management of claims are included in this category. Do not include any costs incurred by the agents in settlement of title or other claims.

The amounts shown on Line 24 should agree with the amounts reported on the Operations and Investment Exhibit, Part 2A, Line 9.

Column 6 – Other Operations

The amounts shown in this column represent the expenses incurred by the ~~company~~ [reporting entity](#) in operations other than title and escrow, or loss adjustment or investment activities.

Include: Expenses on orders not produced by the ~~company~~ [reporting entity](#), such as expenses incurred in the sale of title services to attorneys, agents, lenders or others. Expenses related to the revenue reported as Other Operating Income on Page 4, Line 2.

Exclude: Expenses allocated to providing services related to the issuance of a title policy by direct operations.

Column 7 – Investment Expenses

The amounts shown in this column represent the expenses incurred by the ~~company~~ [reporting entity](#), both internal and external, in connection with the production of the ~~company~~ [reporting entity](#) investment income.

Column 8 – Current Year Total

The amounts reported in this column are the total of Columns 4, 5, 6 and 7.

Column 9 – Prior Year Total

The amounts reported in this column are the amounts reported in Column 8 for the prior year.

INSTRUCTIONS FOR UNIFORM CLASSIFICATIONS OF EXPENSES OF

TITLE INSURERS

For the purposes of establishing uniformity in classifications of expenses of title insurers recorded in statements and reports filed with and statistics reported to Insurance Departments, all such reporting entities shall observe the instruction set forth below.

LIST OF OPERATING EXPENSE CLASSIFICATIONS FOR ANNUAL STATEMENT PURPOSES

1. Personnel Costs
 - 1.1 Salaries
 - 1.2 Employee Relations and Welfare
 - 1.3 Payroll Taxes
 - 1.4 Other Personnel Costs
2. Amounts Paid to or Retained by Title Agents
3. Production Services (purchased outside)
 - 3.1 Searches, Examinations and Abstracts
 - 3.2 Surveys
 - 3.3 Other
4. Advertising
5. Boards, Bureaus and Associations
6. Title Plant Rent and Maintenance
7. Claim Adjustment Services
8. Amounts Charged Off, Net of Recoveries
9. Marketing and Promotional Expenses
10. Insurance
11. Directors' Fees
12. Travel and Travel Items
13. Rent and Rent Items
14. Equipment
15. Cost or Depreciation of EDP Equipment and Software
16. Printing, ~~and~~ Stationary, ~~Books and Periodicals~~
17. Postage, ~~and~~ Telephone, ~~Messengers and Express~~
18. Legal and Auditing
20. Taxes, Licenses and Fees
 - 20.1 State and Local Insurance Taxes
 - 20.2 Insurance Department Licenses and Fees
 - 20.3 Gross Guaranty Association Assessments
 - 20.4 All Other (excluding Federal Income and Real Estate)
21. Real Estate Expenses
22. Real Estate Taxes

23. Miscellaneous

Line 1.1 – Salaries

Include: Salaries, bonus, overtime, contingent compensation, pay while on leave, dismissal allowances, pay while training and other compensation of officers and employees.

Commission and brokerage to employees when the activities for which the commission is paid are part of their duties as employees.

Exclude: Salaries or wages, etc., of janitors, caretakers, maintenance workers and agents paid in connection with owned real estate and premises leased for company use. (See Real Estate Expenses.)

Retirement allowances.

Directors' and committee fees.

Disability payments to or on behalf of employees under self-insurance plan.

Line 1.2 – Employee Relations and Welfare

Include: Cost of retirement insurance.

Payments or appropriations to funds irrevocably devoted to the payment of pensions or other employees' benefits.

Pensions or other retirement allowances.

Accident, health and hospitalization insurance for employees.

Group life insurance for employees.

Workers' compensation insurance.

Payments to or on behalf of employees under self-insurance.

Any other insurance for the benefit of employees.

Net periodic postretirement benefit cost.

Earned amounts related to employee stock option plans.

Payments by ~~company~~ reporting entity under a program for stock options, purchase and award plans (including change in quoted market value).

Refer to *SSAP No. 12—Employee Stock Ownership Plans* and *SSAP No. 104~~R~~—Share-Based Payments* for accounting guidance.

Exclude: Premiums for life insurance on employees when the ~~company~~reporting entity is the beneficiary.

Payments or appropriations to pension funds not irrevocably devoted to the payment of pensions or other employees; benefits (such payments or appropriations shall not appear among expenses).

Items includable in Real Estate Expenses.

All other types of insurance premiums.

Line 1.3 – Payroll Taxes

Include: Employer FICA, FUTA, SUTA, and other federal state and local payroll taxes.

Exclude: Payroll taxes includable in Real Estate Expenses.

Line 1.4 – Other Personnel Costs

Include: Cost of the following:

Advertising related to recruiting.

Employment agency placement fees.

Training and welfare of employees.

Physical examinations of employees or applicants for employment.

Character or credit reports on employees or applicants for employment.

Gatherings, outings and entertainment for employees.

Visiting nurse service for or on behalf of employees.

Medical and hospital bills for employees (not included in Employee Relations and Welfare).

Direct payments other than salaries, to employees for injury and sickness (not included in Employee Relations and Welfare).

Overtime meals.

Donations to or on behalf of employees.

Food and catering for employees.

Exclude: Salaries, bonus, overtime, contingent compensation, pay while on leave, dismissal allowances, pay while training and other compensation of employees. (See Salaries.)

Items includable in Real Estate Expenses.

Cost of house organ (in-house periodical or employee periodical) and similar publications. (See Advertising, and Printing and Stationery.)

Line 2 – Amount Paid to or Retained by Title Agents

This line includes all amounts paid directly or indirectly to the title agent. It can include commissions or fees paid directly to the title agents. It can also include any amounts collected from the insureds for title insurance premiums that are retained by the title agent, and not remitted to the ~~company~~reporting entity.

Line 3.1 – Searches, Examinations and Abstracts

Include: Searching and examining, reading, closing, abstracts and continuations and tax searches, including continuations and mark offs.

State searches such as franchise tax, transfers, and estates, incorporation's, dissolution's of corporations and any other searches required of the State Department of Taxation.

Building Department searches such as tenement house, cost of certificate of occupancy, Department of Building and Housing, etc.

Other miscellaneous searches such as bankruptcy lists, street reports; examining conditional bills of sale, and chattel mortgage; death certificates, fire health and labor departments, abstracts or certified copies of anything pertaining to record proof required in the examination of title, including surrogate's proceedings, probate proceedings, transfer tax proceedings, bankruptcy proceedings, Federal Court proceedings, copies of deeds, letters testamentary, wills, etc.; appointment of trustees, etc.; last owners; and any other analogous thereto.

Exclude: Survey charges, appraisals and salaries of staff members providing search examination and abstract services.

Line 3.2 – Surveys

This account classification shall include the net charges of outside surveyors or other title companies for all survey work including possession surveys; enclosure surveys; locations surveys; surveying and locating building and showing same on map; survey, map, and descriptions; staking plot; furnishing tracings and prints; redating surveys; survey prints purchased.

Exclude: Compensation of salary staff members for making survey or property inspections.

Blueprints and photostats of surveys.

Line 3.3 – Other

Include: Purchases of atlases whether in print or electronic format.

Cost of keeping atlases current such as the insertion of new pages and corrections, indexing and other related expenses.

Cost of copies of filed land maps, damage maps, extracts of sheets from land maps, alteration maps obtained from topographical bureaus.

Binding, printing, mounting, and indexing land maps.

Sales tax and discounts on items included.

Other outside production services purchased, such as property inspections, policy or report typing.

Line 4 – Advertising

Include:

Services of advertising agents.

Public relations counsel.

Space in newspapers, trade publications, diaries, directories, yearbooks, billboards, programs and other publications [including electronic formats](#).

Circulars, pamphlets, calendars and literature issued for advertising or promotional purposes.

Drawings, plates, etchings, etc., in connection with advertising.

All charges for printing, paper, etc., in bills covering advertising.

Media broadcasts (e.g., radio, television, etc.)

Prospect and mailing lists.

Advertising in connections with corporate proceedings.

Printed material issued or distributed for promotional purposes.

All charges for compiling material content, printing, paper, mailing expenses, including envelopes, labels, and boxes, etc., in connection with the distribution of promotional material.

Souvenirs and other promotional items for general distribution.

House organs [\(in-house periodical or employee periodical\)](#) and similar publications distributed to persons other than staff members.

Signs, frames, medals, etc., for agents.

Advertising required by law when more than the minimum space required to comply with the law is taken.

Exclude:

Compensation to employees. (See Salary.)

Items includable in Travel and Travel Items.

Items includable in Boards and Associations.

Items includable in Claim Adjustment Services.

Advertising and business development expenses allowed, reimbursed or paid to managers, agents, brokers, solicitors, and other producers.

Cost of advertising related to recruiting. (See Employee Relations and Welfare.)

Cost of advertising in connection with owned real estate. (See Real Estate Expenses).

Donations to organized charities. (See Miscellaneous.)

Costs of charts, maps, etc., used for routine company operations.

Cost of literature and booklets, placards, signs, etc., issued solely for employee benefits.

Cost of house organs ([in-house periodical or employee periodical](#)) and similar publications for use of employees. (See Printing and Stationery.)

Cost of souvenirs not generally distributed. (See Travel and Travel Items.)

Line 5 – Boards, Bureaus and Associations

Include: Dues, assessments, fees and charges of underwriting boards, rating organizations, statistical agencies, inspection and audit bureaus.

Underwriters' advisory and service organizations.

Accident and loss prevention organizations.

Claim organizations.

Underwriting syndicates, pools and associations and assigned risk plans (except Commission and Brokerage, Claim Adjustment Services, and Taxes, Licenses and Fees).

Specific payments to title or mortgage associations for rate manuals, revisions, fillers and other industry-wide literature.

Exclude: Dues and subscriptions to social or civic clubs or affairs and to associations of customers. (See Marketing and Promotion.)

Dues and subscriptions to accounting, legal, actuarial or similar societies and associations. (See Legal and Auditing.)

Cost of inspection, engineering or accident and loss prevention billed specifically to individual companies.

Loss adjustment expenses billed specifically to individual companies. (See Claim Adjustment Services).

Allowances under reinsurance contracts for board and bureau expenses.

Payments to State Industrial Commissions. (See Taxes, Licenses and Fees.)

Payments into State Security Funds. (See Taxes, Licenses and Fees.)

Commission and Brokerage. Claim Adjustment Services, and Taxes, Licenses and Fees of underwriting syndicates, pools and associations.

Cost of survey, credit, moral hazard, character and commercial reports obtained for underwriting purposes.

Cost of commercial reporting services.

Line 6 – Title Plant Rent and Maintenance

The line includes all direct costs incurred in connection with the rental or lease of title plants. It also includes costs incurred by the ~~company~~ reporting entity in connection with the participation in joint maintenance agreements for title plants owned by others.

Line 7 – Claim Adjustment Services

Include: Other claim adjustment fees and expenses.

Outside services for unallocated claim administration.

Auditing fees and expenses of independent auditors for auditing payrolls and premium bases.

Exclude: Compensation to employees. (See Salaries.)

Expenses of salaried employees. (See Travel and Travel Items.)

Fees and expenses of lawyers for legal services in the defense, trial or appeal of suits, or for other allocated legal services rendered in connection with title claims (include in Title Losses and Loss Adjustment Expenses Paid).

Interests and costs assessed as part of or subsequent to judgment (include in Title Losses Paid).

Line 8 – Amounts Charged Off, Net of Recoveries

This line includes amounts charged off related to title insurance premiums, title agency remittances and other services accrued that could not be collected.

Include: Recoveries of amounts previously charged off.

Exclude: Items includable in Real Estate Expenses.

Line 9 – Marketing and Promotional Expenses

This line includes all amounts incurred for expenses directly related to the production of specific sales efforts.

		Include:	Dues and subscriptions to social or civic clubs or affairs and to associations of customers.
		Exclude:	Items included in Advertising, Line 4. Compensation to employees. (See Salaries.)
Line 10	–	Insurance	
		Include:	Fidelity or surety bonds covering employees and agents. Burglary and robbery insurance. Public liability insurance premiums (excluding owned real estate). Premiums for insurance on office contents. Cost of insurance on automobiles. All other insurance premiums not specifically provided for in other operating accounts.
		Exclude:	Items includable in Employee Relations and Welfare. Items includable in Real Estate Expenses. Items includable in Rent and Rent Items. Items includable in Travel and Travel Items.
Line 11	–	Directors' Fees	
		Include:	Directors' fees and other compensation of directors for attendance at board or committee meetings. Other fees, compensation and expenses paid to directors.
		Exclude:	Commissions to directors for the production of business.
Line 12	–	Travel and Travel Items	
		Include:	Transportation, hotel, meals, postage, <u>shipping, delivery</u> , telephone, ~~telegraph, express~~ and incidental living expenses of employees while traveling. Expenses for transfer of employees. Mileage allowance to employees for use of personal cars. Depreciation repairs and other operating expenses of automobiles. Rent of automobiles.

Fees for automobile registration.

Cost of insurance on rented automobiles.

Exclude: Items includable in Salaries; Advertising; Commissions; Taxes, Licenses and Fees; and Boards, Bureaus and Associations.

Cost of gatherings, outings, etc., and entertainment for employees. (See Other Personnel Costs.)

Items includable in Real Estate Expenses.

Donations to organized charities. (See Miscellaneous.)

Cost of souvenirs and other promotional items for general distribution. (See Advertising.)

Line 13 – Rent and Rent Items

Include: Rent of home office and branch offices.

Real Estate taxes in connections with leased premises. Refer to *SSAP No. 22R—Leases* for accounting guidance of leases by lessors and lessees.

Rent for space occupied in buildings owned.

Public liability insurance premiums.

Light, heat, power and water charges in leased premises.

Interest, taxes, etc., paid in lieu of rent for leased premises.

Cost of alterations and repairs of leased premises.

Rent of storage, safekeeping and warehouse space.

Rent of safe deposit boxes.

Rent of post office boxes.

Time clock service charges.

Cost of cleaning, towels, ice, water, electric lamp replacements and other expenses incidental to office maintenance.

Exclude: Compensation~~s~~ to employees. (See Salaries.)

Rent of furniture, equipment, and office machines. (See Equipment.)

Rent of Automobiles. (See Travel and Travel Items.)

Cost of insurance on rented automobiles. (See Travel and Travel Items.)

Amortization expense for leasehold improvements as lessee.

Rent allowed, reimbursed, or paid to managers, agents, brokers, solicitors and other producers.

Items includable in Real Estate Expenses.

Rent income from owned real estate.

Line 14 – Equipment

Include: Rent and repairs of furniture, equipment and office machines including printers' equipment and postage machines.

Equipment other than automobiles, purchased and fully depreciated or written off during the year.

Depreciation on furniture, equipment and office machines.

Exclude: Compensation to employees. (See Salaries.)

Rent, repair, and depreciation of automobiles. (See Travel and Travel Items.)

Cost of alterations and repairs of leased premises. (See Rent and Rent Items).

Equipment expenses allowed, reimbursed or paid to managers, agents, brokers, solicitors and other producers.

Items includable in Real Estate Expenses.

Depreciation and amortization expense for electronic data processing equipment, operating and non-operating systems software. (See Cost or Depreciation of EDP Equipment and Software.)

Line 15 – Cost or Depreciation of EDP Equipment and Software

Include: Depreciation and amortization expense for electronic data processing equipment, operating and non-operating systems software.

[Cost of computer software](#)

Refer to SSAP No. 16R—*Electronic Data Processing Equipment and Software* for accounting guidance.

Line 16 – Printing, [and](#) Stationery, ~~Books and Periodicals~~

Include: Printing, stationery and office supplies such as: letterheads, envelopes, paper stock, printed forms or manuals, adding machine tape, ~~carbon paper~~, binders and posts, ~~photostatic~~ copies, pencils, pens, ink, glue, stamps and stamp pads, staplers, staples, clips and pins, desk top equipment (calendars, trays, etc.), waste baskets, analysis pads, ledgers, journals, minute books, etc.

Policies and policy forms.

House organs (in-house periodical or employee periodical) and similar publications for the use of employees.

Books, newspapers and periodicals including investment, tax and legal publications and services, whether in print or electronic format.

Exclude: Compensation to employees. (See Salaries.)

Specific payments to boards, bureaus and associations for rate manuals, revisions, fillers, rating plans and experience data. (See Boards, Bureaus and Associations.)

Literature, booklets, placards, signs, etc., issued solely for accident and loss prevention. (See Surveys and Underwriting Reports.)

Items includable in Claim Adjustment Services.

Items includable in Advertising.

Printers' equipment in company owned printing department. (See Equipment.)

Printing and stationery costs allowed, reimbursed or paid to managers, agents, brokers, solicitors and other producers.

House organs (in-house periodical or employee periodical) and similar publications distributed to persons other than employees. (See Advertising.)

Commercial reporting services.

Items includable in Real Estate Expenses.

Line 17 – Postage and, Telephone, ~~Messengers and Express~~

Include: ~~Express, f~~ Freight and cartage-

Postage-

Cost of telephone-

Bank charges for collection and exchange-

Exclude: Compensation to employees. (See Salaries.)

Rent, repairs, and depreciation of postage machine. (See Equipment.)

Postage and, telephone, ~~telegraph and express mail service~~ used by employees while traveling. (See Travel and Travel Items.)

Postage, shipping, delivery, and ,telephone, ~~telegraph, exchange and express mail service~~ allowed, reimbursed or paid to managers, agents, brokers, solicitors and other producers.

Profits or losses resulting from exchange on remittances to home office by a U.S. branch. Such profits or losses shall not be included in expenses.

Items includable in Real Estate Expenses.

Rent of post office boxes. (See Rent and Rent Items.)

Line 18 – Legal and Auditing

Include: Legal retainers, fees and other legal expenses and non-title related losses (except on title and escrow losses and salvage).

Auditing fees of independent auditors for examining records of home and branch offices.

Cost of services of tax advisors.

Services of consultants.

Fees of investment counsel.

Fees and expenses of other persons than employees, for collecting balances.

Notary fees.

Dues and subscriptions to accounting, legal, actuarial or similar societies and associations.

Exclude: Compensation to employees. (See Salaries.)

Expenses of salaried employees. (See Travel and Travel Items.)

Items includable in title or escrow losses and salvage.

Items includable in Real Estate Expenses.

Line 20.1 – State and Local Insurance Taxes

Include: State premium taxes, licenses and fees.

County and municipal premium taxes, licenses and fees.

Fire Patrol assessments.

Payments to State Industrial (or other) Commissions for administration of Workers' Compensation or other State Benefit Acts (including assessments for administering Financial Responsibility Laws) regardless of basis of assessment.

Net payments to State Security Funds, Reopened Case Funds, Social Injury Funds and other State Funds, when construed by the ~~company~~ reporting entity as operating expenses, regardless of basis of assessment.

Exclude: Allowances for taxes under reinsurance contracts.

- Line 20.2 – Insurance Department Licenses and Fees
- Include:
- Agents' licenses.
 - Certificates of authority, compliance, deposit, etc.
 - Filing fees.
 - Fees and expenses of examination by insurance department or other governmental agencies.
 - Business licenses, corporation licenses.
- Exclude:
- Items includable in Line 20.1 - State and Local Insurance Taxes and Line 20.4 - All Other (Excluding Federal Income and Real Estate).
 - Items includable in Claim Adjustment Services.
- Line 20.4 – All Other (Excluding Federal Income and Real Estate)
- Include:
- Qualifying bond premiums.
 - Statement publication fees.
 - Advertising required by law.
 - Personal property taxes.
 - State taxes on income or gross receipts.
 - Occupancy tax.
 - Capital stock taxes.
 - Business corporation licenses or fees (not includable Lines 20.1 or 20.2).
 - Marine profits taxes.
 - Documentary stamps on reinsurance.
 - Any other taxes not assignable under Lines 20.1, 20.2 and 20.3 and not otherwise excluded.
- Exclude:
- Real estate taxes (See Real Estate Taxes).
 - Cost of advertising required by law where more than minimum space required to comply with the law is taken. Such expenses shall be included in Advertising.
 - Items includible in Claim Adjustment Services.
 - Fees for automobile license plates (See Travel and Travel Items).
 - Federal income taxes.
 - County and municipal premium taxes, licenses and fees.

Sales taxes, etc., included on invoice of vendors. Such taxes are to follow allocation of cost of items purchased.

Line 21 – Real Estate Expenses

Include: Salaries, wages and other compensation, including payroll taxes, of janitors, caretakers, maintenance workers and agents paid in connection with owned real estate.

Cost of operating and maintaining owned real estate.

Cost of insurance in connection with owned real estate.

Cost of advertising in connection with owned real estate.

Line 22 – Real Estate Taxes

Include: Taxes, licenses and fees on owned real estate.

Line 23 – Aggregate Write-ins for Other Expenses

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 23 for Other Expenses.

Details of Write-ins Aggregated at Line 23 for Other Expenses

List separately each category of other expense for which there is no pre-printed line in Part 3.

Expenses not listed as includable in other operating expense classifications, and not analogous thereto, shall be included in "Other." Specifically, the following shall be included:

Include: Donations to organized charities.

Cost of tabulating service when such service is rendered by outside organizations.

Amounts received and handled in accordance with the Instruction "Income from Special Services."

Differences between actual amounts paid, and amounts apportioned in accordance with the Instruction "Joint Expenses."

GENERAL INSTRUCTIONS IN CONNECTION WITH OPERATING EXPENSE CLASSIFICATIONS

A. Joint Expense

Whenever personnel or facilities are used in common by two or more companies, or whenever the personnel or facilities of one company are used in the activities of two or more companies, the expenses involved shall be apportioned in accordance with the instructions relating to Joint Expenses, and such apportioned expenses shall be allocated by each company to the same operating expense classifications as if the expenses had been borne wholly. Any difference between the actual amount paid, and the amount of such apportioned expenses, shall be included in the operating expense classification "Miscellaneous."

This instruction does not apply to the following, which are covered by separate instructions herein:

Reinsurance commission and allowance (see Commission and Brokerage – Reinsured Assumed and Ceded)

Commission and brokerage paid to managers and agents (see Commission and Brokerage – Direct)

Allowances to managers and agents (see Allowances to Manager and Agents)

Expenses allocable in accordance with the instruction "Income from Special Services"

B. Expenses for Account of Another

Whenever expenses are paid by one company for account of another, the payments shall not appear among the expenses reported by the former, and shall be included by the latter in the same expense classification as if originally paid by it.

C. Income from Special Services

Whenever an insurance company receives compensation for sales or services, such as loss adjustment or inspection not related to policies written by the company, and such compensation is not calculated as a joint expense reimbursement, the amount thereof shall be included in the operating expense classification "Miscellaneous." Where an insurance company pays the compensation, allocation shall be made to the expense classification dictated by the nature of the expense.

Reinsurance commission and allowances (See Commission and Brokerage – Reinsurance Assumed and Ceded).

Expenses incurred for the benefit of companies in the same group or fleet are covered by the instruction "Joint Expenses."

D. Analogous Items

The list of expenses includible in the operating expense classifications is representative and do not exclude analogous items that are omitted from the lists.

OPERATIONS AND INVESTMENT EXHIBIT

PART 4 – NET OPERATING GAIN/LOSS EXHIBIT

Column 1	–	Direct Operations	
			The amounts shown in this column represent the ~~company~~ reporting entity direct operations. No items from agency operations (even wholly-owned agencies) are to be included in this column; only home office and branch office operations are to be included in this column.
Column 2	–	Non-affiliated Agency Operations	
			The amounts shown in this column represent the ~~company~~ reporting entity non-affiliated agency operations. This column should include all agency operations other than those that are reported in Column 3.
Column 3	–	Affiliated Agency Operations	
			The amounts shown in this column represent the ~~company~~ reporting entity affiliated agency operations. Wholly-owned agencies should be included in the amounts shown in this column. The standards for reporting as an affiliated agency are the affiliation standards established under the holding company laws of the domestic state jurisdiction.
Column 4	–	Total	
			The amounts reported in this column are the total of Columns 1, 2 and 3.
Column 5	–	Other Operations	
			The amounts in this column represent amounts other than those shown in Columns 1, 2 or 3.
Column 6	–	Current Year Total	
			The amounts reported in this column are the total of Columns 4 and 5.
Column 7	–	Prior Year Total	
			The amounts reported in this column are the amounts reported in Column 6 for the prior year.
Line 1.1	–	Title Insurance Premiums Earned	
			The amounts reported in this line are the amounts reported in Operations and Investment Exhibit, Part 1B, Line 3, Column 1.
Line 1.2	–	Escrow and Settlement Services	
			The amounts reported in this line are the amounts reported in Operations and Investment Exhibit, Part 1A, Line 2.
Line 1.3	–	Other Title Fees and Service Charges	
			The amounts reported in this line are the amounts reported in Operations and Investment Exhibit, Part 1A, Lines 3 to 6.

- Line 3 – Total Operating Income
- The amounts reported on this line are the totals of the amounts shown on Lines 1.1 through 1.3 plus the amount shown on Line 2.
- Line 4 – Losses and Loss Adjustment Expenses Incurred
- The amounts reported in this line are the amounts reported in Operations and Investment Exhibit, Part 2A, Line 10, Column 4.
- Line 5 – Operating Expenses Incurred
- The amounts reported in this line are the amounts reported in Operations and Investment Exhibit, Part 3, Line 24, Columns 1 through 3 and Column 6.
- Line 6 – Total Operating Deductions
- The amounts reported in this line are the amounts reported on Line 4 plus Line 5.
- Line 7 – Net Operating Gain or (Loss)
- The amounts reported in this line are the amounts reported on Line 3 less the amounts reported on Line 6.

ANNUAL STATEMENT BLANK – PROPERTY

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 – EXPENSES**

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct				
1.2 Reinsurance assumed				
1.3 Reinsurance ceded				
1.4 Net claim adjustment services (1.1+1.2-1.3)				
2. Commission and brokerage:				
2.1 Direct, excluding contingent				
2.2 Reinsurance assumed, excluding contingent				
2.3 Reinsurance ceded, excluding contingent				
2.4 Contingent—direct				
2.5 Contingent—reinsurance assumed				
2.6 Contingent—reinsurance ceded				
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1+2.2-2.3+2.4+2.5-2.6+2.7)				
3. Allowances to manager and agents				
4. Advertising				
5. Boards, bureaus and associations				
6. Surveys and underwriting reports				
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries				
8.2 Payroll taxes				
9. Employee relations and welfare				
10. Insurance				
11. Directors' fees				
12. Travel and travel items				
13. Rent and rent items				
14. Equipment				
15. Cost or depreciation of EDP equipment and software				
16. Printing and stationery				
17. Postage- and telephone and telegraph, exchange and express				
18. Legal and auditing				
19. Totals (Lines 3 to 18)				
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$				
20.2 Insurance department licenses and fees				
20.3 Gross guaranty association assessments				
20.4 All other (excluding federal and foreign income and real estate)				
20.5 Total taxes, licenses and fees (20.1+20.2+20.3+20.4)				
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses				
25. Total expenses incurred				(a)
26. Less unpaid expenses—current year				
27. Add unpaid expenses—prior year				
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)				
DETAILS OF WRITE-INS				
2401.				
2402.				
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)				

(a) Includes management fees of \$..... to affiliates and \$..... to non-affiliates.

PART I – ALLOCATION TO EXPENSE GROUPS
(\$000 OMITTED)

Operating Expense Classifications	1 Loss Adjustment Expense	Other Underwriting Expenses			5 Investment Expenses	6 Total Expenses
		2 Acquisition, Field Supervision and Collection Expenses	3 General Expenses	4 Taxes, Licenses and Fees		
1. Claim adjustment services:						
1.1 Direct.....						
1.2 Reinsurance assumed.....						
1.3 Reinsurance ceded						
1.4 Net claim adjustment services (Lines 1.1+1.2-1.3) ..						
2. Commission and brokerage:						
2.1 Direct excluding contingent						
2.2 Reinsurance assumed excluding contingent						
2.3 Reinsurance ceded excluding contingent						
2.4 Contingent—direct.....						
2.5 Contingent—reinsurance assumed						
2.6 Contingent—reinsurance ceded.....						
2.7 Policy and membership fees						
2.8 Net commission and brokerage (Lines 2.1+2.2-2.3+2.4+2.5-2.6+2.7)						
3. Allowances to managers and agents.....						
4. Advertising						
5. Boards, bureaus and associations						
6. Surveys and underwriting reports.....						
7. Audit of assureds' records.....						
8. Salary related items:						
8.1 Salaries						
8.2 Payroll taxes						
9. Employee relations and welfare.....						
10. Insurance						
11. Directors' fees						
12. Travel and travel items						
13. Rent and rent items						
14. Equipment						
15. Cost or depreciation of EDP equipment and software						
16. Printing and stationery.....						
17. Postage, and telephone and telegraph, exchange and express						
18. Legal and auditing						
19. Totals (Lines 3 to 18)						
20. Taxes, licenses and fees:						
..... 20.1						
..... State and local insurance taxes deducting guaranty association credits of \$						
20.2 Insurance department licenses and fees.....						
20.3 Gross guaranty association assessments.....						
20.4 All other (excl. Fed. and foreign income and real estate)						
20.5 Total taxes, licenses and fees (Lines 20.1+20.2+20.3+20.4)						
21. Real estate expenses						
22. Real estate taxes						
23. Reimbursements by uninsured plans	XXX	XXX	XXX	XXX	XXX	XXX
24. Aggregate write-ins for miscellaneous operating expenses						
25. TOTAL EXPENSES INCURRED						
DETAILS OF WRITE-INS						
2401.						
2402.						

2403.						
2498. Summary of remaining write-ins for Line 24 from overflow page						
2499. TOTAL (Lines 2401 through 2403 plus 2498) (Line 24 above)						

ANNUAL STATEMENT BLANK – LIFE/FRATERNAL

EXHIBIT 2 – GENERAL EXPENSES

	Insurance				5 Investment	6 Fraternal	7 Total
	1 Life	Accident and Health		4 All Other Lines of Business			
		2 Cost Containment	3 All Other				
1. Rent							
2. Salaries and wages							
3.11 Contributions for benefit plans for employees							
3.12 Contributions for benefit plans for agents							
3.21 Payments to employees under non-funded benefit plans							
3.22 Payments to agents under non-funded benefit plans							
3.31 Other employee welfare							
3.32 Other agent welfare							
4.1 Legal fees and expenses							
4.2 Medical examination fees							
4.3 Inspection report fees							
4.4 Fees of public accountants and consulting actuaries							
4.5 Expense of investigation and settlement of policy claims							
5.1 Traveling expenses							
5.2 Advertising							
5.3 Postage, ~~express, telegraph~~ and telephone							
5.4 Printing and stationery							
5.5 Cost or depreciation of furniture and equipment							
5.6 Rental of equipment							
5.7 Cost or depreciation of EDP equipment and software							
6.1 Books and periodicals							
6.2 Bureau and association fees							
6.3 Insurance, except on real estate							
6.4 Miscellaneous losses							
6.5 Collection and bank service charges							
6.6 Sundry general expenses							
6.7 Group service and administration fees							
6.8 Reimbursements by uninsured plans							
7.1 Agency expense allowance							
7.2 Agents' balances charged off (less \$..... recovered)							
7.3 Agency conferences other than local meetings							
8.1 Official publication (Fraternal Benefit Societies Only)	XXX	XXX	XXX	XXX	XXX		
8.2 Expense of supreme lodge meetings (Fraternal Benefit Societies Only)	XXX	XXX	XXX	XXX	XXX		
9.1 Real estate expenses							
9.2 Investment expenses not included elsewhere							
9.3 Aggregate write-ins for expenses							
10. General expenses incurred						(b).....	(a).....
11. General expenses unpaid December 31, prior year							
12. General expenses unpaid December 31, current year							
13. Amounts receivable relating to uninsured plans, prior year							
14. Amounts receivable relating to uninsured plans, current year							
15. General expenses paid during year (Lines 10 + 11 - 12 - 13 + 14)							
DETAILS OF WRITE-INS							
09.301.							
09.302.							
09.303.							
09.398. Summary of remaining write-ins for Line 9.3 from overflow page							
09.399. Totals (Lines 09.301 through 09.303 + 09.398) (Line 9.3 above)							
(a) Includes management fees of \$..... to affiliates and \$..... to non-affiliates.							
(b) Show the distribution of this amount in the following categories (Fraternal Benefit Societies Only)							
1. Charitable \$		2. Institutional \$		3. Recreational and Health \$		4. Educational \$	
5. Religious \$		6. Membership \$		7. Other \$		8. Total \$	

ANNUAL STATEMENT BLANK – HEALTH

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 – ANALYSIS OF EXPENSES**

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$..... for occupancy of own building).....					
2. Salaries, wages and other benefits.....					
3. Commissions (less \$ ceded plus \$ assumed).....					
4. Legal fees and expenses.....					
5. Certifications and accreditation fees.....					
6. Auditing, actuarial and other consulting services.....					
7. Traveling expenses.....					
8. Marketing and advertising.....					
9. Postage, ~~express~~ and telephone.....					
10. Printing and office supplies.....					
11. Occupancy, depreciation and amortization.....					
12. Equipment.....					
13. Cost or depreciation of EDP equipment and software.....					
14. Outsourced services including EDP, claims, and other services.....					
15. Boards, bureaus and association fees.....					
16. Insurance, except on real estate.....					
17. Collection and bank service charges.....					
18. Group service and administration fees.....					
19. Reimbursements by uninsured plans.....					
20. Reimbursements from fiscal intermediaries.....					
21. Real estate expenses.....					
22. Real estate taxes.....					
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....					
23.2 State premium taxes.....					
23.3 Regulatory authority licenses and fees.....					
23.4 Payroll taxes.....					
23.5 Other (excluding federal income and real estate taxes).....					
24. Investment expenses not included elsewhere.....					
25. Aggregate write-ins for expenses.....					
26. Total expenses incurred (Lines 1 to 25).....					
27. Less expenses unpaid December 31, current year.....					
28. Add expenses unpaid December 31, prior year.....					
29. Amounts receivable relating to uninsured plans, prior year.....					
30. Amounts receivable relating to uninsured plans, current year.....					
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)					
DETAILS OF WRITE-INS					
2501.					
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page.....					
2599. Totals (Line 2501 through 2503 + 2598) (Line 25 above)					

(a) Includes management fees of \$..... to affiliates and \$..... to non-affiliates.

ANNUAL STATEMENT BLANK – TITLE

OPERATIONS AND INVESTMENT EXHIBIT

PART 3 – EXPENSES

	Title and Escrow Operating Expenses				5 Unallocated Loss Adjustment Expenses	6 Other Operations	7 Investment Expenses	Totals	
	1 Direct Operations	Agency Operations		4 Total (Cols. 1+2+3)				8 Current Year (Cols. 4+5+6+7)	9 Prior Year
		2 Non-affiliated Agency Operations	3 Affiliated Agency Operations						
1. Personnel costs:									
1.1 Salaries									
1.2 Employee relations and welfare									
1.3 Payroll taxes									
1.4 Other personnel costs.....									
1.5 Total personnel costs.....									
2. Amounts paid to or retained by title agents.....									
3. Production services (purchased outside):									
3.1 Searches, examinations and abstracts									
3.2 Surveys									
3.3 Other									
4. Advertising.....									
5. Boards, bureaus and associations									
6. Title plant rent and maintenance									
7. Claim adjustment services.....	XXX	XXX	XXX	XXX	.....	XXX	XXX	.....	.....
8. Amounts charged off, net of recoveries									
9. Marketing and promotional expenses.....									
10. Insurance									
11. Directors' fees.....									
12. Travel and travel items.....									
13. Rent and rent items									
14. Equipment									
15. Cost or depreciation of EDP equipment and software.....									
16. Printing, stationery, books and periodicals									
17. Postage, ~~and~~ telephone, ~~messengers and express~~									
18. Legal and auditing.....									
19. Totals (Lines 1.5 to 18).....									
20. Taxes, licenses and fees:									
20.1 State and local insurance taxes									
20.2 Insurance department licenses and fees.....									
20.3 Gross guaranty association assessments									
20.4 All other (excluding federal income and real estate)									
20.5 Total taxes, licenses and fees (Lines 20.1 + 20.2 + 20.3 + 20.4).....									
21. Real estate expenses.....									
22. Real estate taxes									
23. Aggregate write-ins for other expenses									
24. Total expenses incurred (Lines 19+20.5+21+22+23).....								(a)	.....
25. Less unpaid expenses - current year									
26. Add unpaid expenses - prior year.....									
27. TOTAL EXPENSES PAID (Lines 24 - 25 + 26)									
DETAILS OF WRITE-INS									
2301.									
2302.									
2303.									
2398. Summary of remaining write-ins for Line 23 from overflow page.....									
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)									

(a) Includes management fees of \$..... to affiliates and \$..... to non-affiliates.

Blanks Agenda Item Submission Form

DATE: <u>12/10/2025</u> CONTACT PERSON: _____ TELEPHONE: _____ EMAIL ADDRESS: _____ ON BEHALF OF: _____ NAME: <u>Philip Barlow</u> TITLE: <u>Associate Commissioner of Insurance</u> AFFILIATION: <u>District of Columbia</u> ADDRESS: _____	FOR NAIC USE ONLY Agenda Item # <u>2025-27BWG MOD</u> Year <u>2026</u> Changes to Existing Reporting [☒] New Reporting Requirement [☐] REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT No Impact [☒] Modifies Required Disclosure [☐] Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [☐ No] ***If Yes, complete question below*** DISPOSITION [☐] Rejected For Public Comment [☐] Referred To Another NAIC Group [☐] Received For Public Comment [☒] Adopted Date <u>5/28/2026</u> [☐] Rejected Date _____ [☐] Deferred Date _____ [☐] Other (Specify) _____

BLANK(S) TO WHICH PROPOSAL APPLIES

[☒] ANNUAL STATEMENT [☐] QUARTERLY STATEMENT [☒] Life, Accident & Health/Fraternal [☒] Property/Casualty [☒] Health	[☒] INSTRUCTIONS [☒] BLANK [☒] Separate Accounts [☒] Protected Cell [☐] Health (Life Supplement)	[☒] CROSSCHECKS [☒] Title [☐] Other _____ [☐] Life (Health Supplement)

Anticipated Effective Date: Annual 2026

IDENTIFICATION OF ITEM(S) TO CHANGE

Add a section to Life/Fraternal Asset Valuation Reserve (AVR) to report Collateralized Loan Obligations (CLOs), [Collateralized Bond Obligations \(CBOs\)](#), and [Collateralized Debt Obligations \(CDOs\)](#). Also, add a footnote to Schedule D, Part 1, Section 2 to report the book adjusted carrying value by NAIC designation for CLOs/[CBOs/CDOs](#).
[In addition, AVR Equity table is augmented to facilitate changes made to the Life RBC Blank LR009 page.](#)

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

This proposal was prepared to incorporate a more granular reporting of long-term bonds in Asset Valuation Reserve (AVR) – Default Component by bifurcating long-term bonds into i) Long-Term Bonds, excluding ~~collateralized loan obligations (CLOs)~~[CLOs/CBOs/CDOs](#) and ii) [CLOs/CBOs/CDOs](#). The expanded presentation of bonds helps to facilitate the work of Risk-Based Capital Investment Risk and Evaluation (E) Working Group under Working Agenda IR#5: Evaluate the appropriate RBC treatment of Asset-Backed Securities (ABS), including Collateralized Loan Obligations (CLO), collateralized fund obligations (CFOs), or other similar securities carrying similar types of tail risk (Complex Assets).

In addition, the AVR – Default Component & Equity and Other Invested Asset Component tables are re-designed to section-by-section format in order to support future changes in asset categorization.

Finally, the proposed change to Schedule D, Part 1, Section 2 facilities P/C and Health RBC formulas should they consider expanding bond pages (PR006 and XR007) to bifurcate long-term bond into [CLOs/CBOs/CDOs](#) and other than [CLOs/CBOs/CDOs](#).

IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments: _____

**** This section must be completed on all forms.**

Revised 11/17/2022

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL

ASSET VALUATION RESERVE



Detail Eliminated To Conserve Space

Line 7 – Basic Contribution (includes separate accounts assets, if applicable)

Report the basic contribution amount for each asset category as calculated on Pages 30 through ~~36~~ 38 (General Account) and Pages 15 through ~~21~~ 23 (Separate Accounts).

Column 1: Report the total bonds (including collateralized loan obligations), preferred stock, short-term investments, and derivative instruments from Pages 31 and 32, Lines ~~34~~ A16, B8, C8, and D9, Column 6 (General Account) and Pages 16 and 17, Lines ~~34~~ A16, B8, C8, and D9, Col. 6 (Separate Accounts), if applicable; and the total for replication (synthetic asset) transactions contained on Page ~~36~~ 38, Line 0199999, Column 7 (General Account) and Page ~~21~~ 23, Line 0199999, Column 7 (Separate Accounts).

Column 2: Report the total mortgage loans from Page ~~32~~ 33, Line ~~58~~ E24, Column 6 (General Account) and Page ~~17~~ 18, Line ~~58~~ E24, Col. 6 (Separate Accounts), if applicable; and the total for replication (synthetic asset) transactions contained on Page ~~36~~ 38, Line 0299999, Column 7 (General Account) and Page ~~21~~ 23, Line 0299999, Column 7 (Separate Accounts).

Column 4: Report the total common stock from Page ~~33~~ 34, Line A17, Column 6 (General Account) and Page ~~18~~ 19, Line ~~18~~ A17, Col. 6 (Separate Accounts), if applicable; and the total for replication (synthetic asset) transactions contained on Page ~~36~~ 38, Line 0399999, Column 7 (General Account) and Page ~~21~~ 23, Line 0399999, Column 7 (Separate Accounts).

Column 5: Report the total real estate from Page ~~33~~ 34, Line ~~21~~ B4, Column 6 (General Account) and from Page ~~18~~ 19, Line ~~21~~ B4, Column 6 (Separate Accounts), if applicable, plus the total other invested assets from Page ~~35~~ 37, Line ~~105~~ L6, Column 6 (General Account) and from Page ~~20~~ 22, Line ~~105~~ L6, Column 6 (Separate Accounts), if applicable; and the total for replication (synthetic asset) transactions contained on Page ~~36~~ 38, Line 0499999, Column 7 (General Account) and Page ~~21~~ 23, Line 0499999, Column 7 (Separate Accounts).

Line 9 – Maximum Reserve (includes separate accounts assets, if applicable)

Report the maximum reserve for each asset category as calculated on Pages 30 through ~~36~~ 38 (General Account) and Pages 15 through ~~21~~ 23 (Separate Accounts).

Column 1: Report the total bonds (including collateralized loan obligations), preferred stock, short-term investments, and derivative instruments from Pages 31 and 32, Lines ~~34~~ A16, B8, C8, and D9, Column 10 (General Account) and Pages 16 and 17, Lines ~~34~~ A16, B8, C8, and D9, Col. 10 (Separate Accounts), if applicable and the total for replication (synthetic asset) transactions contained on Page ~~36~~ 38, Line 0199999, Column 9 (General Account) and Page ~~21~~ 23, Line 0199999, Column 9 (Separate Accounts).

Column 2: Report the total mortgage loans from Page [3233](#), Line [58E24](#), Column 10 (General Account) and Page [1718](#), Line [58E24](#), Col. 10 (Separate Accounts), if applicable and the total for replication (synthetic asset) transactions contained on Page [3638](#), Line 0299999, Column 9 (General Account) and Page [2123](#), Line 0299999, Column 9 (Separate Accounts).

Column 4: Report the total common stock from Page [3334](#), Line [17B4A17](#), Column 10 (General Account) and Page [1819](#), Line [17B4](#), Col. 10 (Separate Accounts), if applicable and the total for replication (synthetic asset) transactions contained on Page [3638](#), Line 0399999, Column 9 (General Account) and Page [2123](#), Line 0399999, Column 9 (Separate Accounts).

Column 5: Report the total real estate from Page [3334](#), Line [21B4](#), Column 10 (General Account) and from Page [1819](#), Line [21B4](#), Column 10 (Separate Accounts), if applicable, plus the total other invested assets from Page [3537](#), Line [105L6](#), Column 10 (General Account) and from Page [2022](#), Line [105L6](#), Column 10 (Separate Accounts), if applicable; and the total for replication (synthetic asset) transactions contained on Page [3638](#), Line 0499999, Column 9 (General Account) and Page [2123](#), Line 0499999, Column 9 (Separate Accounts).

Line 10 – Reserve Objective (includes separate accounts assets, if applicable)

Report the reserve objective amount for each asset category as calculated on Pages 30 through [3638](#) (General Account) and Pages 15 through [2123](#) (Separate Accounts).

Column 1: Report the total bonds ([including collateralized loan obligations CLOs/CBOs/CDOs](#)), preferred stock, short-term investments, and derivative instruments from Pages [31 and 32](#), Lines [34A16, B8, C8, and D9](#), Column 8 (General Account) and Pages [16 and 17](#), Lines [34A16, B8, C8, and D9](#), Column 8 (Separate Accounts), if applicable and the total for replication (synthetic asset) transactions contained on Page [3638](#), Line 0199999, Column 8 (General Account) and Page [2123](#), Line 0199999, Column 8 (Separate Accounts).

Column 2: Report the total mortgage loans from Page [3233](#), Line [58E24](#), Column 8 (General Account) and Page [1718](#), Line [58E24](#), Col. 8 (Separate Accounts), if applicable and the total for replication (synthetic asset) transactions contained on Page [3638](#), Line 0299999, Column 8 (General Account) and Page [2123](#), Line 0299999, Column 8 (Separate Accounts).

Column 4: Report the total common stock from Page [3334](#), Line [17B4](#), Column 8 (General Account) and Page [1819](#), Line [17B4](#), Col. 8 (Separate Accounts), if applicable and the total for replication (synthetic asset) transactions contained on Page [3638](#), Line 0399999, Column 8 (General Account) and Page [2123](#), Line 0399999, Column 8 (Separate Accounts).

Column 5: Report the total real estate from Page [3334](#), Line [21B4](#), Column 8 (General Account) and from Page [1819](#), Line [21B4](#), Column 8 (Separate Accounts), if applicable; plus the total other invested assets from Page [3537](#), Line [105L6](#), Column 8 (General Account) and from Page [2022](#), Line [105L6](#), Column 8 (Separate Accounts), if applicable and the total for replication (synthetic asset) transactions contained on Page [3638](#), Line 0499999, Column 8 (General Account) and Page [2123](#), Line 0499999, Column 8 (Separate Accounts).

**DEFAULT COMPONENT –
BASIC CONTRIBUTION, RESERVE OBJECTIVE, AND MAXIMUM RESERVE CALCULATIONS**

Detail Eliminated To Conserve Space

Section A:

Lines 1 through 7 – Long-Term Bonds, excluding collateralized loan obligations CLOs/CBOs/CDOs

Report the book/adjusted carrying value of all bonds and other fixed income instruments owned, excluding unaffiliated and affiliated non-agency CLOs/CBOs/CDOs reported on Schedule D, Part 1, Section 2, Lines 1099999999 and 1109999999 and Schedule DL, Part 1, Lines 1099999999 and 1109999999 in Columns 1 and 4. Categorize the bonds and other fixed income instruments into NAIC designations 1 through 6 as directed by the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*, except that, exempt obligations should be reported separately. Multiply the amount in Column 4 for each designation by the reserve factors provided in Columns 5, 7, and 9, and report the products by designation in Columns 6, 8, and 10, respectively.

~~Line 8~~ – ~~Intentionally Left Blank~~

Line ~~9~~8 – Total Long-Term Bonds

Column 1 should agree with Page 2, Line 1, Column 3 plus Schedule DL Part 1, Column 6, Line 2009999999 minus Schedule D, Part 1, Section 2, Column 8, Lines 1099999999 and 1109999999 minus Schedule DL, Part 1, Column 6, Lines 1099999999 and 1109999999.

Lines 9 through 14 – Collateralized Loan Obligations (CLOs)/Collateralized Bond Obligations (CBOs)/Collateralized Debt Obligations (CDOs)

Report the book/adjusted carrying value of all collateralized loan obligations, collateralized bond obligations, collateralized debt obligations owned, reported as unaffiliated and affiliated non-agency CLOs/CBOs/CDOs on Schedule D, Part 1, Section 2, Lines 1099999999 and 1109999999 and Schedule DL, Part 1, Lines 1099999999 and 1109999999 in Columns 1 and 4. Categorize the ~~collateralized loan obligations~~ CLOs/CBOs/CDOs into NAIC designations 1 through 6 as directed by the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*. Multiply the amount in Column 4 for each designation by the reserve factors provided in Columns 5, 7, and 9, and report the products by designation in Columns 6, 8, and 10, respectively.

Line 15 – Total ~~Collateralized Loan Obligations~~ CLOs/CBOs/CDOs

Column 1 should agree with Schedule D, Part 1, Section 2, Column 8, Lines 1099999999 and 1109999999 plus Schedule DL, Part 1, Lines 1099999999 and 1109999999.

Section B:

Lines ~~10~~ through ~~15~~8 – Preferred Stocks

Report the book/adjusted carrying value of all preferred stocks owned in Columns 1 and 4. Categorize the preferred stocks into NAIC designations one through six as directed by the NAIC Securities Valuation Office instructions. Multiply the amount in Column 4 for each designation by the reserve factors provided in Columns 5, 7, and 9, and report the products by designation in Columns 6, 8, and 10, respectively.

Line ~~16~~7 – Affiliated Life Insurer with AVR

Report the book/adjusted carrying value of all preferred stocks owned in a controlled or affiliated company, or a subsidiary that is a life or fraternal insurance company that holds an AVR, in Columns 1 and 4. These companies are required to carry their own asset valuation reserve or an equivalent, and therefore the preferred stocks are not required to be included in the asset valuation reserve of an affiliated company.

Line ~~17~~8 – Total Preferred Stocks

Column 1 should agree with Page 2, Line 2.1, Column 3 plus Schedule DL, Part 1, Column 6, Line 4509999999.

Section C:

Lines ~~18~~
through ~~24~~7 – Short-Term Bonds

Report the book/adjusted carrying value of all short-term bonds and other short-term fixed-income investments (Schedule DA, Part 1 (Line 0509999999) and short-term bonds included on Schedule DL, Part 1, Line 9509999999 owned in Columns 1 and 4. Categorize the short-term bonds and other fixed-income instruments listed in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* into NAIC designations 1 through 6 as directed by the Securities Valuation Office instructions, except that exempt obligations listed in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* should be reported separately. Multiply the amount in Column 4 for each designation by the reserve factors provided in Columns 5, 7, and 9, and report the products by designation in Columns 6, 8, and 10, respectively.

Section D:

Lines ~~26~~1
through ~~32~~8 – Derivative Instruments

Report the book/adjusted carrying value exposure to counterparty credit risk associated with the use of derivative instruments, net of acceptable collateral, for all counterparties by each SVO designation, from Schedule DB, Part D, Section 1, Column 8. Multiply the amount in Column 4 for each designation by the reserve factors provided in Columns 5, 7, and 9, and report the products by designation in Columns 6, 8, and 10, respectively.

Line ~~34~~9 – Total

Column 6 must be reported on Page 29, Line 7, Column 1.

Column 8 must be reported on Page 29, Line 10, Column 1.

Column 10 must be reported on Page 29, Line 9, Column 1.

Section E:

Lines ~~35~~1
through ~~57~~23 – Mortgage Loans

The classification methodology for mortgages is outlined in the Life Risk-Based Capital instructions. Report the book/adjusted carrying value of all Schedule B and Schedule DL, Part 1 mortgage loans owned in Column 1. Any related party encumbrances should be deducted in Column 2. Categorize the mortgage loans as indicated on Lines ~~35~~1 through ~~57~~23. Report the difference of Column 1 less Column 2 in Column 4. Multiply the amount in Column 4 for each category by the reserve factors in Columns 5, 7, and 9, and report the products by category in Columns 6, 8, and 10, respectively.

NOTE: Related party encumbrances are loans from the reporting entity and the amount deducted in Column 2 should be reflected in Column 2 in the corresponding section of the AVR worksheet. If the affiliated entity to which the loan was made is not wholly owned by the reporting entity, the related party encumbrance amount deducted in Column 2 should be based on the reporting entity's ownership percentage.

Line ~~58~~24 – Total Schedule B Mortgage Loans on Real Estate

Column 1 should agree with Page 2, Line 3.1 + 3.2, Column 3 plus Schedule DL, Part 1, Column 6, Line 9309999999.

Column 6 must be reported on the Asset Valuation Reserve Page, Line 7, Column 2.

Column 8 must be reported on the Asset Valuation Reserve Page, Line 10, Column 2.

Column 10 must be reported on the Asset Valuation Reserve Page, Line 9, Column 2.

**EQUITY AND OTHER INVESTED ASSET COMPONENT –
BASIC CONTRIBUTION, RESERVE OBJECTIVE, AND MAXIMUM RESERVE CALCULATIONS**

Detail Eliminated To Conserve Space

Section A:

*****Drafting Note: Changes in Blanks Proposal 2025-20BWG for Investment Subs are not shown on this proposal but the Common Stock AVR lines will be under Section A.*****

Detail Eliminated To Conserve Space

Section B:

Lines ~~18~~
through ~~203~~ – Real Estate

Categorize the real estate as indicated on Lines ~~B18~~ through ~~20B3~~. Real estate reported in Schedule DL, Part 1, Line 9209999999 would also be included in this section. Report the sum of Columns 1, 2, and 3 in Column 4. Multiply the amount in Column 4 by the reserve factors provided in Columns 5, 7, and 9 and report the products in Columns 6, 8, and 10, respectively.

NOTE: Related party encumbrances are loans from the reporting entity and the amount reflected in Column 2 should be deducted in Column 2 in the corresponding section of the AVR worksheet. If the real estate entity to which the loan was made is not wholly owned by the reporting entity, the related party encumbrance amount reflected in Column 2 should be based on the reporting entity's ownership percentage. The amount of the third-party encumbrances without recourse to be reflected in Column 3 is limited to the extent that the maximum reserve (Column 6) should not exceed the sum of the book/adjusted carrying value (Column 1) plus related party encumbrances (Column 2) and third-party encumbrances with recourse which are included in Column 3.

Line ~~214~~ – Total Real Estate

The Columns 6, 8, and 10 amounts must be combined with ~~Line 83~~Section L, Line 6, Columns 6, 8, and 10 amounts and reported on the Asset Valuation Reserve Page, Lines 7, 10, and 9, Column 5.

Section C:

Lines ~~221~~
through ~~287~~ – Other Invested Assets with Underlying Characteristics of Bonds

Report the book/adjusted carrying value of all Schedule BA assets owned where the characteristics of the underlying investment are similar to bonds (Lines 0199999, 0299999, 0599999, 0699999, 0999999, 1099999, 1399999, and 1499999) that have been valued according to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* in Columns 1 and 4. Follow the SVO guidelines and categorize these assets into NAIC designations one through six as directed by the NAIC Securities Valuation Office instructions, except those exempt obligations (as listed in the AVR instructions for Line 2) which should be reported separately. Multiply the amount in Column 4 for

each designation by the reserve factors provided in Columns 5, 7, and 9 and report the products by designation in Columns 6, 8, and 10, respectively.

Section D:

Lines ~~30~~1
through ~~35~~8 – Other Invested Assets with Underlying Characteristics of Preferred Stocks

Report the book/adjusted carrying value of all Schedule BA assets owned where the characteristics of the underlying investment are similar to preferred stocks (Lines 1799999 and 1899999). Multiply the amount in Column 4 for each designation by the reserve factors provided in Columns 5, 7, and 9, and report the products by designation in Columns 6, 8, and 10, respectively.

Section E:

Lines ~~38~~1
through ~~63~~26 – Other Invested Assets with Underlying Characteristics of Mortgage Loans

Report the book/adjusted carrying value of all Schedule BA assets owned where the characteristics of the underlying investment are similar to mortgage loans (Lines 2399999 and 2499999), excluding any mortgage-backed/asset-backed securities included in Lines ~~22~~C1 through ~~28~~C7 above, in Columns 1 and 4. Categorize the mortgage loans as indicated in Lines ~~38~~E1 through ~~55~~E18E27.

For Lines ~~38~~E1 through ~~63~~E27, the classification methodology for mortgages is outlined in the Life Risk-Based Capital instructions. Multiply the amount in Column 4 for each category by the reserve factors in Columns 5, 7, and 9, Lines ~~38~~E1 through ~~63~~E27. Report the products by category in Columns 6, 8, and 10, respectively.

Section F:

Lines ~~65~~1
through ~~69~~5 – Other Invested Assets with Underlying Characteristics of Common Stocks

Report the book/adjusted carrying value of all Schedule BA assets owned where the characteristics of the underlying investments are similar to common stock (Lines 1999999 and 2099999) in Columns 1 and 4. Line ~~68~~F4 should show all Schedule BA assets owned where the characteristics of the underlying investments are similar to subsidiary, controlled or affiliated company common stocks owned and these assets should be valued according to the *SSAP No. 48—Joint Ventures, Partnerships or Limited Liability Companies*. Categorize these assets consistent with the directions for Pages ~~32~~34 and ~~33~~35, Lines A1 through A4, A15, and A16. For Line ~~65~~F1, the reserve factor must be calculated on an individual company basis. It is equal to 15.8% times the beta factor as discussed in the Pages ~~32~~34 and ~~33~~35, Line A1 instructions, and must be at least 12.15% but not more than 24.31%. Multiply the amount in Column 4 by the calculated reserve factors in Columns 5, 7, and 9 and report the products in Columns 6, 8, and 10, respectively. For Lines 66 through 69, multiply the amounts in Column 4 by the reserve factors provided in Columns 5, 7, and 9 and report the products in Columns 6, 8, and 10, respectively.

Section G:

Line 74 – Total Other Invested Assets with Underlying Characteristics of Real Estate

Report the book/adjusted carrying value of all Schedule BA assets owned where the characteristics of the underlying investment are similar to real estate (Lines 2199999 and 2299999 items that are not reported in AVR category of Other Invested Assets with Underlying Characteristics of Mortgage Loans) in Column 1, any related encumbrances on these assets in Column 2, and any third-party

encumbrances on these assets in Column 3. Report the sum of Columns 1, 2, and 3 in Column 4. Column 4 may not be less than zero. Multiply the amount in Column 4 by the reserve factors provided in Columns 5, 7, and 9 and report the products in Columns 6, 8, and 10, respectively.

NOTE: Related party encumbrances are loans from the reporting entity and the amount reflected in Column 2 should be deducted in Column 2 in the corresponding section of the AVR worksheet. If the real estate entity to which the loan was made is not wholly owned by the reporting entity, the related party encumbrance amount reflected in Column 2 should be based on the reporting entity's ownership percentage. The amount of the third-party encumbrances without recourse to be reflected in Column 3 is limited to the extent that the maximum reserve (Column 10) should not exceed the sum of the book/adjusted carrying value (Column 1) plus related party encumbrances (Column 2) and third party encumbrances with recourse which are included in Column 3.

Section H:

Lines ~~75~~1 through ~~79~~5 – Investments in Tax Credit Structures

Report Column 1 in accordance with SSAP No. 93—*Investments in Tax Credit Structures*.

Investments in tax credit structures (tax credit investments) must meet the requirements of SSAP No. 93 to be reported on Lines ~~75~~H1 through ~~79~~H5.

Only tax credits investments which issue federal tax credits and have the following risk mitigation factors can be reported as qualifying federal tax credit investments on Line ~~76~~H2:

- I. A level of leverage below 50%. For a tax credit investment fund, the level of leverage is measured at the fund level.
- II. There is a Tax Credit Guarantee Agreement, or equivalent insurance acquired, at arm's length, by the investor. This agreement requires the General Partner, managing member, developer, or insurer to reimburse investors for any shortfalls in tax credits due to errors of compliance, for the duration of the regulatory compliance period of the tax credit program. For a tax credit investment fund, a Tax Credit Guarantee Agreement is required from the developers of the lower tier projects to the upper tier partnership.
- III. There are sufficient operating reserves, capital replacement reserves and/or operating deficit guarantees present to mitigate foreseeable loss risks as of the current reporting period.

Line ~~76~~H2 should equal Schedule BA, Part 1, Column 12, Line 3799999 + Line 3899999.

Only tax credit investments which issue state tax credits and, at a minimum, have an all-inclusive guarantee from a CRP-rated entity that guarantees the yield on the investment can be reported as yield guaranteed state investments on Line ~~75~~H1. Line ~~75~~H1 should equal Schedule BA, Part 1, Column 12, Line 3599999 + Line 3699999.

Tax credit investments which issue state tax credits and, at a minimum, meet the same requirements for qualifying federal tax credit investments (as detailed above) should be reported as qualifying state tax credit investments on Line ~~77~~H3. Line ~~77~~H3 should equal Schedule BA, Part 1, Column 12, Line 3999999 + Line 4099999.

All other tax credit investments which cannot be reported on Lines ~~75~~H1 through ~~77~~H3 should be reported as other tax credit investments on Line ~~78~~H4. Line ~~78~~H4 should equal Schedule BA, Part 1, Column 12, Line 4199999 + Line 4299999.

Multiply the amount in Column 4 for each category by the reserve factors for Page ~~35~~36, Columns 5, 7, and 9, Lines ~~75~~H1 through ~~78~~H4. Report the products by category in Columns 6, 8, and 10, respectively.

Section I:

Lines ~~80~~1
through ~~90~~13 – Residual Tranches or Interests

Line ~~80~~1 – Bonds – Unaffiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 4499999 in Columns 1 and 4. Multiply the amount in Column 4 by the calculated reserve factors in Columns 5, 7, and 9 and report the products in Columns 6, 8, and 10, respectively

Line ~~81~~2 – Bonds – Affiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 4599999 in Columns 1 and 4. Multiply the amount in Column 4 by the calculated reserve factors in Columns 5, 7, and 9 and report the products in Columns 6, 8, and 10, respectively.

Line ~~82~~3 – Common Stock – Unaffiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 4899999 in Columns 1 and 4. Multiply the amount in Column 4 by the calculated reserve factors in Columns 5, 7, and 9 and report the products in Columns 6, 8, and 10, respectively.

Line ~~83~~4 – Common Stock – Affiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 4999999 in Columns 1 and 4. Multiply the amount in Column 4 by the calculated reserve factors in Columns 5, 7, and 9 and report the products in Columns 6, 8, and 10, respectively.

Line ~~84~~5 – Preferred Stock – Unaffiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 4699999 in Columns 1 and 4. Multiply the amount in Column 4 by the calculated reserve factors in Columns 5, 7, and 9 and report the products in Columns 6, 8, and 10, respectively.

Line ~~85~~6 – Preferred Stock – Affiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 4799999 in Columns 1 and 4. Multiply the amount in Column 4 by the calculated reserve factors in Columns 5, 7, and 9 and report the products in Columns 6, 8, and 10, respectively.

Line ~~86~~7 – Real Estate – Unaffiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 5099999 in Column 1, any related encumbrances on these assets in Column 2, and any third-party encumbrances on these assets in Column 3. Report the sum of Columns 1, 2, and 3 in Column 4. Column 4 may not be less than zero. Multiply the amount in Column 4 by the reserve factors provided in Columns 5, 7, and 9 and report the products in Columns 6, 8, and 10, respectively.

Line ~~87~~8 – Real Estate – Affiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 5199999 in Column 1, any related encumbrances on these assets in Column 2, and any third-party encumbrances on these

assets in Column 3. Report the sum of Columns 1, 2, and 3 in Column 4. Column 4 may not be less than zero. Multiply the amount in Column 4 by the reserve factors provided in Columns 5, 7, and 9 and report the products in Columns 6, 8, and 10, respectively.

Line ~~88~~9 – Mortgage Loans – Unaffiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 5299999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7, and 9. Report the products in Columns 6, 8, and 10, respectively.

Line ~~89~~10 – Mortgage Loans – Affiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 5399999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7, and 9. Report the products in Columns 6, 8, and 10, respectively.

Line ~~90~~11 – Other – Unaffiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 5499999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7, and 9. Report the products in Columns 6, 8, and 10, respectively.

Line ~~91~~12 – Other – Affiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 5599999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7, and 9. Report the products in Columns 6, 8, and 10, respectively.

Section J:

Lines ~~93~~1
through ~~99~~7 – Surplus Notes and Capital Notes

Report the book/adjusted carrying value of all Schedule BA assets owned where the characteristics of the underlying investment are similar to surplus notes and capital notes in Columns 1 and 4. Use the Credit Rating Provider (CRP) rating to categorize these assets as if the SVO had assigned an NAIC designation of 1 through 6. If no CRP rating, then report based on the reporting entity's assumption of credit risk. Multiply the amount in Column 4 for each designation by the reserve factors provided in Columns 5, 7, and 9, and report the products by designation in Columns 6, 8, and 10, respectively.

Section K:

Lines ~~100~~
through ~~112~~13 – Collateral Loans

Line ~~100~~1 – Backed by Mortgage Loans – Unaffiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 3199999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7 and 9. Report the products in Columns 6, 8 and 10, respectively.

Line ~~101~~2 – Backed by Mortgage Loans – Affiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 3299999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7 and 9. Report the products in Columns 6, 8 and 10, respectively.

Line ~~102~~3 – Backed by Investments in Joint Ventures, Partnerships or Limited Liability Companies – Unaffiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 3399999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7 and 9. Report the products in Columns 6, 8 and 10, respectively.

Line ~~103~~4 – Backed by Investments in Joint Ventures, Partnerships or Limited Liability Companies – Affiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 3499999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7 and 9. Report the products in Columns 6, 8 and 10, respectively.

Line ~~104~~5 – Backed by Residual Tranches or Interests – Unaffiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 3599999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7 and 9. Report the products in Columns 6, 8 and 10, respectively.

Line ~~105~~6 – Backed by Residual Tranches or Interests – Affiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 3699999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7 and 9. Report the products in Columns 6, 8 and 10, respectively.

Line ~~106~~7 – Backed by Debt Securities – Unaffiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 3799999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7 and 9. Report the products in Columns 6, 8 and 10, respectively.

Line ~~107~~8 – Backed by Debt Securities – Affiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 3899999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7 and 9. Report the products in Columns 6, 8 and 10, respectively.

Line ~~108~~9 – Backed by Real Estate – Unaffiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 3999999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7 and 9. Report the products in Columns 6, 8 and 10, respectively.

Line ~~109~~10 – Backed by Real Estate – Affiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 4099999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7 and 9. Report the products in Columns 6, 8 and 10, respectively.

Line ~~110~~11 – Collateral Loans – All Other – Unaffiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 4199999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7 and 9. Report the products in Columns 6, 8 and 10, respectively.

Line ~~111~~12 – Collateral Loans – All Other – Affiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 4299999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7 and 9. Report the products in Columns 6, 8 and 10, respectively.

Section L:

Line ~~100~~1 & ~~101~~2 – Working Capital Finance Investments

Report the book/adjusted carrying value of all working capital finance investments owned (Schedule BA, Part 1, Line 4399999) in Columns 1 and 4. Categorize the working capital finance investments into NAIC designations 1 or 2 as directed by the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*. Multiply the amount in Column 4 for each designation by the reserve factors provided in Columns 5, 7, and 9, and report the products by designation in Columns 6, 8, and 10, respectively.

Line ~~102~~3 – Other Invested Assets – Schedule BA

Report the book/adjusted carrying value of all other Schedule BA investments owned that cannot be classified into one of the above categories in Column 1 and any encumbrances on these assets in Column 3. Schedule DL, Part 1 investments reported on Line 9409999999 would be included in this total if not classified in one of the above categories. Collateral loans (Lines 3199999 and 3299999) have been intentionally excluded from this total. Multiply the amount in Column 4 by the reserve factors provided in Columns 5, 7, and 9, and report the products in Columns 6, 8, and 10, respectively.

Line ~~103~~4 – Other Short-Term Invested Assets – Schedule DA

Report the book/adjusted carrying value of all other Schedule DA (Lines 7029999999 and 7509999999) and Schedule DL, Part 1 (Line 9509999999) assets owned that cannot be classified into one of the above categories in Column 1 and any encumbrances on these assets in Column 3. Report the sum of Columns 1 and 3 in Column 4. Multiply the amount on Column 4 by the reserve factors provided in Columns 5, 7, and 9 and report the products in Columns 6, 8, and 10, respectively.

Line ~~105~~6 – Total Other Invested Assets – Schedules BA & DA

The Columns 6, 8, and 10 amounts must be combined with Columns 6, 8, and 10, Line ~~21~~B4 amounts and reported on the Asset Valuation Reserve Page, Column 5, Lines 7, 10, and 9, respectively.

NOTE: Other invested asset reserves will be calculated based on the nature of the underlying investments related to the Schedule BA and Schedule DA assets. Assets should be categorized as if the company owned the underlying investment. For example:

- Mortgage participation certificates and similar holdings should be classified as fixed income assets.
- Gas and oil production and mineral rights have potential variability of return and should be categorized as equity investments.

- Partnership investments should be classified as fixed or equity investments or as equity real estate, depending on the purpose of the partnership. The maximum AVR factor would be that appropriate for the asset classification.
- A “look through” approach should be taken for any Schedule BA and Schedule DA assets not specifically listed, so as to reflect in the AVR calculation the essential nature of the investments.

**ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY, TITLE, SEPARATE ACCOUNTS,
AND PROTECTED CELL**

SCHEDULE D – PART 1 – SECTION 2

ASSET-BACKED SECURITIES OWNED DECEMBER 31 OF CURRENT YEAR



Detail Eliminated To Conserve Space



NAIC Designation Category Footnote:

Provide the total book/adjusted carrying value amount by NAIC Designation Category that represents the amount reported in Column 8.

The sum of the amounts reported for each NAIC Designation Category in the footnote should equal Line 1909999999.

~~Collateralized Loan Obligation~~ CLOs/CBOs/CDOs Footnote:

Report the book/adjusted carrying value amount by NAIC Designation Category of all ~~collateralized loan obligations~~ CLOs/CBOs/CDOs owned reported in Lines 1099999999 and 1109999999

ANNUAL STATEMENT BLANK – LIFE/FRATERNAL AND SEPARATE ACCOUNTS

**ASSET VALUATION RESERVE
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
DEFAULT COMPONENT**

Line Number	NAIC Designation	Description	1	2	3	4	Basic Contribution		Reserve Objective		Maximum Reserve	
			Book/ Adjusted Carrying Value	Reclassify Related Party Encumbrances	Add Third Party Encumbrances	Balance for AVR Reserve Calculations (Cols. 1+2+3)	5	6	7	8	9	10
							Factor	Amount (Cols. 4x5)	Factor	Amount (Cols. 4x7)	Factor	Amount (Cols. 4x9)
SECTION A		LONG-TERM BONDS ~~EXCLUDING COLLATERALIZED LOAN OBLIGATIONS~~ CLOs/CBOs/CDOs										
1		Exempt obligations.....		XXX	XXX		0.0000		0.0000		0.0000	
2.1	1	NAIC Designation Category 1.A		XXX	XXX		0.0002		0.0007		0.0013	
2.2	1	NAIC Designation Category 1.B		XXX	XXX		0.0004		0.0011		0.0023	
2.3	1	NAIC Designation Category 1.C		XXX	XXX		0.0006		0.0018		0.0035	
2.4	1	NAIC Designation Category 1.D		XXX	XXX		0.0007		0.0022		0.0044	
2.5	1	NAIC Designation Category 1.E		XXX	XXX		0.0009		0.0027		0.0055	
2.6	1	NAIC Designation Category 1.F		XXX	XXX		0.0011		0.0034		0.0068	
2.7	1	NAIC Designation Category 1.G		XXX	XXX		0.0014		0.0042		0.0085	
2.8		Subtotal NAIC 1 (Sum of Lines A2.1+A2.2+A2.3+A2.4+A2.5+A2.6+ through A2.7)		XXX	XXX		XXX		XXX		XXX	
3.1	2	NAIC Designation Category 2.A		XXX	XXX		0.0021		0.0063		0.0105	
3.2	2	NAIC Designation Category 2.B		XXX	XXX		0.0025		0.0076		0.0127	
3.3	2	NAIC Designation Category 2.C		XXX	XXX		0.0036		0.0108		0.0180	
3.4		Subtotal NAIC 2 (Sum of Lines A3.1+A3.2+ through A3.3)		XXX	XXX		XXX		XXX		XXX	
4.1	3	NAIC Designation Category 3.A		XXX	XXX		0.0069		0.0183		0.0262	
4.2	3	NAIC Designation Category 3.B		XXX	XXX		0.0099		0.0264		0.0377	
4.3	3	NAIC Designation Category 3.C		XXX	XXX		0.0131		0.0350		0.0500	
4.4		Subtotal NAIC 3 (Sum of Lines A4.1+A4.2+ through A4.3)		XXX	XXX		XXX		XXX		XXX	
5.1	4	NAIC Designation Category 4.A		XXX	XXX		0.0184		0.0430		0.0615	
5.2	4	NAIC Designation Category 4.B		XXX	XXX		0.0238		0.0555		0.0793	
5.3	4	NAIC Designation Category 4.C		XXX	XXX		0.0310		0.0724		0.1034	
5.4		Subtotal NAIC 4 (Sum of Lines A5.1+A5.2+ through A5.3)		XXX	XXX		XXX		XXX		XXX	
6.1	5	NAIC Designation Category 5.A		XXX	XXX		0.0472		0.0846		0.1410	
6.2	5	NAIC Designation Category 5.B		XXX	XXX		0.0663		0.1188		0.1980	
6.3	5	NAIC Designation Category 5.C		XXX	XXX		0.0836		0.1498		0.2496	
6.4		Subtotal NAIC 5 (Sum of Lines A6.1+A6.2+ through A6.3)		XXX	XXX		XXX		XXX		XXX	
7	6	NAIC 6		XXX	XXX		0.0000		0.2370		0.2370	
8		Intentionally left blank	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
98		Total long-term bonds ~~excluding CLOs/CBOs/CDOs~~ (Sum of Lines A1+A2.8+A3.4+A4.4+A5.4+A6.4+ and A7+8)		XXX	XXX		XXX		XXX		XXX	

ASSET VALUATION RESERVE (Continued)
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
DEFAULT COMPONENT

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	Basic Contribution		Reserve Objective		Maximum Reserve	
							5 Factor	6 Amount (Cols. 4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols. 4x9)
SECTION A (Continued)		COLLATERAL LOAN OBLIGATIONS CLOs/CBOs/CDOs										
9.1	1	NAIC Designation Category 1.A		XXX	XXX		0.0002		0.0007		0.0013	
9.2	1	NAIC Designation Category 1.B		XXX	XXX		0.0004		0.0011		0.0023	
9.3	1	NAIC Designation Category 1.C		XXX	XXX		0.0006		0.0018		0.0035	
9.4	1	NAIC Designation Category 1.D		XXX	XXX		0.0007		0.0022		0.0044	
9.5	1	NAIC Designation Category 1.E		XXX	XXX		0.0009		0.0027		0.0055	
9.6	1	NAIC Designation Category 1.F		XXX	XXX		0.0011		0.0034		0.0068	
9.7	1	NAIC Designation Category 1.G		XXX	XXX		0.0014		0.0042		0.0085	
9.8		Subtotal NAIC 1 (Sum of Lines A9.1 through A9.7)		XXX	XXX		XXX		XXX		XXX	
10.1	2	NAIC Designation Category 2.A		XXX	XXX		0.0021		0.0063		0.0105	
10.2	2	NAIC Designation Category 2.B		XXX	XXX		0.0025		0.0076		0.0127	
10.3	2	NAIC Designation Category 2.C		XXX	XXX		0.0036		0.0108		0.0180	
10.4		Subtotal NAIC 2 (Sum of Lines A10.1 through A10.3)		XXX	XXX		XXX		XXX		XXX	
11.1	3	NAIC Designation Category 3.A		XXX	XXX		0.0069		0.0183		0.0262	
11.2	3	NAIC Designation Category 3.B		XXX	XXX		0.0099		0.0264		0.0377	
11.3	3	NAIC Designation Category 3.C		XXX	XXX		0.0131		0.0350		0.0500	
11.4		Subtotal NAIC 3 (Sum of Lines A11.1 through A11.3)		XXX	XXX		XXX		XXX		XXX	
12.1	4	NAIC Designation Category 4.A		XXX	XXX		0.0184		0.0430		0.0615	
12.2	4	NAIC Designation Category 4.B		XXX	XXX		0.0238		0.0555		0.0793	
12.3	4	NAIC Designation Category 4.C		XXX	XXX		0.0310		0.0724		0.1034	
12.4		Subtotal NAIC 4 (Sum of Lines A12.1 through A12.3)		XXX	XXX		XXX		XXX		XXX	
13.1	5	NAIC Designation Category 5.A		XXX	XXX		0.0472		0.0846		0.1410	
13.2	5	NAIC Designation Category 5.B		XXX	XXX		0.0663		0.1188		0.1980	
13.3	5	NAIC Designation Category 5.C		XXX	XXX		0.0836		0.1498		0.2496	
13.4		Subtotal NAIC 5 (Sum of Lines A13.1 through A13.3)		XXX	XXX		XXX		XXX		XXX	
14	6	NAIC 6		XXX	XXX		0.0000		0.2370		0.2370	
15		Total collateral loan obligations CLOs/CBOs/CDOs (Sum of Lines A9.8+, A10.4+, A11.4+, A12.4+, A13.4+, and A14)		XXX	XXX		XXX		XXX		XXX	
16		Total long-term bonds and collateral loan obligations (Sum of Lines A8 and +A15)		XXX	XXX		XXX		XXX		XXX	
SECTION B		PREFERRED STOCKS										
10	1	Highest quality		XXX	XXX		0.0005		0.0016		0.0033	
11	2	High quality		XXX	XXX		0.0021		0.0064		0.0106	
12	3	Medium quality		XXX	XXX		0.0099		0.0263		0.0376	
13	4	Low quality		XXX	XXX		0.0245		0.0572		0.0817	
14	5	Lower quality		XXX	XXX		0.0630		0.1128		0.1880	
15	6	In or near default		XXX	XXX		0.0000		0.2370		0.2370	
16		Affiliated life with AVR		XXX	XXX		0.0000		0.0000		0.0000	
17		Total preferred stocks (Sum of Lines B10 through B16)		XXX	XXX		XXX		XXX		XXX	

ASSET VALUATION RESERVE (Continued)
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
DEFAULT COMPONENT

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	Basic Contribution		Reserve Objective		Maximum Reserve	
							5 Factor	6 Amount (Cols. 4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols. 4x9)
SECTION C		SHORT-TERM BONDS										
~~18~~		Exempt obligations.....		XXX	XXX		0.0000		0.0000		0.0000	
~~192.1~~	1	NAIC Designation Category 1.A		XXX	XXX		0.0002		0.0007		0.0013	
~~192.2~~	1	NAIC Designation Category 1.B		XXX	XXX		0.0004		0.0011		0.0023	
~~192.3~~	1	NAIC Designation Category 1.C		XXX	XXX		0.0006		0.0018		0.0035	
~~192.4~~	1	NAIC Designation Category 1.D		XXX	XXX		0.0007		0.0022		0.0044	
~~192.5~~	1	NAIC Designation Category 1.E.....		XXX	XXX		0.0009		0.0027		0.0055	
~~192.6~~	1	NAIC Designation Category 1.F.....		XXX	XXX		0.0011		0.0034		0.0068	
~~192.7~~	1	NAIC Designation Category 1.G		XXX	XXX		0.0014		0.0042		0.0085	
~~192.8~~		Subtotal NAIC 1 (~~19.1+19.2+19.3+19.4+19.5+19.6+19.7~~ Sum of Lines C2.1 through C2.7)		XXX	XXX		XXX		XXX		XXX	
~~203.1~~	2	NAIC Designation Category 2.A		XXX	XXX		0.0021		0.0063		0.0105	
~~203.2~~	2	NAIC Designation Category 2.B		XXX	XXX		0.0025		0.0076		0.0127	
~~203.3~~	2	NAIC Designation Category 2.C		XXX	XXX		0.0036		0.0108		0.0180	
~~203.4~~		Subtotal NAIC 2 (~~20.1+20.2+20.3~~ Sum of Lines C3.1 through C3.3)		XXX	XXX		XXX		XXX		XXX	
~~214.1~~	3	NAIC Designation Category 3.A		XXX	XXX		0.0069		0.0183		0.0262	
~~214.2~~	3	NAIC Designation Category 3.B		XXX	XXX		0.0099		0.0264		0.0377	
~~214.3~~	3	NAIC Designation Category 3.C		XXX	XXX		0.0131		0.0350		0.0500	
~~214.4~~		Subtotal NAIC 3 (Sum of Lines C4.1 through C4.3 ~~21.1+21.2+21.3~~)		XXX	XXX		XXX		XXX		XXX	
~~225.1~~	4	NAIC Designation Category 4.A		XXX	XXX		0.0184		0.0430		0.0615	
~~225.2~~	4	NAIC Designation Category 4.B		XXX	XXX		0.0238		0.0555		0.0793	
~~225.3~~	4	NAIC Designation Category 4.C		XXX	XXX		0.0310		0.0724		0.1034	
~~225.4~~		Subtotal NAIC 4 (Sum of Lines C5.1 through C5.3 ~~22.1+22.2+22.3~~)		XXX	XXX		XXX		XXX		XXX	
~~236.1~~	5	NAIC Designation Category 5.A		XXX	XXX		0.0472		0.0846		0.1410	
~~236.2~~	5	NAIC Designation Category 5.B		XXX	XXX		0.0663		0.1188		0.1980	
~~236.3~~	5	NAIC Designation Category 5.C		XXX	XXX		0.0836		0.1498		0.2496	
~~236.4~~		Subtotal NAIC 5 (Sum of Lines C6.1 through C6.3 ~~23.1+23.2+23.3~~)		XXX	XXX		XXX		XXX		XXX	
~~247~~	6	NAIC 6		XXX	XXX		0.0000		0.2370		0.2370	
~~258~~		Total short-term bonds (Sum of Lines C1, C2.8, C3.4, C4.4, C5.4, C6.4, and C7 ~~18+19.8+20.4+21.4+22.4+23.4+24~~)		XXX	XXX		XXX		XXX		XXX	
SECTION D		DERIVATIVE INSTRUMENTS										
~~261~~		Exchange traded		XXX	XXX		0.0005		0.0016		0.0033	
~~272~~	1	Highest quality		XXX	XXX		0.0005		0.0016		0.0033	
~~283~~	2	High quality		XXX	XXX		0.0021		0.0064		0.0106	
~~294~~	3	Medium quality.....		XXX	XXX		0.0099		0.0263		0.0376	
~~305~~	4	Low quality.....		XXX	XXX		0.0245		0.0572		0.0817	
~~316~~	5	Lower quality		XXX	XXX		0.0630		0.1128		0.1880	
~~327~~	6	In or near default		XXX	XXX		0.0000		0.2370		0.2370	

338	Total derivative instruments (Sum of Lines D1 through D7)		XXX	XXX		XXX		XXX		XXX	
342	Total Section A through D (Sum of Lines 9+17+25+33D1 through D8 A16, B8, C8, and D8)		XXX	XXX		XXX		XXX		XXX	

ASSET VALUATION RESERVE (Continued)
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
DEFAULT COMPONENT

Line Number	NAIC Designation	Description	1	2	3	4	Basic Contribution		Reserve Objective		Maximum Reserve	
			Book/ Adjusted Carrying Value	Reclassify Related Party Encumbrances	Add Third Party Encumbrances	Balance for AVR Reserve Calculations (Cols. 1+2+3)	5	6	7	8	9	10
							Factor	Amount (Cols. 4x5)	Factor	Amount (Cols. 4x7)	Factor	Amount (Cols. 4x9)
SECTION E		MORTGAGE LOANS										
		In Good Standing:										
351		Farm mortgages – CM1 – highest quality			XXX		0.0011		0.0057		0.0074	
362		Farm mortgages – CM2 – high quality			XXX		0.0040		0.0114		0.0149	
373		Farm mortgages – CM3 – medium quality			XXX		0.0069		0.0200		0.0257	
384		Farm mortgages – CM4 – low medium quality			XXX		0.0120		0.0343		0.0428	
395		Farm mortgages – CM5 – low quality			XXX		0.0183		0.0486		0.0628	
406		Residential mortgages – insured or guaranteed			XXX		0.0003		0.0007		0.0011	
417		Residential mortgages – all other			XXX		0.0015		0.0034		0.0046	
428		Commercial mortgages – insured or guaranteed			XXX		0.0003		0.0007		0.0011	
439		Commercial mortgages – all other – CM1 – highest quality			XXX		0.0011		0.0057		0.0074	
4410		Commercial mortgages – all other – CM2 – high quality			XXX		0.0040		0.0114		0.0149	
4511		Commercial mortgages – all other – CM3 – medium quality			XXX		0.0069		0.0200		0.0257	
4612		Commercial mortgages – all other – CM4 – low medium quality			XXX		0.0120		0.0343		0.0428	
4713		Commercial mortgages – all other – CM5 – low quality			XXX		0.0183		0.0486		0.0628	
		Overdue, Not in Process:										
4814		Farm mortgages			XXX		0.0480		0.0868		0.1371	
4915		Residential mortgages – insured or guaranteed			XXX		0.0006		0.0014		0.0023	
5016		Residential mortgages – all other			XXX		0.0029		0.0066		0.0103	
5117		Commercial mortgages – insured or guaranteed			XXX		0.0006		0.0014		0.0023	
5218		Commercial mortgages – all other			XXX		0.0480		0.0868		0.1371	
		In Process of Foreclosure:										
5319		Farm mortgages			XXX		0.0000		0.1942		0.1942	
5420		Residential mortgages – insured or guaranteed			XXX		0.0000		0.0046		0.0046	
5521		Residential mortgages – all other			XXX		0.0000		0.0149		0.0149	
5622		Commercial mortgages – insured or guaranteed			XXX		0.0000		0.0046		0.0046	
5723		Commercial mortgages – all other			XXX		0.0000		0.1942		0.1942	
5824		Total Schedule B mortgages (Sum of Lines 35E1 through 57E23)			XXX		XXX		XXX		XXX	

**ASSET VALUATION RESERVE
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
EQUITY AND OTHER INVESTED ASSET COMPONENT**

Line Number	NAIC Designation	Description	1	2	3	4	Basic Contribution		Reserve Objective		Maximum Reserve	
			Book/ Adjusted Carrying Value	Reclassify Related Party Encumbrances	Add Third Party Encumbrances	Balance for AVR Reserve Calculations (Cols. 1+2+3)	5	6	7	8	9	10
							Factor	Amount (Cols. 4x5)	Factor	Amount (Cols. 4x7)	Factor	Amount (Cols. 4x9)
SECTION A												
		COMMON STOCK										
1		Unaffiliated public.....		XXX	XXX		0.0000		0.1580 (a)		0.1580 (a)	
2		Unaffiliated private		XXX	XXX		0.0000		0.1945		0.1945	
3		Federal Home Loan Bank		XXX	XXX		0.0000		0.0061		0.0097	
4		Affiliated life with AVR		XXX	XXX		0.0000		0.0000		0.0000	
		Affiliated Investment Subsidiary:										
5		Fixed income exempt obligations.....					XXX		XXX		XXX	
6		Fixed income highest quality.....					XXX		XXX		XXX	
7		Fixed income high quality					XXX		XXX		XXX	
8		Fixed income medium quality					XXX		XXX		XXX	
9		Fixed income low quality					XXX		XXX		XXX	
10		Fixed income lower quality					XXX		XXX		XXX	
11		Fixed income in or near default					XXX		XXX		XXX	
12		Unaffiliated common stock public.....					0.0000		0.1580 (a)		0.1580 (a)	
13		Unaffiliated common stock private.....					0.0000		0.1945		0.1945	
14		Real estate					(b)		(b)		(b)	
15		Affiliated-certain other (See SVO Purposes & Procedures Manual).....		XXX	XXX		0.0000		0.1580		0.1580	
16		Affiliated - all other		XXX	XXX		0.0000		0.1945		0.1945	
17		Total common stock (Sum of Lines A1 through A16)					XXX		XXX		XXX	
SECTION B												
		REAL ESTATE										
18		Home office property (General Account only).....					0.0000		0.0912		0.0912	
19		Investment properties.....					0.0000		0.0912		0.0912	
20		Properties acquired in satisfaction of debt.....					0.0000		0.1337		0.1337	
21		Total real estate (Sum of Lines B18 through B20)					XXX		XXX		XXX	
SECTION C												
		OTHER INVESTED ASSETS										
		INVESTMENTS WITH THE UNDERLYING										
		CHARACTERISTICS OF BONDS										
22		Exempt obligations.....		XXX	XXX		0.0000		0.0000		0.0000	
23	1	Highest quality		XXX	XXX		0.0005		0.0016		0.0033	
24	2	High quality.....		XXX	XXX		0.0021		0.0064		0.0106	
25	3	Medium quality.....		XXX	XXX		0.0099		0.0263		0.0376	
26	4	Low quality.....		XXX	XXX		0.0245		0.0572		0.0817	
27	5	Lower quality		XXX	XXX		0.0630		0.1128		0.1880	
28	6	In or near default		XXX	XXX		0.0000		0.2370		0.2370	
29		Total with bond characteristics (Sum of Lines C22 through C28)		XXX	XXX		XXX		XXX		XXX	

Drafting Note: Changes in Blanks Proposal 2025-20BWG for Investment Subs are not shown on this proposal but the Common Stock AVR lines will be under Section A.

ASSET VALUATION RESERVE (Continued)
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
EQUITY AND OTHER INVESTED ASSET COMPONENT

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	Basic Contribution		Reserve Objective		Maximum Reserve	
							5 Factor	6 Amount (Cols.4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols.4x9)
SECTION D												
		INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF PREFERRED STOCKS										
301	1	Highest quality		XXX	XXX		0.0005		0.0016		0.0033	
312	2	High quality		XXX	XXX		0.0021		0.0064		0.0106	
323	3	Medium quality		XXX	XXX		0.0099		0.0263		0.0376	
334	4	Low quality		XXX	XXX		0.0245		0.0572		0.0817	
345	5	Lower quality		XXX	XXX		0.0630		0.1128		0.1880	
356	6	In or near default		XXX	XXX		0.0000		0.2370		0.2370	
367		Affiliated life with AVR		XXX	XXX		0.0000		0.0000		0.0000	
378		Total with preferred stock characteristics (Sum of Lines 301 through 367)		XXX	XXX		XXX		XXX		XXX	
SECTION E												
		INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF MORTGAGE LOANS										
		In Good Standing Affiliated:										
381		Mortgages – CM1 – highest quality			XXX		0.0011		0.0057		0.0074	
392		Mortgages – CM2 – high quality			XXX		0.0040		0.0114		0.0149	
403		Mortgages – CM3 – medium quality			XXX		0.0069		0.0200		0.0257	
414		Mortgages – CM4 – low medium quality			XXX		0.0120		0.0343		0.0428	
425		Mortgages – CM5 – low quality			XXX		0.0183		0.0486		0.0628	
436		Residential mortgages – insured or guaranteed			XXX		0.0003		0.0007		0.0011	
447		Residential mortgages – all other		XXX	XXX		0.0015		0.0034		0.0046	
458		Commercial mortgages – insured or guaranteed			XXX		0.0003		0.0007		0.0011	
		Overdue, Not in Process Affiliated:										
469		Farm mortgages			XXX		0.0480		0.0868		0.1371	
4710		Residential mortgages – insured or guaranteed			XXX		0.0006		0.0014		0.0023	
4811		Residential mortgages – all other			XXX		0.0029		0.0066		0.0103	
4912		Commercial mortgages – insured or guaranteed			XXX		0.0006		0.0014		0.0023	
5013		Commercial mortgages – all other			XXX		0.0480		0.0868		0.1371	
		In Process of Foreclosure Affiliated:										
5114		Farm mortgages			XXX		0.0000		0.1942		0.1942	
5215		Residential mortgages – insured or guaranteed			XXX		0.0000		0.0046		0.0046	
5316		Residential mortgages – all other			XXX		0.0000		0.0149		0.0149	
5417		Commercial mortgages – insured or guaranteed			XXX		0.0000		0.0046		0.0046	
5518		Commercial mortgages – all other			XXX		0.0000		0.1942		0.1942	
5619		Total affiliated (Sum of Lines 38-DE1 through 55DE18)			XXX		XXX		XXX		XXX	
5720		Unaffiliated – in good standing with covenants			XXX		(c)		(c)		(c)	
		Unaffiliated – in good standing defeased with government securities			XXX							
5821		Unaffiliated – in good standing primarily senior			XXX		0.0011		0.0057		0.0074	
5922		Unaffiliated – in good standing all other			XXX		0.0040		0.0114		0.0149	
6023		Unaffiliated – in good standing all other			XXX		0.0069		0.0200		0.0257	
24		Unaffiliated – in good standing – residential mortgages - all other		XXX	XXX		0.0015		0.0034		0.0046	
61245		Unaffiliated – overdue, not in process			XXX		0.0480		0.0868		0.1371	
6256		Unaffiliated – in process of foreclosure			XXX		0.0000		0.1942		0.1942	

63267	Total unaffiliated (Sum of Lines 57-DE20 through 62DE25)			XXX		XXX		XXX		XXX	
64278	Total with mortgage loan characteristics (Sum of Lines 56-DE19 + and 63DE26)			XXX		XXX		XXX		XXX	

ASSET VALUATION RESERVE (Continued)
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
EQUITY AND OTHER INVESTED ASSET COMPONENT

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	Basic Contribution		Reserve Objective		Maximum Reserve	
							5 Factor	6 Amount (Cols. 4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols. 4x9)
SECTION F		INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF COMMON STOCK										
<u>651</u>		Unaffiliated public		XXX	XXX		0.0000		0.1580(a)		0.1580(a)	
<u>662</u>		Unaffiliated private		XXX	XXX		0.0000		0.1945		0.1945	
<u>673</u>		Affiliated life with AVR		XXX	XXX		0.0000		0.0000		0.0000	
<u>684</u>		Affiliated certain other (See SVO Purposes & Procedures Manual)		XXX	XXX		0.0000		0.1580		0.1580	
<u>695</u>		Affiliated other - all other		XXX	XXX		0.0000		0.1945		0.1945	
<u>706</u>		Total with common stock characteristics (Sum of Lines <u>65-F1</u> through <u>65-69</u>)		XXX	XXX		XXX		XXX		XXX	
SECTION G		INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF REAL ESTATE										
<u>71</u>		Home office property (General Account only)					0.0000		0.0912		0.0912	
<u>72</u>		Investment properties					0.0000		0.0912		0.0912	
<u>73</u>		Properties acquired in satisfaction of debt					0.0000		0.1337		0.1337	
<u>74</u>		Total with real estate characteristics (Sum of Lines <u>7G1</u> through <u>7G3</u>)					XXX		XXX		XXX	
SECTION H		INVESTMENTS IN TAX CREDIT STRUCTURES										
<u>751</u>		Yield guaranteed state tax credit investments					0.0003		0.0006		0.0010	
<u>762</u>		Qualifying federal tax credit investments					0.0063		0.0120		0.0190	
<u>773</u>		Qualifying state tax credit investments					0.0063		0.0120		0.0190	
<u>784</u>		Other tax credit investments					0.0273		0.0600		0.0975	
<u>795</u>		Total tax credit investments (Sum of Lines <u>75-H1</u> through <u>78-H4</u>)					XXX		XXX		XXX	
SECTION I		RESIDUAL TRANCHE OR INTERESTS										
<u>801</u>		Bonds – unaffiliated		XXX	XXX		0.0000		0.1580		0.1580	
<u>812</u>		Bonds – affiliated		XXX	XXX		0.0000		0.1580		0.1580	
<u>823</u>		Common stock – unaffiliated		XXX	XXX		0.0000		0.1580		0.1580	
<u>834</u>		Common stock – affiliated		XXX	XXX		0.0000		0.1580		0.1580	
<u>845</u>		Preferred stock – unaffiliated		XXX	XXX		0.0000		0.1580		0.1580	
<u>856</u>		Preferred stock – affiliated		XXX	XXX		0.0000		0.1580		0.1580	
<u>867</u>		Real estate – unaffiliated					0.0000		0.1580		0.1580	
<u>878</u>		Real estate – affiliated					0.0000		0.1580		0.1580	
<u>889</u>		Mortgage loans – unaffiliated		XXX	XXX		0.0000		0.1580		0.1580	
<u>8910</u>		Mortgage loans – affiliated		XXX	XXX		0.0000		0.1580		0.1580	
<u>9011</u>		Other – unaffiliated		XXX	XXX		0.0000		0.1580		0.1580	
<u>9112</u>		Other – affiliated		XXX	XXX		0.0000		0.1580		0.1580	
<u>9213</u>		Total residual tranches or interests (Sum of Lines <u>80-I1</u> through <u>91-I12</u>)					XXX		XXX		XXX	
SECTION J		SURPLUS NOTES AND CAPITAL NOTES										
<u>193</u>	1	Highest quality		XXX	XXX		0.0005		0.0016		0.0033	
<u>294</u>	2	High quality		XXX	XXX		0.0021		0.0064		0.0106	
<u>395</u>	3	Medium quality		XXX	XXX		0.0099		0.0263		0.0376	
<u>496</u>	4	Low quality		XXX	XXX		0.0245		0.0572		0.0817	
<u>597</u>	5	Lower quality		XXX	XXX		0.0630		0.1128		0.1880	
<u>698</u>	6	In or near default		XXX	XXX		0.0000		0.2370		0.2370	
<u>799</u>		Total surplus notes and capital notes (Sum of Lines <u>93-J1</u> through <u>98-J6</u>)		XXX	XXX		XXX		XXX		XXX	

ASSET VALUATION RESERVE (Continued)
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
EQUITY AND OTHER INVESTED ASSET COMPONENT

SECTION K											
COLLATERAL LOANS											
1		Backed by mortgage loans – collateral loans – unaffiliated	XXX	XXX	0.0000	0.0680	0.0680				
2		Backed by mortgage loans – collateral loans – affiliated	XXX	XXX	0.0000	0.0680	0.0680				
3		Backed by joint ventures, partnerships, & limited liability companies – collateral loans – unaffiliated	XXX	XXX	0.0000	0.0680	0.0680				
4		Backed by joint ventures, partnerships, & limited liability companies – collateral loans – affiliated	XXX	XXX	0.0000	0.0680	0.0680				
5		Backed by residual tranches or interests – collateral loans – unaffiliated	XXX	XXX	0.0000	0.0680	0.0680				
6		Backed by residual tranches or interests – collateral loans – affiliated	XXX	XXX	0.0000	0.0680	0.0680				
7		Backed by debt securities – collateral loans – unaffiliated	XXX	XXX	0.0000	0.0680	0.0680				
8		Backed by debt securities – collateral loans – affiliated	XXX	XXX	0.0000	0.0680	0.0680				
9		Backed by real estate – collateral loans – unaffiliated	XXX	XXX	0.0000	0.0680	0.0680				
10		Backed by real estate – collateral loans – affiliated	XXX	XXX	0.0000	0.0680	0.0680				
11		Collateral loans – all other – unaffiliated	XXX	XXX	0.0000	0.0680	0.0680				
12		Collateral loans – all other – affiliated	XXX	XXX	0.0000	0.0680	0.0680				
13		Total collateral loans (Sum of Lines K1 through K12)	XXX	XXX	XXX	XXX	XXX				
SECTION L											
ALL OTHER INVESTMENTS											
1400		NAIC 1 working capital finance investments	XXX		0.0000	0.0042	0.0042				
2401		NAIC 2 working capital finance investments	XXX		0.0000	0.0137	0.0137				
3402		Other invested assets - Schedule BA	XXX		0.0000	0.1580	0.1580				
4403		Other short-term invested assets - Schedule DA	XXX		0.0000	0.1580	0.1580				
5404		Total all other (Sum of Lines 1400 through 4403)	XXX		XXX	XXX	XXX				
6405		Total other invested assets - Schedules BA & DA (Sum of Lines 29, 37, 64, 70, 74, 79, 92, 99 and 104 C8, D8, E27, E28, F6, G4, H5, I13, J7, and K13, and L5)			XXX	XXX	XXX				

- (a) Times the company's weighted average portfolio beta (Minimum .1215, Maximum .2431).
(b) Determined using same factors and breakdowns used for directly owned real estate.
(c) This will be the factor associated with the risk category determined in the company generated worksheet.

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

DATE: <u>1/27/2026</u> CONTACT PERSON: _____ TELEPHONE: _____ EMAIL ADDRESS: _____ ON BEHALF OF: _____ NAME: <u>Kevin Clark</u> TITLE: <u>Chair SAPWG</u> AFFILIATION: <u>Iowa Insurance Division</u> ADDRESS: _____	FOR NAIC USE ONLY Agenda Item # <u>2026-01BWG</u> Year <u>2026</u> Changes to Existing Reporting ☒ [X] New Reporting Requirement ☐ [] REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT No Impact ☒ [X] Modifies Required Disclosure ☐ [] Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? ☐ [No] ***If Yes, complete question below*** DISPOSITION ☐ [] Rejected For Public Comment ☐ [] Referred To Another NAIC Group ☐ [] Received For Public Comment ☒ [X] Adopted Date <u>5/28/2026</u> ☐ [] Rejected Date _____ ☐ [] Deferred Date _____ ☐ [] Other (Specify) _____

BLANK(S) TO WHICH PROPOSAL APPLIES

☒ [X] ANNUAL STATEMENT	☒ [X] INSTRUCTIONS	☐ [] CROSSCHECKS
☐ [] QUARTERLY STATEMENT	☐ [] BLANK	
☒ [X] Life, Accident & Health/Fraternal	☐ [] Separate Accounts	☐ [] Title
☒ [X] Property/Casualty	☐ [] Protected Cell	☐ [] Other _____
☒ [X] Health	☐ [] Health (Life Supplement)	☐ [] Life (Health Supplement)

Anticipated Effective Date: Annual 2026

IDENTIFICATION OF ITEM(S) TO CHANGE

Update Notes to Financials Note 26 – Intercompany Pooling Arrangements to add instructions for modifications to an existing intercompany pooling arrangement that involved the transfer of assets with fair value that differ from statement value.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The purpose of this proposal is to provide clarification to Note 26 for the change adopted in SSAP No. 63—*Underwriting Pools*. (SAPWG Ref #2022-12)

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, PROPERTY, & HEALTH

NOTES TO FINANCIAL STATEMENTS



Note 26 - Intercompany Pooling Arrangements

Disclose information relating to intercompany pooling arrangements. Refer to *SSAP No. 63—Underwriting Pools* for accounting guidance.

Note 26 – Instruction:

If the reporting entity is part of a group of affiliated entities that utilizes a pooling arrangement that affects the solvency and integrity of the reporting entity's reserves under which the pool participants cede substantially all of their direct and assumed business to the pool, describe the basic terms of such arrangement(s) and the related accounting. The disclosure should include:

- A. Identification of the lead entity and of all affiliated entities participating in the intercompany pool (include NAIC Company Codes) and indication of their respective percentage shares of the pooled business.
- B. Description of the lines and types of business subject to the pooling agreement.
- C. Description of cessions to non-affiliated reinsurers of business subject to the pooling agreement, and indication of whether such cessions were prior to or subsequent to the cession of pooled business from the affiliated pool members to the lead entity.
- D. Identification of all pool members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and that have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- E. Explanation of any discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the lead entity and corresponding entries on the assumed and ceded reinsurance schedules of other pool participants.
- F. Description of intercompany sharing, if other than in accordance with the pool participation percentage, and the write-off of uncollectible reinsurance.
- G. Amounts due to/from the lead entity and all affiliated entities participating in the intercompany pool as of the balance sheet date.
- H. [The statement value and fair value of assets received or transferred by the reporting entity for modifications to an existing intercompany pooling arrangement that involved the transfer of assets with fair value that differ from statement value.](#)

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

DATE: <u>2/6/2026</u> CONTACT PERSON: _____ TELEPHONE: _____ EMAIL ADDRESS: _____ ON BEHALF OF: _____ NAME: <u>Kevin Clark</u> TITLE: <u>Chair SAPWG</u> AFFILIATION: <u>Iowa Insurance Division</u> ADDRESS: _____	FOR NAIC USE ONLY Agenda Item # <u>2026-02BWG MOD</u> Year <u>2026</u> Changes to Existing Reporting ☒ [X] New Reporting Requirement ☐ [] REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT No Impact ☒ [X] Modifies Required Disclosure ☐ [] Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? ☐ [No] ***If Yes, complete question below*** DISPOSITION ☐ [] Rejected For Public Comment ☐ [] Referred To Another NAIC Group ☐ [] Received For Public Comment ☒ [X] Adopted Date <u>5/28/2026</u> ☐ [] Rejected Date _____ ☐ [] Deferred Date _____ ☐ [] Other (Specify) _____

BLANK(S) TO WHICH PROPOSAL APPLIES

☒ [X] ANNUAL STATEMENT	☒ [X] INSTRUCTIONS	☒ [X] CROSSCHECKS
☐ [] QUARTERLY STATEMENT	☐ [] BLANK	
-
☒ [X] Life, Accident & Health/Fraternal	☒ [X] Separate Accounts	☒ [X] Title
☒ [X] Property/Casualty	☐ [] Protected Cell	☐ [] Other _____
☒ [X] Health	☐ [] Health (Life Supplement)	☐ [] Life (Health Supplement)

Anticipated Effective Date: Annual 2026

IDENTIFICATION OF ITEM(S) TO CHANGE

Update Notes to Financials Note 11 – Debt to add a crosschecks between Note 11B – FHLB Agreements and General Interrogatory #26. [Update footnote instructions for Life/Fraternal Exhibit 7 and Separate Account Exhibit](#)

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The purpose of this proposal is to provide a crosscheck comparison between Note 11 and General Interrogatories to ensure these two places tie within the annual statement.

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

ANNUAL STATEMENT INSTRUCTIONS –HEALTH & TITLE

NOTES TO FINANCIAL STATEMENTS



Note 11 – Debt

Note 11B – Instruction:

B. For FHLB (Federal Home Loan Bank) agreements, the following information shall be disclosed for the current year and prior year-end. (The information in the disclosures shall be presented gross even if a right to offset per *SSAP No. 64—Offsetting and Netting of Assets and Liabilities* exists.)

(4) Borrowing from FHLB

a. Aggregate amount of borrowings from the FHLB, reflecting compilation of all advances, loans, funding agreements, repurchase agreements, securities lending, etc., outstanding with the FHLB, and classify whether the borrowing is in substance:

- Debt (*SSAP No. 15—Debt and Holding Company Obligations*)
- A funding agreement (*SSAP No. 52—Deposit-Type Contracts*)
- Other
- Aggregate Total

For funding agreements, report the total reserves established [before reinsurance and calculated in accordance with SSAP No. 52.](#)

Note 11B – Illustration:

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE (LINES 2 THROUGH 4) BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.

B. FHLB (Federal Home Loan Bank) Agreements



(2) FHLB Capital Stock

a. Aggregate Totals

	Total
1. Current Year	
(a) Membership Stock – Class A	
(b) Membership Stock – Class B	
(c) Activity Stock	
(d) Excess Stock	
(e) Aggregate Total (a+b+c+d) *	

	Total
(f) Actual or Estimated Borrowing Capacity as Determined by the Insurer	
2. Prior Year-End	
(a) Membership Stock – Class A	
(b) Membership Stock – Class B	
(c) Activity Stock	
(d) Excess Stock	
(e) Aggregate Total (a+b+c+d)	
(f) Actual or Estimated Borrowing Capacity as Determined by the Insurer	
11B(2)a1(f) should be equal to or greater than 11B(4)a1(d)	
11B(2)a2(f) should be equal to or greater than 11B(4)a2(d)	
* 11B(2)a1(e) should be equal to General Interrogatory Part 1, Line 26.27	



- (3) Collateral Pledged to FHLB
- a. Amount Pledged as of Reporting Date

	1 Fair Value	2 Carrying Value	3 Aggregate Total Borrowing
1. Current Year Total Collateral Pledged *			
2. Prior Year-End Total Collateral Pledged			
11B(3)a1 (Column 2) should be equal to or less than 11B(3)b1 (Column 2)			
11B(3)a2 (Column 2) should be equal to or less than 11B(3)b2 (Column 2)			
* 11B(3)a1 (Column 2) should be equal to General Interrogatory Part 1, Line 26.31			



ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL

NOTES TO FINANCIAL STATEMENTS



Note 11 – Debt

Note 11B – Instruction:

B. For FHLB (Federal Home Loan Bank) agreements, the following information shall be disclosed for the general account, separate account, and the total of the general and separate accounts for the current year and prior year-end. (The information in the disclosures shall be presented gross even if a right to offset per SSAP No. 64—*Offsetting and Netting of Assets and Liabilities* exists.)

(4) Borrowing from FHLB

a. Aggregate amount of borrowings from the FHLB, reflecting compilation of all advances, loans, funding agreements, repurchase agreements, securities lending, etc., outstanding with the FHLB, and classify whether the borrowing is in substance:

- Debt (SSAP No. 15—*Debt and Holding Company Obligations*)
- A funding agreement (SSAP No. 52—*Deposit-Type Contracts*)
- Other
- Aggregate Total

For funding agreements, report the total reserves established [before reinsurance and calculated in accordance with SSAP No. 52](#).



Note 11B – Illustration:

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE (LINES 2 THROUGH 4) BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.

B. FHLB (Federal Home Loan Bank) Agreements



(2) FHLB Capital Stock

a. Aggregate Totals

	1 Total 2+3	2 General Account	3 Separate Accounts
1. Current Year			
(a) Membership Stock – Class A			
(b) Membership Stock – Class B			
(c) Activity Stock			
(d) Excess Stock			
(e) Aggregate Total (a+b+c+d) <u>*</u>			
(f) Actual or Estimated Borrowing Capacity as Determined by the Insurer		XXX	XXX
2. Prior Year-end			
(a) Membership Stock – Class A			
(b) Membership Stock – Class B			
(c) Activity Stock			
(d) Excess Stock			
(e) Aggregate Total (a+b+c+d)			
(f) Actual or Estimated Borrowing Capacity as Determined by the Insurer		XXX	XXX
11B(2)a1(f) should be equal to or greater than 11B(4)a1(d)			
11B(2)a2(f) should be equal to or greater than 11B(4)a2(d)			
<u>* 11B(2)a1(e) (Column 2) should be equal to General Interrogatory Part 1, Line 26.27</u>			

Detail Eliminated To Conserve Space

(3) Collateral Pledged to FHLB

a. Amount Pledged as of Reporting Date

	1 Fair Value	2 Carrying Value	3 Aggregate Total Borrowing
1. Current Year Total General and Separate Accounts Total Collateral Pledged (Lines 2+3)			
2. Current Year General Account Total Collateral Pledged <u>*</u>			
3. Current Year Separate Accounts Total Collateral Pledged			
4. Prior Year-end Total General and Separate Accounts Total Collateral Pledged			
11B(3)a1 (Column 2) should be equal to or less than 11B(3)b1 (Column 2)			
11B(3)a2 (Column 2) should be equal to or less than 11B(3)b2 (Column 2)			
11B(3)a3 (Column 2) should be equal to or less than 11B(3)b3 (Column 2)			
11B(3)a4 (Column 2) should be equal to or less than 11B(3)b4 (Column 2)			

* 11B(3)a2 (Column 2) should be equal to General Interrogatory Part 1, Line 26.31

Detail Eliminated To Conserve Space

(4) Borrowing from FHLB

a. Amount as of the Reporting Date

	1 Total 2+3	2 General Account	3 Separate Account	4 Funding Agreements Reserves Established
1. Current Year				
(a) Debt				XXX
(b) Funding Agreements*				
(c) Other				XXX
(d) Aggregate Total (a+b+c)				
2. Prior Year-end				
(a) Debt				XXX
(b) Funding Agreements				
(c) Other				XXX
(d) Aggregate Total (a+b+c)				

~~* 11B(4)a1(b) (Column 2) should be equal to Exhibit 7 Footnote (a), Line 6~~

Detail Eliminated To Conserve Space

EXHIBIT 7 – DEPOSIT-TYPE CONTRACTS

This exhibit is intended to capture information about the activity, before and after any reinsurance, for deposit-type contracts. Include supplementary contracts without life contingencies, annuities certain, income settlement options, premium, and deposit funds, and other contracts as defined in *SSAP No. 52—Deposit-Type Contracts*.

↓
===== **Detail Eliminated To Conserve Space** =====
↑

Footnote (a): Amounts reported shall reflect the liability established for FHLB funding agreements reported in the General Account – (captured as part of Line 3 on the Liability page). Amount reported shall also be captured in Note 11B(4)a1(b) (Column 4). The total amount reported in the 11B Note shall agree to the amount reported for FHLB funding agreements reported as deposit-type contracts in both the General and Separate Account.

ANNUAL STATEMENT INSTRUCTIONS – SEPARATE ACCOUNT

EXHIBIT 4 – DEPOSIT-TYPE CONTRACTS

This exhibit is intended to capture information about the activity for deposit-type contracts as defined in *SSAP No. 52—Deposit-Type Contracts*.

✂ **Detail Eliminated To Conserve Space** ✂

Footnote (a): Amounts reported shall reflect the liability established for FHLB funding agreements reported in the *Separate Account* – (captured as part of Line 2 on the *Liability page*). Amount reported shall also be captured in *General Account Note 11B(4)a1(b)* (Column 4). The total amount reported in the 11B Note shall agree to the amount reported for FHLB funding agreements reported as deposit-type contracts in both the *General and Separate Account*.

ANNUAL STATEMENT INSTRUCTIONS – PROPERTY/CASUALTY

NOTES TO FINANCIAL STATEMENTS



Note 11 – Debt

Note 11B – Instruction:

B. For FHLB (Federal Home Loan Bank) agreements, the following information shall be disclosed for the general account, protected cell account, and the total of the general and protected cell accounts for the current year and prior year-end. (The information in the disclosures shall be presented gross even if a right to offset per *SSAP No. 64—Offsetting and Netting of Assets and Liabilities* exists.)

(4) Borrowing from FHLB

a. Aggregate amount of borrowings from the FHLB, reflecting compilation of all advances, loans, funding agreements, repurchase agreements, securities lending, etc., outstanding with the FHLB, and classify whether the borrowing is in substance:

- Debt (*SSAP No. 15—Debt and Holding Company Obligations*)
- A funding agreement (*SSAP No. 52—Deposit-Type Contracts*)
- Other
- Aggregate Total

For funding agreements, report the total reserves established before reinsurance and calculated in accordance with SSAP No. 52.

Note 11B – Illustration:

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE (LINES 2 THROUGH 4) BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.

B. FHLB (Federal Home Loan Bank) Agreements



(2) FHLB Capital Stock

a. Aggregate Totals

	1 Total 2+3	2 General Account	3 Protected Cell Accounts
1. Current Year			
(a) Membership Stock – Class A			
(b) Membership Stock – Class B			
(c) Activity Stock			
(d) Excess Stock			
(e) Aggregate Total (a+b+c+d) *			
(f) Actual or Estimated Borrowing Capacity as Determined by the Insurer		XXX	XXX
2. Prior Year-end			
(a) Membership Stock – Class A			
(b) Membership Stock – Class B			
(c) Activity Stock			
(d) Excess Stock			
(e) Aggregate Total (a+b+c+d)			
(f) Actual or Estimated Borrowing Capacity as Determined by the Insurer		XXX	XXX

11B(2)a1(f) should be equal to or greater than 11B(4)a1(d)

11B(2)a2(f) should be equal to or greater than 11B(4)a2(d)

[* 11B\(2\)a1\(e\) \(Column 2\) should be equal to General Interrogatory Part 1, Line 26.27](#)



(3) Collateral Pledged to FHLB

a. Amount Pledged as of Reporting Date

1	2	3
Fair Value	Carrying Value	Aggregate Total Borrowing

1.	Current Year Total General and Protected Cell Accounts Total Collateral Pledged (Lines 2+3)	.....	.....	.....
2.	Current Year General Account Total Collateral Pledged *	.....	.....	.....
3.	Current Year Protected Cell Accounts Total Collateral Pledged	.....	.....	.....
4.	Prior Year-end Total General and Protected Cell Accounts Total Collateral Pledged	.....	.....	.....

11B(3)a1 (Column 2) should be equal to or less than 11B(3)b1 (Column 2)

11B(3)a2 (Column 2) should be equal to or less than 11B(3)b2 (Column 2)

11B(3)a3 (Column 2) should be equal to or less than 11B(3)b3 (Column 2)

11B(3)a4 (Column 2) should be equal to or less than 11B(3)b4 (Column 2)

[* 11B\(3\)a2 \(Column 2\) should be equal to General Interrogatory Part 1, Line 26.31](#)

ANNUAL STATEMENT BLANKS – SEPARATE ACCOUNT

EXHIBIT 4 – DEPOSIT-TYPE CONTRACTS

	1	2	3	4	5	6
	Total	Guaranteed Interest Contracts	Annuities Certain	Supplemental Contracts	Dividend Accumulations or Refunds	Premium and Other Deposit Funds
1. Balance at the beginning of the year.....						
2. Deposits received during the year.....						
3. Investment earnings credited to account						
4. Other net change in reserves						
5. Fees and other charges assessed						
6. Surrender charges						
7. Net surrender or withdrawal payments						
8. Other net transfer to or (from) general account						
9. Balance at the end of current year (Lines 1+2+3+4-5-6-7-8)(a)						

(a) FHLB funding agreements:

1. Reported as GICs (captured in column 2).....	\$
2. Reported as annuities certain (captured in column 3)	\$
3. Reported as supplemental contracts (captured in column 4)	\$
4. Reported as dividend accumulations or refunds (captured in column 5)	\$
5. Reported as premium or other deposit funds (captured in column 6)	\$
6. Total reported as deposit-type contracts (captured in column 1): (Sum of Lines 1 through 5)	\$

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

DATE: <u>2/6/2026</u> CONTACT PERSON: <u>Amy Fitzpatrick</u> TELEPHONE: <u>816-783-8837</u> EMAIL ADDRESS: <u>afitzpatrick@naic.org</u> ON BEHALF OF: <u>Life Actuarial (A) Task Force</u> NAME: <u>Rachel Hemphill, Chair</u> TITLE: <u>Life Chief Actuary</u> AFFILIATION: <u>Texas Department of Insurance</u> ADDRESS: <u>P.O. Box 12030</u> <u>Austin, TX 78711-2030</u>	FOR NAIC USE ONLY Agenda Item # <u>2026-03BWG MOD</u> Year <u>2026</u> Changes to Existing Reporting ☐ [X] New Reporting Requirement ☐ [] REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT No Impact ☐ [X] Modifies Required Disclosure ☐ [] Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? ☐ [No] ***If Yes, complete question below*** DISPOSITION ☐ [] Rejected For Public Comment ☐ [] Referred To Another NAIC Group ☐ [] Received For Public Comment ☒ [X] Adopted Date <u>5/28/2026</u> ☐ [] Rejected Date _____ ☐ [] Deferred Date _____ ☐ [] Other (Specify) _____

BLANK(S) TO WHICH PROPOSAL APPLIES

☒ [X] ANNUAL STATEMENT	☒ [X] INSTRUCTIONS	☒ [X] CROSSCHECKS
☒ [X] QUARTERLY STATEMENT	☒ [X] BLANK	
☒ [X] Life, Accident & Health/Fraternal	☒ [X] Separate Accounts	☒ [X] Title
☒ [X] Property/Casualty	☐ [] Protected Cell	☐ [] Other _____
☒ [X] Health	☒ [X] Health (Life Supplement)	☐ [] Life (Health Supplement)

Anticipated Effective Date: Annual 2026 / Quarterly 2027

IDENTIFICATION OF ITEM(S) TO CHANGE

Update the Life/Fraternal Annual and Quarterly Blanks and Instructions (Exhibit 5, General Interrogatory lines 27.6 and 27.7, Supplemental Exhibits and Schedules, Variable Annuities Supplement) to clarify how companies should report valuation standards for VM-22 business. Add an annual supplement for VM-22 Reserve reporting.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

These changes allow regulators to review and analyze data regarding variable and non-variable annuities. The changes related to the implementation of VM-22, Requirements for principle-based reserves (PBR) for non-variable annuities will help regulators analyze the effectiveness of the framework and monitor the business written under the framework. Changes to the variable annuities supplement were made to enhance analysis as well as align with existing VM-20 Reserves Supplement and the new VM-22 Reserves Supplement.

Exhibit 5 clarifies how companies should report valuation standards for VM-22 business. An edit to the mortality tables section was identified during the VM-22 updates. The edit aligns the valuation tables listed in the Life Instructions with those identified in the Valuation Manual.

IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments: General Interrogatory line 27 is uniform for all statement types but the change only applies to Life/Fraternal.

** This section must be completed on all forms.

Revised 11/17/2022

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL

EXHIBIT 5 – AGGREGATE RESERVES FOR LIFE CONTRACTS



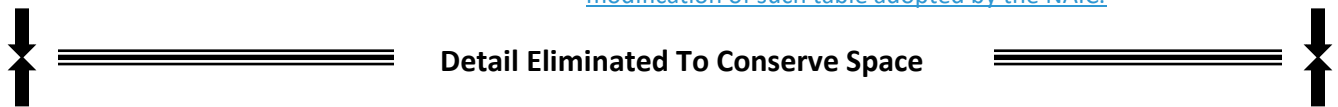
Column 1 – Valuation Standard

State table of mortality, disability, etc. rate of interest; distinguish between: (1) net level premium, and (2) preliminary term, modified preliminary term and select and ultimate standards. Valuation assumptions for mortality, morbidity, and other contingencies, interest, and the valuation method should be indicated by years of issue. For annuities, indicate whether immediate, deferred, or both.

In describing the valuation assumptions and valuation methods, abbreviate as follows:

Mortality and Morbidity

AE American Experience Table.
AM (5) American Men (Ultimate) Table.
41 CSO Commissioners 1941 Standard Ordinary Table.
41 STD IND 1941 Standard Industrial Table.
41 STD INT 1941 Standard Intermediate Table.
58 CSO Commissioners 1958 Standard Ordinary Table.
58 CET Commissioners 1958 Extended Term Table.
60 CSG Commissioners 1960 Standard Group Table.
61 CSI.....Commissioners 1961 Standard Industrial Table.
80 CSO Commissioners 1980 Standard Ordinary Table or any modification of
such table adopted by the NAIC.
80 CET Commissioners 1980 Extended Term Table or any modification of such
table adopted by the NAIC.
2001 CSO.....Commissioners 2001 Standard Ordinary Table or any modification of
such table adopted by the NAIC.
2017 CSO.....Commissioners 2017 Standard Ordinary Table or any modification of
such table adopted by the NAIC.
[2017 CSGI.....Commissioners 2017 Standard Guaranteed Issue Table or any
modification of such table adopted by the NAIC.](#)



Valuation Method

NLP Net Level Premium Reserve Method.
CRVM Commissioners Reserve Valuations Method.

NJ.....	NJ Modified Reserve Method.
ILL	Illinois Modified Reserve Method.
CARVM	Commissioners Annuity Reserve Valuation Method.
MOD	Other Modified Reserve Method (e.g., CRVM graded into Net Level).
VM-20NPR.....	Net Premium Reserve Component of VM-20 Reserve.
VM-20DET/STO	Deterministic/Stochastic Reserve Component of VM-20 Reserve (Excess over Net Premium Reserve).
VM- ~~22~~ <u>V</u>	Any CARVM Reserve Calculated Using Valuation Interest Rates Defined in Section VM- ~~22~~ <u>V</u> of the <i>Valuation Manual</i> .
<u>VM-22CSV</u>	<u>Cash surrender component of VM-22 reserve.</u>
<u>VM-22DET/STO</u>	<u>Deterministic/Stochastic Reserve Component Using Section VM-22 of the <i>Valuation Manual</i>. (Reported reserve excess over CSV. If there is no CSV, report the full reported reserve.</u>



Detail Eliminated To Conserve Space



Annuities

For any annuity contracts valued using valuation interest rates defined in Section VM-~~22~~V of the *Valuation Manual*, include the reserve for Jumbo and Non-Jumbo contracts on separate lines in 50 basis point valuation interest rate intervals.

For example, typical entries in Exhibit 5 might be:

1. 2012 IAR VM-~~22~~V Jumbo 2% - 2.49%..... 2018 – 20XX
2. 2012 IAR VM-~~22~~V Jumbo 2.5% - 2.99%..... 2018 – 20XX
3. 2012 IAR VM-~~22~~V Non-Jumbo 2% - 2.49%..... 2018 – 20XX
4. 2012 IAR VM-~~22~~V Non-Jumbo 2.5% - 2.99%..... 2018 – 20XX

~~VARIABLE ANNUITIES SUPPLEMENT~~ VM-21 RESERVES SUPPLEMENT
PARTS 1, ~~AND 2~~, and 3

This supplement is to be filed on or before April 1.

Complete this supplement for contracts and certificates subject to [Section VM-21 of the Valuation Manual \(VM-21\)](#) or AG 43. [Part 1 and Part 2 provide information on the benefit base, account value, and reserve by type of guaranteed benefit. A separate chart](#) [Part 1](#) shall be prepared for individual contracts and [Part 2](#) for group contracts with individual certificates. [Part 3A and Part 3B of this supplement provides information on the reserves required to be calculated by VM-21 or AG 43. Part 3A and Part 3B are intended to aid regulators in the analysis of reserves broken down into various benefit categories for both the prior and current year.](#)

VM-21 RESERVES SUPPLEMENT – PARTS 1 AND 2

Column 1 &
Column 2 – Type of Guaranteed Benefit

For purposes of this supplement, a Guaranteed Death Benefit is defined in accordance with the term “Guaranteed Minimum Death Benefit” in VM-21, and a Guaranteed Living Benefit (GLB) is defined in accordance with the term “Variable Annuity Guaranteed Living Benefits” in VM-01.



Detail Eliminated To Conserve Space



VM-21 RESERVES SUPPLEMENT - PART 3A

Variable Annuity Reserves Valued According to VM-21 or AG 43 by Product Type

[Part 3A of this Supplement breaks out, by product type, the prior year and current year reported reserves on a Post-Reinsurance-Ceded basis as defined in Section 3 of VM-21 and a Pre-Reinsurance-Ceded basis as defined in Section 5.](#)

[Section 3 of VM-21 requires that the Post-Reinsurance-Ceded Reserve be determined in aggregate. Each of the products reported in the lines should be determined as the sum of the policy reserves using the policy reserves determined following the allocation process of VM-21 Section 13. A similar process should be used for each of the Pre-Reinsurance-Ceded Reserves.](#)

Columns 1 & 2 – Reported Reserves in Excess of Cash Surrender Value (CSV)

[Provide the reported reserve in excess of the CSV, for the prior year and current year for each line item. Post-Reinsurance-Ceded Reserve is net of reinsurance ceded. Pre-Reinsurance-Ceded Reserve should be prior to any reinsurance ceded and include reinsurance assumed. Sections 3 and 5 in VM-21 further describe the required reserve and treatment of reinsurance. The reported reserve for the current year should reflect all contracts in force as of the end of the current year. The reported reserve for the prior year should reflect all contracts in force as of the end of the prior year.](#)

[For purposes of this supplement, a Guaranteed Living Benefit \(GLB\) is defined in VM-01.](#)

[Each contract/certificate shall be included in one and only one line for each pre-reinsurance-ceded and post-reinsurance ceded.](#)

[For purposes of this supplement, Variable Annuities \(VAs\) Without Guaranteed Living Benefits includes VAs Without Living or Death Benefits, as well as VAs with Death Benefits only.](#)

For purposes of this supplement, the accumulation phase is the period during which the contract owner or certificate holder deposits purchase payments into the deferred annuity. This phase ends when the benefit base is locked in at the start of the withdrawal phase. The withdrawal phase is the period during which the contract owner or certificate holder locks in the benefit base and withdraws income from the deferred annuity.

VM-21 RESERVES SUPPLEMENT – PART 3B

Variable Annuity Reserves Valued According to VM-21 or AG 43 by Product Type

Part 3B of this Supplement provides details underlying the Current Year amounts shown in Part 3A.

Section A: Columns 1 through 6 are to be completed for all VM-21 reserves not determined using the Alternative Reserve Methodology described in Section 7 of VM-21.

Section B: Columns 7 through 9 are to be completed if the reserves in Column 8 (Alternative Methodology Reserves) are calculated according to Section 7 of VM-21.

Where the amounts to be reported are calculated on an aggregate basis (i.e., CTE70 (adjusted), CTE70 (best efforts) and the Additional Standard Projection Amount), use the methodology described in section 13 of VM-21 to allocate amounts to the product categories. The choice of reasonable risk metric for allocation may, but is not required to, vary between the columns. For example, if a company has a block of GMWBs and a block with simple GMDB only and they have a CDHS, an allocation based on reasonable risk metrics may allocate more of the CTE70 (adjusted) to the GMWB block, compared to CTE70 (best efforts).

Columns 1 & 7 – Cash Surrender Value

Report the Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded Cash Surrender Value for each product type. The CSV is defined in VM-01 of the *Valuation Manual*.

Column 2 – CTE70 (adjusted)

Report the unfloored Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded CTE70 scenario reserves by product type using the required VM-21 “adjusted” methodology as described in VM-21 Section 4. Report the amount in excess of cash surrender value whether it is positive or negative; do not floor the amount at zero if it is negative.

Column 3 – CTE70 (best efforts)

Report the unfloored Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded CTE70 scenario reserves by product type using the required VM-21 “best efforts” methodology as described in VM-21 Section 4. Report the amount in excess of cash surrender value whether it is positive or negative; do not floor the amount at zero if it is negative.

Column 4 – Additional Standard Projection Amount

Report the Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded Additional Standard Projection Amount for each product type. Report the amount whether it is positive or negative; do not floor the amount at zero if it is negative. The Additional Standard Projection Amount is defined in Section 6 of VM-21.

Column 5 – Stochastic Reserve

Report the Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded Stochastic Reserve for each product type. Report the amount in excess of cash surrender value whether it is positive or negative; do not floor the amount at zero if it is negative. The Stochastic Reserve calculation is defined in Section 4 of VM-21.

Columns 6 & 9 – Number of Contracts

Report the number of individual contracts and certificates in a group contract by product type and by the required VM-21 methodology as described in Section A and Section B above. The number of individual contracts and certificates in a group contract should be prior to any reinsurance ceded and include reinsurance assumed.

Column 8 – Alternative Method Reserve

Report the Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded Alternative Method Reserve for each product type. Report the amount whether it is positive or negative; do not floor the amount at zero if it is negative. The Alternative Method Reserve calculation is defined in Section 7 of VM-21.

VM-22 RESERVES SUPPLEMENT

This supplement is to be filed on or before March 1.

Non-Variable Annuity Reserves Valued According to VM-22 by Product Type

This Supplement provides information on the reserves required to be calculated by Section VM-22 of the *Valuation Manual*. This includes the Stochastic Reserve, Deterministic Reserve and reserve calculated as required under VM-A, VM-C, and VM-V, as applicable. Only business issued on or after Jan. 1, 2026, valued by the requirements of VM-22 should be reported in Part 1A and Part 1B. Part 1A and Part 1B are intended to aid regulators in the analysis of reserves as determined under Section VM-22 of the *Valuation Manual* for both the prior and current year.

This Supplement also provides information regarding business where VM-22 of the *Valuation Manual* is not required to be applied. Companies exempted from the requirements of Section VM-22 are not required to complete Part 1A or Part 1B of this Supplement but must complete Part 2 or Part 3 as applicable.

VM-22 RESERVES SUPPLEMENT – PART 1A

Non-Variable Annuity Reserves Valued According to VM-22 by Product Type

Only business issued on or after Jan. 1, 2026, valued by the requirements of VM-22 should be reported in Part 1A.

Part 1A of this Supplement breaks out, by product type, the prior year and current year reported reserves on a Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded basis as defined in Section 5 of Section VM-22 of the *Valuation Manual*.

Section VM-22 of the *Valuation Manual* requires that the Post-Reinsurance-Ceded Reserve be determined by the VM-22 Reserving Categories as defined in VM-22 Section 3. The groupings provided in the rows of this supplement are different than the groupings permitted for aggregation purposes under VM-22 requirements. Longevity reinsurance contracts should be reported in line 1.6. Each of the other products reported in the remaining lines should be determined as the sum of the policy reserves using the policy reserves determined following the allocation process of VM-22 Section 3. A similar process should be used for each of the pre-reinsurance-ceded reserves.

Columns 1 & 2 – Reported Reserves in Excess of Cash Surrender Value (CSV)

Provide the reported reserve in excess of the CSV, for the prior year and current year for each line item. Post-Reinsurance-Ceded is net of reinsurance ceded. Pre-Reinsurance-Ceded should be prior to any reinsurance ceded and include reinsurance assumed. Sections 3 and 5 in the *Valuation Manual* further describe the required reserve and treatment of reinsurance. The reported reserve for the current year should reflect all contracts in force as of the end of the current year. The reported reserve for the prior year should reflect all contracts in force as of the end of the prior year.

For purposes of this supplement, a Guaranteed Living Benefit (GLB) is defined in VM-01.

Each contract/certificate shall be included in one and only one line for each pre-reinsurance-ceded and post-reinsurance ceded.

Lines 1.3 and 3.3 – Individual Immediate and Deferred Income Annuities and Annuitizations

Include: Individual Single Premium Immediate Annuity contracts; Deferred Income Annuity contracts as defined in VM-01.

Fixed income payment streams resulting from the exercise of settlement options or base annuitizations (i.e., not as a result of exercising attached guaranteed living benefits) of host contracts issued.

Fixed income payment streams resulting from exercising guaranteed minimum income or withdrawal benefits upon the depletion of fund value for such contracts.

These lines may contain reserves from both the payout and accumulation reserve categories.

Lines 1.4 and 3.4 – Structured Settlements

Include: Structured Settlement Contracts in payout or deferred status.

Lines 1.5 and 3.5 – Pension Risk Transfer and Group Payout Annuities and Annuitizations

Include: Annuitizations under group annuity-type contracts. These lines may contain reserves from both the payout and accumulation reserve categories.

Lines 1.6 and 3.6 – Longevity Reinsurance

Include: These lines contain reserves from only the longevity reinsurance category.

Example 1:

A company has a block of individual fixed deferred annuity (FDA) contracts with guaranteed minimum withdrawal benefits and a block of individual single premium immediate annuity (SPIA) contracts.

- The company reports their reserves for the FDA contracts that have guaranteed withdrawal benefits and have either not elected to exercise them or have elected to exercise them with a positive fund value in lines 1.7 and 3.7.
- The company reports their reserves for the SPIA contracts in lines 1.3 and 3.3.
- FDA contracts with guaranteed withdrawal benefits where the fund value is zero should be reported in lines 1.3 and 3.3.

VM-22 RESERVES SUPPLEMENT – PART 1B

Non-Variable Annuity Reserves Valued According to VM-22 by Product Type

Part 1B of this Supplement provides details underlying the amounts shown in Part 1A.

Section A: Columns 1 through 7 are to be completed if the reserves in Column 6 (SR) are calculated according to the stochastic reserve requirements of Section VM-22 of the *Valuation Manual*.

Section B: Columns 8 through 13 are to be completed if the reserves in Column 12 (DR) are calculated according to the deterministic reserve requirements of Section VM-22 of the *Valuation Manual*.

Section C: Columns 14 through 16 are to be completed only if the reserves in Column 15 (VM-A, VM-C, and VM-V Reserve) are calculated according to the requirements of Section VM-22 of the *Valuation Manual*.

Column 1 – Pre-Tax Interest Maintenance Reserve (PIMR)

Report the Pre-Tax Interest Maintenance Reserve for each product type.

Column 2, 10 & 16 – Cash Surrender Value

Report the Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded Cash Surrender Value for each product type. The CSV is defined in VM-01 of the *Valuation Manual*.

Column 3 & 11 – Prescribed Projection Amount

Report the Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded Prescribed Projection Amount by product type using the required VM-22 methodology as described in VM-22 Section 6.

Column 4 – CTE70 (adjusted)

Report the unfloored Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded CTE70 scenario reserves by product type using the required VM-22 “adjusted” methodology as described in VM-22 Section 4. Report the amount in excess of cash surrender value whether it is positive or negative; do not floor the amount at zero if it is negative.

Column 5 – CTE70 (best efforts)

Report the unfloored Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded CTE70 scenario reserves by product type using the required VM-22 “best efforts” methodology as described in VM-22 Section 4. Report the amount in excess of cash surrender value whether it is positive or negative; do not floor the amount at zero if it is negative.

Column 6 – Buffer Amount

Report the Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded buffer amount for each product type. The Buffer Amount is equal to the unfloored CTE70 (adjusted) minus unfloored CTE65 (adjusted) as defined in Section 6 in VM-22 of the *Valuation Manual*. Report the amount whether it is positive or negative; do not floor the amount at zero if it is negative.

Columns 7 & 13 – Additional Standard Projection Amount (ASPA)

Report the Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded Additional Standard Projection Amount for each product type. Report the amount whether it is positive or negative; do not floor the amount at zero if it is negative. The Additional Standard Projection Amount is defined in Section 6 in VM-22 of the *Valuation Manual*. If the company did not calculate an ASPA pursuant to VM-22 requirements, then these lines may be left blank.

Column 8 – Stochastic Reserve

Report the Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded Stochastic Reserve for each product type. Report the amount whether it is positive or negative; do not floor the amount at zero if it is negative. The Stochastic Reserve calculation is defined in Section 4 in VM-22 of the *Valuation Manual*.

Columns 9, 15 & 18 – Number of Contracts

Report the number of individual contracts or certificates in a group contract by product type and by the required VM-22 methodology as described in Section A, Section B and Section C above. The number of individual contracts or certificates in a group contract should be prior to any reinsurance ceded and include reinsurance assumed.

Column 12 – Buffer Amount

Report the Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded buffer amount for each product type. The Buffer Amount is equal to the unfloored DR minus unfloored scenario reserve calibrated to CTE65 as defined in Section 6 in VM-22 of the *Valuation Manual*. Report the amount whether it is positive or negative; do not floor the amount at zero if it is negative.

Column 14 – Deterministic Reserve

Report the Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded Deterministic Reserve for each product type. Report the amount whether it is positive or negative; do not floor the amount at zero if it is negative. The Deterministic Reserve calculation is defined in Section 4 in VM-22 of the *Valuation Manual*. Equal to the Unfloored CTE70 (adjusted) minus Unfloored CTE65 (adjusted).

Column 17 – VM-A, VM-C, and VM-V Reserve

Report the Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded reserve for each product type. Report the amount whether it is positive or negative; do not floor the amount at zero if it is negative. The reserve calculations are defined in VM-A, VM-C, and VM-V in VM-22 of the *Valuation Manual*.

Example:

A company has Accumulation and Payout business subject to VM-22. The company used the Single Scenario Test for their small block of simple payout contracts. Most of the Accumulation products did not pass the SET. The remaining Accumulation contracts consist of deferred annuities without guaranteed living benefits and these passed the SERT.

- The company completes Section A for contracts the company did not pass or elect to use the SST or SET.
- The unfloored CTE70 (adjusted) minus unfloored CTE65 (adjusted) is reported in Column 6.
- The company completes Section B for contracts that pass the SST.

- The unfloored DR minus unfloored scenario reserve calibrated to CTE65 is reported in Column 12.
- The company completes Section C for contracts that pass the SET.
- The reserves calculated in accordance with VM-A, VM-C, and VM-V are reported in Column 17.

VM-22 RESERVES SUPPLEMENT – PART 2

Non-Variable Annuity PBR Exemption

This section of the Supplement should be completed by a company that was allowed a Non-Variable Annuity PBR Exemption by its state of domicile. Depending on state requirements, “allowed” may mean “granted”, “acknowledged”, “not rejected”, or similar language.

If a company was allowed a Non-Variable Annuity PBR Exemption by its state of domicile, the company must indicate the source of the Non-Variable Annuity PBR Exemption, which could be defined in a state statute, a state regulation or in the NAIC-adopted *Valuation Manual*. If the source of the Non-Variable Annuity PBR Exemption is not the NAIC-adopted *Valuation Manual*, the company must disclose the criteria of the state’s Non-Variable Annuity PBR Exemption that the company has met, and the company must disclose the minimum reserve requirements that are required by the state of domicile. If the minimum reserve requirements of the state of domicile are the same as those specified in the NAIC-adopted *Valuation Manual*, the company may indicate: “Same as NAIC VM”. If the criteria for the Non-Variable Annuity PBR Exemption is the same as or substantially similar to the NAIC-adopted *Valuation Manual*, the company must also disclose the calendar year that the Non-Variable Annuity PBR Exemption was filed with and allowed by its state of domicile. If that calendar year is prior to the year of the annual statement, then the company must confirm that they meet the criteria for an ongoing exemption.

Companies whose non-variable annuity business is exempted from the requirements of VM-22 pursuant to a Non-Variable Annuity PBR Exemption are not required to complete Part 1 of this VM-22 Supplement.

VM-22 RESERVES SUPPLEMENT – PART 3

Other Exclusions from Non-Variable Annuity PBR

Questions 1 and 2 of this section of the Supplement should be completed by a company that has filed and been granted a Single State Exemption from the reserve requirements of VM-22 by its state of domicile pursuant to requirements similar to the optional Section 15 of the NAIC *Standard Valuation Law* (# 820). The response to question 2 should be “Yes” if the company has any business assumed that relates to issues outside the state of domicile.

Question 3 of this section of the Supplement should be completed by a company if all its non-variable annuity business is excluded from the requirements of VM-22 pursuant to Section II Subsection 2 of the *Valuation Manual*.

Companies responding “Yes” to question 1 are not required to complete Part 1 of this VM-22 Supplement if all of their non-variable annuity business was covered under the Single State Exemption.

Companies responding “Yes” to question 3 are not required to complete Part 1 of this VM-22 Supplement.

ANNUAL STATEMENT BLANKS – LIFE/FRATERNAL, HEALTH, PROPERTY, & TITLE

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

INVESTMENT

Detail Eliminated To Conserve Space

- 27.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes ☐ No ☐
- 27.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes ☐ No ☐ N/A ☐
If no, attach a description with this statement.
- LINES 27.3 through ~~27.5~~27.7: FOR LIFE/FRATERNAL REPORTING ENTITIES ONLY:
- 27.3 Does the reporting entity utilize derivatives to hedge variable annuity guarantees subject to fluctuations as a result of interest rate sensitivity? Yes ☐ No ☐
- 27.4 If the response to 27.3 is yes, does the reporting entity utilize:
- 27.41 Special accounting provision of SSAP No. 108 Yes ☐ No ☐
- 27.42 Permitted accounting practice Yes ☐ No ☐
- 27.43 Other accounting guidance Yes ☐ No ☐
- 27.5 By responding yes to 27.41 regarding utilizing the special accounting provisions of SSAP No. 108, the reporting entity attests to the following:
- The reporting entity has obtained explicit approval from the domiciliary state.
 - Hedging strategy subject to the special accounting provisions is consistent with the requirements of VM 21.
 - Actuarial certification has been obtained which indicates that the hedging strategy is incorporated within the establishment of VM 21 reserves and provides the impact of the hedging strategy within the Actuarial Guideline Conditional Tail Expectation Amount.
 - Financial Officer Certification has been obtained which indicates that the hedging strategy meets the definition of a Clearly Defined Hedging Strategy within VM 21 and that the Clearly Defined Hedging Strategy is the hedging strategy being used by the company in its actual day-to-day risk mitigation efforts.
- 27.6 [Does the reporting entity utilize derivatives to hedge non-variable annuity guarantees subject to fluctuations as a result of interest rate sensitivity?](#) Yes ☐ No ☐
- 27.7 [If the response to 27.6 is yes, does the reporting entity utilize:](#)
- 27.71 [Permitted accounting practice](#) Yes ☐ No ☐
- 27.72 [Other accounting guidance](#) Yes ☐ No ☐

Detail Eliminated To Conserve Space

ANNUAL STATEMENT BLANKS – LIFE/FRATERNAL

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

Detail Eliminated To Conserve Space

34. Will the VM-20 Reserves Supplement be filed with the state of domicile and the NAIC by March 1?

35. [Will the VM-22 Reserves Supplement be filed with the state of domicile and the NAIC by March 1?](#)

3536. Will the Health Supplement be filed with the state of domicile and the NAIC by March 1?

3637. Will the Market Conduct Annual Statement (MCAS) Premium Exhibit for Year be filed with appropriate jurisdictions and with the NAIC by March 1?

APRIL FILING

3738. Will the confidential Regulatory Asset Adequacy Issues Summary (RAAIS) required by the Valuation Manual be filed with the state of domicile by April 1?

3839. Will the Long-Term Care Experience Reporting Forms be filed with the state of domicile and the NAIC by April 1?

3940. Will the Credit Insurance Experience Exhibit be filed with the state of domicile and the NAIC by April 1? (Not applicable to fraternal benefit societies)

4041. Will the Accident and Health Policy Experience Exhibit be filed by April 1?

4142. Will the Supplemental Health Care Exhibit (Parts 1 and 2) be filed with the state of domicile and the NAIC by April 1?

4243. Will the confidential Actuarial Memorandum required by Actuarial Guideline XXXVIII 8D be filed with the state of domicile by April 30?

4344. Will the Supplemental Term and Universal Life Insurance Reinsurance Exhibit be filed with the state of domicile and the NAIC by April 1?

4445. Will the ~~Variable-Annuities~~VM-21 Reserves Supplement be filed with the state of domicile and the NAIC by April 1?

4546. Will the confidential Executive Summary of the PBR Actuarial Report be filed with the state of domicile by April 1?

4647. Will the confidential Life Summary of the PBR Actuarial Report be filed with the state of domicile by April 1?

4748. Will the confidential ~~Variable~~-Annuities Summary of the PBR Actuarial Report be filed with the state of domicile by April 1?

AUGUST FILING

4849. Will Management's Report of Internal Control Over Financial Reporting be filed with the state of domicile by August 1?

NAIC Group Code _____

PART 1 – INDIVIDUAL

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[illegible]

VM-21 RESERVES SUPPLEMENT

PART 3A – RESERVES ON A POST-REINSURANCE CEDED BASIS AS DEFINED IN SECTION 3 OF VM-21 AND A PRE-REINSURANCE CEDED BASIS AS DEFINED IN SECTION 5

	<u>Prior Year</u>	<u>Current Year</u>
	<u>1</u>	<u>2</u>
	<u>Reported Reserve in Excess of Cash Surrender Value</u>	<u>Reported Reserve in Excess of Cash Surrender Value</u>
<u>1. Post-Reinsurance-Ceded Reserve</u>		
<u>1.1 Variable Annuities</u>		
<u>a. Without Guaranteed Living Benefits</u>	<u>.....</u>	<u>.....</u>
<u>b. With Guaranteed Minimum Accumulation Benefits</u>	<u>.....</u>	<u>.....</u>
<u>c. With Guaranteed Minimum Withdrawal, or Income, Benefits – Accumulation Phase</u>	<u>.....</u>	<u>.....</u>
<u>d. With Guaranteed Minimum Withdrawal, or Income, Benefits – Withdrawal Phase</u>	<u>.....</u>	<u>.....</u>
<u>1.2 Index-Linked Variable Annuities</u>		
<u>a. Without Guaranteed Living Benefits</u>	<u>.....</u>	<u>.....</u>
<u>b. With Guaranteed Minimum Withdrawal, or Income, Benefits – Accumulation Phase</u>	<u>.....</u>	<u>.....</u>
<u>c. With Guaranteed Minimum Withdrawal, or Income, Benefits – Withdrawal Phase</u>	<u>.....</u>	<u>.....</u>
<u>1.3 Immediate Variable Annuities</u>		
<u>a. With a Guaranteed Annuity Payout Floor</u>	<u>.....</u>	<u>.....</u>
<u>1.4 Aggregate Write-Ins for Other Products.....</u>	<u>.....</u>	<u>.....</u>
<u>2. Total Post-Reinsurance-Ceded Reserve (Sum of Lines 1.1 through 1.4)</u>		
<u>3. Pre-Reinsurance-Ceded Reserve</u>		
<u>3.1 Variable Annuities</u>		
<u>a. Without Guaranteed Living Benefits</u>	<u>.....</u>	<u>.....</u>
<u>b. With Guaranteed Minimum Accumulation Benefits</u>	<u>.....</u>	<u>.....</u>
<u>c. With Guaranteed Minimum Withdrawal, or Income, Benefits – Accumulation Phase</u>	<u>.....</u>	<u>.....</u>
<u>d. With Guaranteed Minimum Withdrawal, or Income, Benefits – Withdrawal Phase</u>	<u>.....</u>	<u>.....</u>
<u>3.2 Index-Linked Variable Annuities</u>		
<u>a. Without Guaranteed Living Benefits</u>	<u>.....</u>	<u>.....</u>
<u>b. With Guaranteed Minimum Withdrawal, or Income, Benefits – Accumulation Phase</u>	<u>.....</u>	<u>.....</u>
<u>c. With Guaranteed Minimum Withdrawal, or Income, Benefits – Withdrawal Phase</u>	<u>.....</u>	<u>.....</u>
<u>3.3 Immediate Variable Annuities</u>		
<u>a. With a Guaranteed Annuity Payout Floor</u>	<u>.....</u>	<u>.....</u>
<u>3.4 Aggregate Write-Ins for Other Products.....</u>	<u>.....</u>	<u>.....</u>
<u>4. Total Pre-Reinsurance-Ceded Reserve (Sum of Lines 3.1 through 3.4)</u>		
<u>5. Total Reserves Ceded (Line 4 minus Line 2)</u>		
<u>DETAILS OF WRITE-INS</u>		
<u>1.1001.</u>	<u>.....</u>	<u>.....</u>
<u>1.1002.</u>	<u>.....</u>	<u>.....</u>
<u>1.1003.</u>	<u>.....</u>	<u>.....</u>
<u>1.1098. Summary of remaining write-ins for Line 1.4 from overflow page</u>	<u>.....</u>	<u>.....</u>
<u>1.1099 Totals (Lines 1.1001 through 1.1003 plus 1.1098) (Line 1.4 above)</u>	<u>.....</u>	<u>.....</u>
<u>3.1001.</u>	<u>.....</u>	<u>.....</u>
<u>3.1002.</u>	<u>.....</u>	<u>.....</u>
<u>3.1003.</u>	<u>.....</u>	<u>.....</u>
<u>3.1098. Summary of remaining write-ins for Line 3.4 from overflow page</u>	<u>.....</u>	<u>.....</u>
<u>3.1099 Totals (Lines 3.1001 through 3.1003 plus 3.1098) (Line 3.4 above)</u>	<u>.....</u>	<u>.....</u>

VM-21 RESERVES SUPPLEMENT

PART 3B – DETAILS UNDERLYING THE CURRENT YEAR AMOUNTS SHOWN IN PART 3A

	Current Year								
	SECTION A						SECTION B		
	1	2	3	4	5	6	7	8	9
	Cash Surrender Value	CTE70 (adjusted)	CTE70 (best efforts)	Additional Standard Projection Amount	Stochastic Reserve	Number of Contracts	Cash Surrender Value	Alternative Method Reserve	Number of Contracts
1. Post-Reinsurance-Ceded Reserve									
1.1 Variable Annuities									
a. Without Guaranteed Living Benefits						XXX	.....	.....	XXX
b. With Guaranteed Minimum Accumulation Benefits						XXX	XXX	XXX	XXX
c. With Guaranteed Minimum Withdrawal, or Income, Benefits – Accumulation Phase						XXX	XXX	XXX	XXX
d. With Guaranteed Minimum Withdrawal, or Income, Benefits – Withdrawal Phase						XXX	XXX	XXX	XXX
1.2 Index-Linked Variable Annuities									
a. Without Guaranteed Living Benefits						XXX	.....	.....	XXX
b. With Guaranteed Minimum Withdrawal, or Income, Benefits – Accumulation Phase						XXX	XXX	XXX	XXX
c. With Guaranteed Minimum Withdrawal, or Income, Benefits – Withdrawal Phase						XXX	XXX	XXX	XXX
1.3 Immediate Variable Annuities									
a. With a Guaranteed Annuity Payout Floor						XXX	XXX	XXX	XXX
1.4 Aggregate Write-Ins for Other Products						XXX	.....	.....	XXX
2. Total Post-Reinsurance-Ceded Reserve Components (Sum of Lines 1.1 through 1.4)						XXX			XXX
3. Pre-Reinsurance-Ceded Reserve									
3.1 Variable Annuities									
a. Without Guaranteed Living Benefits									
b. With Guaranteed Minimum Accumulation Benefits							XXX	XXX	XXX
c. With Guaranteed Minimum Withdrawal, or Income, Benefits – Accumulation Phase							XXX	XXX	XXX
d. With Guaranteed Minimum Withdrawal, or Income, Benefits – Withdrawal Phase							XXX	XXX	XXX
3.2 Index-Linked Variable Annuities									
a. Without Guaranteed Living Benefits									
b. With Guaranteed Minimum Withdrawal, or Income, Benefits – Accumulation Phase							XXX	XXX	XXX
c. With Guaranteed Minimum Withdrawal, or Income, Benefits – Withdrawal Phase							XXX	XXX	XXX
3.3 Immediate Variable Annuities									
a. With a Guaranteed Annuity Payout Floor							XXX	XXX	XXX
3.4 Aggregate Write-Ins for Other Products									
4. Total Pre-Reinsurance-Ceded Reserve Components (Sum of Lines 3.1 through 3.4)									
5. Total Reserve Component Ceded (Line 4 minus Line 2)						XXX			XXX
DETAILS OF WRITE-INS									
1.1001.						XXX	.....	.....	XXX
1.1002.						XXX	.....	.....	XXX
1.1003.						XXX	.....	.....	XXX
1.1098. Summary of remaining write-ins for Line 1.4 from overflow page						XXX	.....	.....	XXX
1.1099. Totals (Lines 1.1001 through 1.1003 plus 1.1098) (Line 1.4 above)						XXX	.....	.....	XXX
3.1001.									
3.1002.									
3.1003.									
3.1098. Summary of remaining write-ins for Line 3.4 from overflow page									
3.1099. Totals (Lines 3.1001 through 3.1003 plus 3.1098) (Line 3.4 above)									

VM-22 RESERVES SUPPLEMENT – PART 1A
Non-Variable Annuity Reserves Valued According to VM-22 by Product Type
For The Year Ended December 31, 20
(To Be Filed by March 1)

	<u>Prior Year</u>	<u>Current Year</u>
	<u>1</u>	<u>2</u>
	<u>Reported Reserve in Excess of Cash</u> <u>Surrender Value</u>	<u>Reported Reserve in Excess of Cash</u> <u>Surrender Value</u>
1. Post-Reinsurance-Ceded Reserve¹		
1.1. Fixed Annuities Deferred without Guaranteed Living Benefit	XXX	.....
1.2. Indexed Annuities Deferred without Guaranteed Living Benefit	XXX	.....
1.3. Individual Immediate and Deferred Income Annuities and Annuizations	XXX	.....
1.4. Structured Settlements	XXX	.....
1.5. Pension Risk Transfer and Group Payout Annuities and Annuizations ..	XXX	.....
1.6. Longevity Reinsurance	XXX	.....
1.7. Fixed Annuities Deferred – with Guaranteed Living Benefit	XXX	.....
1.8. Indexed Annuities Deferred – with Guaranteed Living Benefit	XXX	.....
1.9. Aggregate Write-Ins for Other Products	XXX	.....
2. Total Post-Reinsurance-Ceded Reserve (Sum of Lines 1.1 through 1.9)	XXX	
3. Pre-Reinsurance-Ceded Reserve		
3.1. Fixed Annuities Deferred without Guaranteed Living Benefit	XXX	.....
3.2. Indexed Annuities Deferred without Guaranteed Living Benefit	XXX	.....
3.3. Individual Immediate and Deferred Income Annuities and Annuizations	XXX	.....
3.4. Structured Settlements	XXX	.....
3.5. Pension Risk Transfer and Group Payout Annuities and Annuizations ..	XXX	.....
3.6. Longevity Reinsurance	XXX	.....
3.7. Fixed Annuities Deferred – with Guaranteed Living Benefit	XXX	.....
3.8. Indexed Annuities Deferred – with Guaranteed Living Benefit	XXX	.....
3.9. Aggregate Write-Ins for Other Products	XXX	.....
4. Total Pre-Reinsurance-Ceded Reserve (Sum of Lines 3.1 through 3.9)	XXX	
5. Total Reserves Ceded (Line 4 minus Line 2)	XXX	
DETAILS OF WRITE-INS		
1.901.	XXX	.....
1.902.	XXX	.....
1.903.	XXX	.....
1.998. Summary of remaining write-ins for Line 1.9 from overflow page	XXX	.....
1.999. Totals (Lines 1.901 through 1.903 plus 1.998) (Line 1.9 above)	XXX	.....
3.901.	XXX	.....
3.902.	XXX	.....
3.903.	XXX	.....
3.998. Summary of remaining write-ins for Line 3.9 from overflow page	XXX	.....
3.999. Totals (Lines 3.901 through 3.903 plus 3.998) (Line 3.9 above)	XXX	.....

¹ The groupings provided in the rows of this supplement are different than the groupings permitted for aggregation purposes under VM-22 requirements

VM-22 RESERVES SUPPLEMENT – PART 1B
Non-Variable Annuity Reserves Valued According to VM-22 by Product Type

	Current Year																	
	SECTION A									SECTION B						SECTION C		
	1 Pre-Tax Interest Maintenance Reserve (PIMR)	2 Cash Surrender Value	3 Prescribed Projection Amount	4 CTE70 (adjusted)	5 CTE70 (best efforts)	6 Buffer Amount ²	7 Additional Standard Projection Amount	8 Stochastic Reserve	9 Number of Contracts	10 Cash Surrender Value	11 Prescribed Projection Amount	12 Buffer Amount ³	13 Additional Standard Projection Amount	14 Determinis tic Reserve	15 Number of Contracts	16 Cash Surrender Value	17 VM-A, VM-C, and VM-V Reserve	18 Number of Contracts
1. Post-Reinsurance-Ceded Reserve																		
1.1. Fixed Annuities Deferred without Guaranteed Living Benefit									XXX						XXX			XXX
1.2. Indexed Annuities Deferred without Guaranteed Living Benefit									XXX						XXX			XXX
1.3. Individual Immediate and Deferred Income Annuities and Annuitalizations									XXX						XXX			XXX
1.4. Structured Settlements									XXX						XXX			XXX
1.5. Pension Risk Transfer and Group Payout Annuities and Annuitalizations									XXX						XXX			XXX
1.6. Longevity Reinsurance									XXX						XXX			XXX
1.7. Fixed Annuities Deferred – with Guaranteed Living Benefit									XXX						XXX			XXX
1.8. Indexed Annuities Deferred – with Guaranteed Living Benefit									XXX						XXX			XXX
1.9. Aggregate Write-Ins for Other Products									XXX						XXX			XXX
2. Total Post-Reinsurance-Ceded Reserve (Sum of Lines 1.1 through 1.9)									XXX						XXX			XXX
3. Pre-Reinsurance-Ceded Reserve																		
3.1. Fixed Annuities Deferred without Guaranteed Living Benefit																		
3.2. Indexed Annuities Deferred without Guaranteed Living Benefit																		
3.3. Individual Immediate and Deferred Income Annuities and Annuitalizations																		
3.4. Structured Settlements																		
3.5. Pension Risk Transfer and Group Payout Annuities and Annuitalizations																		
3.6. Longevity Reinsurance																		
3.7. Fixed Annuities Deferred – with Guaranteed Living Benefit																		
3.8. Indexed Annuities Deferred – with Guaranteed Living Benefit																		
3.9. Aggregate Write-Ins for Other Products																		
4. Total Pre-Reinsurance-Ceded Reserve (Sum of Lines 3.1 through 3.9)																		
5. Total Reserves Ceded (Line 4 minus Line 2)									XXX						XXX			XXX
DETAILS OF WRITE-INS																		
1.901.									XXX						XXX			XXX
1.902.									XXX						XXX			XXX
1.903.									XXX						XXX			XXX
1.998. Summary of remaining write-ins for Line 1.9 from overflow page									XXX						XXX			XXX
1.999 Totals (Lines 1.901 through 1.903 plus 1.998) (Line 1.9 above)									XXX						XXX			XXX
3.901.																		
3.902.																		
3.903.																		
3.998. Summary of remaining write-ins for Line 3.9 from overflow page																		
3.999 Totals (Lines 3.901 through 3.903 plus 3.998) (Line 3.9 above)																		

2 – Equal to the Unfloored CTE70 (adjusted) minus Unfloored CTE65 (adjusted)
3 – Equal to the Unfloored DR minus Unfloored scenario reserve calibrated to CTE65

VM-22 RESERVES SUPPLEMENT – PART 2
Non-Variable Annuity PBR Exemption

Non-Variable Annuity PBR Exemption as defined in the NAIC adopted Valuation Manual (VM)

1. Has the company filed and been granted a Non-Variable Annuity PBR Exemption from the reserve requirements of VM-22 of the Valuation Manual by their state of domicile? Yes ☐ No ☐

2. If the response to Question 1 is "Yes", then check the source of the granted "Non-Variable Annuity PBR Exemption" definition? (Check either 2.1, 2.2 or 2.3)

2.1 NAIC Adopted VM ☐

2.2 State Statute (SVL) ☐ Complete items "a" and "b", as appropriate.

a. Is the criteria in the State Statute (SVL) different from the NAIC adopted VM? Yes ☐ No ☐

b. If the answer to "a" above is "Yes", provide the criteria the state has used to grant the Non-Variable Annuity PBR Exemption (e.g., Group/Legal Entity criteria) and the minimum reserve requirements that are required by the state of domicile (if the minimum reserve requirements are the same as the Adopted VM, write SAME AS NAIC VM):

.....
.....
.....
.....

2.3 State Regulation ☐ Complete items "a" and "b", as appropriate.

a. Is the criteria in the State Regulation different from the NAIC adopted VM? Yes ☐ No ☐

b. If the answer to "a" above is "Yes", provide the criteria the state has used to grant the Non-Variable Annuity PBR Exemption (e.g., Group/Legal Entity criteria) and the minimum reserve requirements that are required by the state of domicile (if the minimum reserve requirements are the same as the Adopted VM, write SAME AS NAIC VM):

.....
.....
.....
.....

VM-22 RESERVES SUPPLEMENT – PART 3
Other Exclusions from Non-Variable Annuity PBR

- 1A. Has the company filed and been granted a Single State Exemption from the reserve requirements of VM-22 of the Valuation Manual by their state of domicile? Yes ☐ No ☐
- 1B. If the answer to question 1A is "Yes" please discuss any business not covered under the Single State Exemption.
- _____
- _____
- 2A. If the answer to question 1A is "Yes", does the company have risks for policies issued outside its state of domicile? Yes ☐ No ☐
- 2B. If the answer to question 2A is "Yes" please discuss the risks for policies issued outside the state of domicile, how those risks came to be a responsibility of the company, and why the company would still be considered a Single State Company with such risks.
- _____
- _____
3. Is all of the company's non-variable annuity business excluded from the requirements of VM-22 pursuant to Section II, Subsection 2 of the Valuation Manual? Yes ☐ No ☐

QUARTERLY STATEMENT BLANKS – LIFE/FRATERNAL

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a “NONE” report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

Response

1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?
2. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?
3. Will the Reasonableness of Assumptions Certification required by Actuarial Guideline XXXV be filed with the state of domicile and electronically with the NAIC?
4. Will the Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXV be filed with the state of domicile and electronically with the NAIC?
5. Will the Reasonableness of Assumptions Certification for Implied Guaranteed Rate Method required by Actuarial Guideline XXXVI be filed with the state of domicile and electronically with the NAIC?
6. Will the Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXVI (Updated Average Market Value) be filed with the state of domicile and electronically with the NAIC?
7. Will the Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXVI (Updated Market Value) be filed with the state of domicile and electronically with the NAIC?
8. Will the Life PBR Statement of Exemption be filed with the state of domicile by July 1st and electronically with the NAIC with the second quarterly filing per the Valuation Manual (by August 15)? (2nd Quarter Only) The response for 1st and 3rd quarters should be N/A. A NO response resulting with a bar code is only appropriate in the 2nd quarter. In the case of an ongoing statement of exemption, enter “SEE EXPLANATION” and provide as an explanation that the company is utilizing an ongoing statement of exemption.
9. [Will the Annuity PBR Statement of Exemption be filed with the state of domicile by July 1st and electronically with the NAIC with the second quarterly filing per the Valuation Manual \(by August 15\)? \(2nd Quarter Only\) The response for 1st and 3rd quarters should be N/A. A NO response resulting with a bar code is only appropriate in the 2nd quarter. In the case of an ongoing statement of exemption, enter “SEE EXPLANATION” and provide as an explanation that the company is utilizing an ongoing statement of exemption.](#)

AUGUST FILING

91. Will the regulator-only (non-public) Communication of Internal Control Related Matters Noted in Audit be filed with the state of domicile and electronically with the NAIC (as a regulator-only non-public document) by August 1? The response for 1st and 3rd quarters should be N/A. A NO response resulting with a bar code is only appropriate in the 2nd quarter.

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NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

DATE: <u>2/20/2026</u> CONTACT PERSON: <u>Tim Nauheimer</u> TELEPHONE: _____ EMAIL ADDRESS: <u>tnauheimer@naic.org</u> ON BEHALF OF: _____ NAME: <u>Robert Kasinow</u> TITLE: <u>Chair</u> AFFILIATION: <u>Macroprudential (E) Working Group</u> ADDRESS: _____ _____	FOR NAIC USE ONLY Agenda Item # <u>2026-04BWG MOD</u> Year <u>2026</u> Changes to Existing Reporting ☒ [X] New Reporting Requirement ☐ [] REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT No Impact ☒ [X] Modifies Required Disclosure ☐ [] Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? ☐ [No] <i>***If Yes, complete question below***</i> DISPOSITION ☐ [] Rejected For Public Comment ☐ [] Referred To Another NAIC Group ☐ [] Received For Public Comment ☒ [X] Adopted Date <u>5/28/2026</u> ☐ [] Rejected Date _____ ☐ [] Deferred Date _____ ☐ [] Other (Specify) _____

BLANK(S) TO WHICH PROPOSAL APPLIES

☒ [X] ANNUAL STATEMENT	☒ [X] INSTRUCTIONS	☒ [X] CROSSCHECKS
☐ [] QUARTERLY STATEMENT	☒ [X] BLANK	
☒ [X] Life, Accident & Health/Fraternal	☒ [X] Separate Accounts	☒ [X] Title
☒ [X] Property/Casualty	☐ [] Protected Cell	☐ [] Other _____
☒ [X] Health	☒ [X] Health (Life Supplement)	☐ [] Life (Health Supplement)

Anticipated Effective Date: Annual 2026

IDENTIFICATION OF ITEM(S) TO CHANGE

Add a section to Notes to Financials Note 11 – Debt to disclose funding agreements backing special purpose vehicles (SPV) issuances (FABN). Also add a footnote to Life statement Exhibit 7 to report the amount of total funding agreements backed by SPV issuances.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

This proposal was created to provide disclosures to monitor the activity in the FABN market in accordance with its financial stability monitoring objectives. This disclosure will provide the ability to identify transmission channels of potential risk to and from the insurance industry and the interconnectedness to the capital markets.

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments: The SAPWG plans to present a Form A at the Spring NM and if that does not move forward, then Blanks will remove the exposure.

** This section must be completed on all forms.

Revised 11/17/2022

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY, & TITLE

Notes to Financial Statements

Detail Eliminated To Conserve Space

Note 11 - Debt

*** ~~Debt~~ *This note can include: Debt, FHLB Agreements, Unused commitments and lines of credit for financing arrangements, Funding Agreements - SPV Issuances* ***

Note 11D – Instruction:

D. Disclose information on funding agreements issued by such reporting entity that support funding agreement backed special purpose vehicle (SPV) issuances. (This disclosure is required for all known instances, even in situations in which the SPV was not sponsored or formed by the reporting entity and when the relevant SPV is bankruptcy remote from the reporting entity.) The balance of funding agreements supporting funding agreement backed SPV issuances shall be reported before reinsurance.

(1) Balance of funding agreements per type of issuance, per type of issuance where the transaction contains a put feature or embedded option¹, per type of issuance where the terms of the SPV issuance differ from the terms of the corresponding funding agreement², and the BACV amount of collateral pledged by the reporting entity by type of transaction:

- a. Funding Agreement Backed Notes (FABN)
- b. Funding Agreement Backed Commercial Paper (FABCP)
- c. Funding Agreement Backed Repurchase Agreements (FABR)
- d. Funding Agreement Backed Loans (FABL)
- e. Funding Agreements Issued into Muni Prepay Structures
- f. Other Funding Agreements Backing SPV Issuances (Other)

(2) Please provide a narrative description for instances in which the SPV is sponsored or formed by the reporting entity and the terms (e.g., principal, interest rate, maturity, rating, or currency) of a funding agreement differ from the terms of the corresponding SPV issuance, identifying the different terms. (For example, if the funding agreement matures in 3 years, but the FABL matures in 3 months, instances of different interest rates, etc.)

- With respect to FABCP, please respond to this question by identifying instances in which the terms of an SPV issuance do not match the terms of a deposit made under an FABCP master funding agreement.
- With respect to funding agreements issued into muni prepay structures, no response is necessary given that the terms of the funding agreement are designed to be different from the SPV issuances.

¹ As used herein, a funding agreement is “Puttable” or contains a “put feature or embedded option” if such funding agreement contains a provision that allows a contract holder to withdraw from their account value at ~~[book value]~~ the amount specified in the issuance at any time, without being tied to a specific triggering event; under such provision, the insurer has no contractual alternatives to paying out at ~~[book value]~~ the amount specified in the issuance.

² Instances in which the terms of the funding agreement are designed to be different from the associated SPV issuances should be reported as an amount with different terms (even in instances where the SPV is not sponsored or formed by the reporting entity such as funding agreements issued into muni prepay structures).

- (3) Disclose the maturity distribution of funding agreements backing SPV issuances, separately identifying the funding agreements ~~issued~~ as fixed or floating interest rate prior to execution of any interest rate swaps.
- (4) Identify if the SPV issuances backed by funding agreements are issued in a non-U.S. currency. If so, disclose the currency denominations and whether all foreign currency exposure related to each currency denomination is hedged.
- (5) Is all foreign currency exposure related to funding agreements backing SPV issuances hedged via derivatives, asset matching, or otherwise mitigated? If not, please explain.

Note B11D – Illustration:

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE (LINES 1, 3, AND 4) BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.

D. Funding agreements issued by such reporting entity that support funding agreement backed special purpose vehicle (SPV) issuances:

(1) Funding Agreements Backing SPV Issuances

	<u>1</u> <u>Total</u> <u>Amount</u>	<u>2</u> <u>Amount</u> <u>Puttable</u>	<u>3</u> <u>Amount with</u> <u>Different Terms</u>	<u>4</u> <u>BACV of Collateral</u> <u>Pledged to SPV by</u> <u>Reporting Entity</u>
a. <u>Funding Agreement Backed Notes (FABN)</u>	<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>
b. <u>Funding Agreement Backed Commercial Paper (FABCP)</u>	<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>
c. <u>Funding Agreement Backed Repurchase Agreements (FABR)</u>	<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>
d. <u>Funding Agreement Backed Loans (FABL)</u>	<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>
e. <u>Funding Agreements Issued into Muni Prepay Structures</u>	<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>
f. <u>Other Funding Agreements Backing SPV Issuances (Other)</u>	<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>
g. <u>Total (a+b+c+d+e+f)</u>	<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>

Life Filers – 11D(1)g Column 1 should equal Exhibit 7 Footnote (b) Line 1

(3) Maturity Distribution of Funding Agreements Backing SPV Issuances

	<u>1</u> <u>Fixed Rate</u>	<u>2</u> <u>Floating Rate</u>	<u>3</u> <u>Total*</u>
a. <u>1 year or Less</u>	<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>
b. <u>After 1 year through 5 years</u>	<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>
c. <u>After 5 years through 10 years</u>	<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>
d. <u>After 10 years through 20 years</u>	<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>
e. <u>Over 20 years</u>	<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>
f. <u>Total (a+b+c+d+e)</u>	<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>

11D(3)f Column 3 should equal 11D(1)g Column 1

* Total should reflect the balance of all funding agreements backing SPV issuances reported as Deposit-Type Contracts. Include zero coupon funding agreements in the fixed rate column.

(4) Funding Agreements (FA) Backing SPV Issuances in Currency Denominations.

		Funding Agreements Backing SPV Issuances (in USD)
a.	~~Year-End FA Balance~~ ~~(USD)~~ Amount of FA Backing SPV Issuances in USA	\$.....
b.	Amount of FA Backing SPV Issuances in Foreign Currency:	
1.	AUD	\$.....
2.	CAD	\$.....
3.	CHF	\$.....
4.	EUR	\$.....
5.	GBP	\$.....
6.	Other	\$.....
7.	Total Foreign Currency	
	(1+2+3+4+5+6+7)	\$.....
c.	Total FA Backing SPV Issuances (a+b7)	\$.....

11D(4)c should equal 11D(1)g Column 1

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL

EXHIBIT 7 – DEPOSIT-TYPE CONTRACTS

This exhibit is intended to capture information about the activity, before and after any reinsurance, for deposit-type contracts. Include supplementary contracts without life contingencies, annuities certain, income settlement options, premium, and deposit funds, and other contracts as defined in *SSAP No. 52—Deposit-Type Contracts*.

↓
===== **Detail Eliminated To Conserve Space** =====
↑

Footnote (b): Amounts reported shall reflect the liability established for funding agreements that back special purpose vehicle (SPV) issuances reported in the General Account – (captured as part of Line 3 on the Liability page). Amount reported shall also be captured in Note 11D(1)g (Column 1). The total amount reported in the 11D Note shall agree to the amount reported for funding agreements that back SPV issuances reported as deposit-type contracts in both the General and Separate Account.

ANNUAL STATEMENT BLANK – LIFE/FRATERNAL

EXHIBIT 7 – DEPOSIT-TYPE CONTRACTS

	1	2	3	4	5	6
	Total	Guaranteed Interest Contracts	Annuities Certain	Supplemental Contracts	Dividend Accumulations or Refunds	Premium and Other Deposit Funds
1. Balance at the beginning of the year before reinsurance						
2. Deposits received during the year						
3. Investment earnings credited to the account						
4. Other net change in reserves.....						
5. Fees and other charges assessed.....						
6. Surrender charges						
7. Net surrender or withdrawal payments.....						
8. Other net transfers to or (from) Separate Accounts						
9. Balance at the end of current year before reinsurance (Lines 1+2+3+4-5-6-7-8) (a)(b) ..						
10. Reinsurance balance at the beginning of the year						
11. Net change in reinsurance assumed						
12. Net change in reinsurance ceded						
13. Reinsurance balance at the end of the year (Lines 10+11-12)						
14. Net balance at the end of current year after reinsurance (Lines 9+13)						

- (a) FHLB funding agreements:

1. Reported as GICs (captured in column 2)

2. Reported as annuities certain (captured in column 3)

3. Reported as supplemental contracts (captured in column 4)

4. Reported as dividend accumulations or refunds (captured in column 5)....

5. Reported as premium or other deposit funds (captured in column 6).....

6. Total reported as deposit-type contracts (captured in column 1): (Sum of
Lines 1 through 5).....

1. Total across all categories (captured in column 1, line 9)

2. Of the total in line (b)1, funding agreements that support funding
agreement backed SPV issuances whereby the funding agreement
contains a put feature or embedded option.....

ANNUAL STATEMENT BLANKS – SEPARATE ACCOUNT

EXHIBIT 4 – DEPOSIT–TYPE CONTRACTS

	1	2	3	4	5	6
	Total	Guaranteed Interest Contracts	Annuities Certain	Supplemental Contracts	Dividend Accumulations or Refunds	Premium and Other Deposit Funds
1. Balance at the beginning of the year.....						
2. Deposits received during the year.....						
3. Investment earnings credited to account						
4. Other net change in reserves						
5. Fees and other charges assessed						
6. Surrender charges						
7. Net surrender or withdrawal payments						
8. Other net transfer to or (from) general account						
9. Balance at the end of current year (Lines 1+2+3+4-5-6-7-8) (a) (b)						

***Drafting Note – Footnote (a) for FHLB was added in Proposal 2026-02BWG and was not shown here because it hasn’t been adopted. If the footnote is adopted in Proposal 2026-02BWG and the new footnote that is shown here for FABN is adopted in this proposal then both footnotes will be added to the Separate Account Blank for Annual 2026. ***

(b) Funding agreements that back special purpose vehicle (SPV) issuances:	
3. Total across all categories (captured in column 1, line 9)	10
4. Of the total in line (b)1, funding agreements that support funding agreement backed SPV issuances whereby the funding agreement contains a put feature or embedded option.....	5

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

DATE: <u>3/26/2026</u> CONTACT PERSON: <u>Jim Pinegar</u> TELEPHONE: _____ EMAIL ADDRESS: <u>jpinegar@naic.org</u> ON BEHALF OF: _____ NAME: <u>Carrie Mears</u> TITLE: <u>Chair - INVAWG</u> AFFILIATION: <u>Iowa Insurance Division</u> ADDRESS: <u>1963 Bell Ave</u> <u>Des Moines, IA 50315</u>	FOR NAIC USE ONLY Agenda Item # <u>2026-05BWG</u> Year <u>2026</u> Changes to Existing Reporting ☐ [X] New Reporting Requirement ☐ [] REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT No Impact ☒ [X] Modifies Required Disclosure ☐ [] Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? ☒ [Y] ***If Yes, complete question below*** DISPOSITION ☐ [] Rejected For Public Comment ☐ [] Referred To Another NAIC Group ☐ [] Received For Public Comment ☒ [X] Adopted Date <u>5/28/2026</u> ☐ [] Rejected Date _____ ☐ [] Deferred Date _____ ☐ [] Other (Specify) _____

BLANK(S) TO WHICH PROPOSAL APPLIES

☒ [X] ANNUAL STATEMENT	☒ [X] INSTRUCTIONS	☐ [] CROSSCHECKS
☐ [] QUARTERLY STATEMENT	☐ [] BLANK	
☒ [X] Life, Accident & Health/Fraternal	☒ [X] Separate Accounts	☒ [X] Title
☒ [X] Property/Casualty	☒ [X] Protected Cell	☐ [] Other _____
☒ [X] Health	☐ [] Health (Life Supplement)	☐ [] Life (Health Supplement)

Anticipated Effective Date: Annual 2026

IDENTIFICATION OF ITEM(S) TO CHANGE

Update the instructions to require explicit identification of instances where NAV is used by requiring direct reporting, rather than inference through omission, in the *Fair Value Hierarchy Level and Method Used to Obtain Fair Value Code* column in Schedules D and BA. The updates will also require completion of this column for all reported items and restrict reporting to indicators expressly permitted in the Annual Statement Instructions.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The purpose of this proposal is twofold: (1) to require explicit identification of the fair value hierarchy used to obtain reported values, including clear designation of instances where NAV is utilized; and (2) to improve the completeness and consistency of reporting. Determination of fair value, particularly of Level 3 items, remains an area of significant regulatory interest, and clearer identification, along with fully completed reporting, will enhance transparency and support more efficient and effective regulatory oversight. Currently, these columns permit 'blank' reporting, requiring reference to another column that may also be incorrectly or incompletely completed. Determining fair value by inference or cross-checking multiple fields is not reliable and increases the risk of errors, delays, and resource-intensive reviews.

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

While NAV information may be reported elsewhere in the Annual or Quarterly Statement, this proposal requires its inclusion in the *Fair Value Hierarchy Level and Method Used to Obtain Fair Value Code* column to provide a single, consistent, and unambiguous location for this information. Explicit reporting in this column ensures that downstream analysis, cross-checking, and regulatory review can be conducted efficiently without relying on inference or manual reconciliation from other schedules. It also standardizes reporting across all filers, reducing the risk of errors or omissions.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

**** This section must be completed on all forms.**

Revised 11/17/2022

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, PROPERTY, HEALTH, & TITLE

SCHEDULE D – PART 1- SECTION 1

LONG-TERM BONDS – ISSUER CREDIT OBLIGATIONS OWNED DECEMBER 31 OF CURRENT YEAR



Column 25 – Fair Value Hierarchy Level and Method Used to Obtain Fair Value Code

Report the fair value level that represents the inputs used to determine fair value. Whenever possible, the reported fair value shall reflect level 1 followed by level 2, and then level 3. In all situations fair value shall be determined in accordance with *SSAP No. 100—Fair Value*.

The following is a listing of valid fair value level indicators to show the fair value hierarchy level.

"1" for Level 1

"2" for Level 2

"3" for Level 3

[The guidance in *SSAP No. 100—Fair Value* allows the use of net asset value per share \(NAV\) instead of fair value for certain investments. If NAV is used instead of fair value, show "n".](#)

[A "1", "2", "3", or "n" is required in this column.](#)

The following is a listing of the valid method indicators for bonds to show the method used by the reporting entity to determine the Rate Used to Obtain Fair Value.

"a" for securities where the rate is determined by a pricing service.

"b" for securities where the rate is determined by a stock exchange.

"c" for securities where the rate is determined by a broker or custodian. The reporting entity should obtain and maintain the pricing policy for any broker or custodian used as a pricing source. In addition, the broker must either be approved by the reporting entity as a counterparty for buying and selling securities or be an underwriter of the security being valued.

"d" for securities where the rate is determined by the reporting entity or a third party contracted by the reporting entity. The reporting entity is required to maintain a record of the pricing methodology used.

"e" for securities where the rate is determined by the unit price published in the NAIC *Valuation of Securities*.

Enter a combination of hierarchy and method indicator. The fair value hierarchy level indicator would be listed first and the method used to determine fair value indicator would be listed next. For example, use "1b" to report Level 1 for the fair value hierarchy level and stock exchange for the method used to determine fair value.

~~The guidance in SSAP No. 100—Fair Value allows the use of net asset value per share (NAV) instead of fair value for certain investments. If NAV is used instead of fair value, leave blank.~~

Column 26 – Source Used to Obtain Fair Value

For Method Code “a,” identify the specific pricing service used.

For Method Code “b,” identify the specific stock exchange used.

The listing of most **stock exchange codes can be found in the Investment Schedules General Instructions.**

For Method Code “c,” identify the specific broker or custodian used.

For Method Code “d,” leave blank.

For Method Code “e,” leave blank.

If net asset value (NAV) is used instead of fair value, the reporting entity should use “NAV” to indicate net asset value used instead of fair value.

SCHEDULE D – PART 1 – SECTION 2

ASSET-BACKED SECURITIES OWNED DECEMBER 31 OF CURRENT YEAR



Detail Eliminated To Conserve Space

Column 26 – Fair Value Hierarchy Level and Method Used to Obtain Fair Value Code

Report the fair value level that represents the inputs used to determine fair value. Whenever possible, the reported fair value shall reflect level 1, followed by level 2, and then level 3. In all situations fair value shall be determined in accordance with *SSAP No. 100—Fair Value*.

The following is a listing of valid fair value level indicators to show the fair value hierarchy level.

“1” for Level 1

“2” for Level 2

“3” for Level 3

The guidance in *SSAP No. 100—Fair Value* allows the use of net asset value per share (NAV) instead of fair value for certain investments. If NAV is used instead of fair value, show “n”.

A “1,” “2,” “3,” or “n” is required in this column.

The following is a listing of the valid method indicators for bonds to show the method used by the reporting entity to determine the Rate Used to Obtain Fair Value.

“a” for securities where the rate is determined by a pricing service.

“b” for securities where the rate is determined by a stock exchange.

“c” for securities where the rate is determined by a broker or custodian. The reporting entity should obtain and maintain the pricing policy for any broker or custodian used as a pricing source. In addition, the broker must either be approved by the reporting entity as a counterparty for buying and selling securities or be an underwriter of the security being valued.

“d” for securities where the rate is determined by the reporting entity or a third party contracted by the reporting entity. The reporting entity is required to maintain a record of the pricing methodology used.

“e” for securities where the rate is determined by the unit price published in the *NAIC Valuation of Securities*.

Enter a combination of hierarchy and method indicator. The fair value hierarchy level indicator would be listed first and the method used to determine fair value indicator would be listed next. For example, use “1b” to report Level 1 for the fair value hierarchy level and stock exchange for the method used to determine fair value.

~~The guidance in *SSAP No. 100—Fair Value* allows the use of net asset value per share (NAV) instead of fair value for certain investments. If NAV is used instead of fair value, leave blank.~~

Column 27 – Source Used to Obtain Fair Value

For Method Code “a,” identify the specific pricing service used.

For Method Code “b,” identify the specific stock exchange used.

The listing of most **stock exchange codes can be found in the Investment Schedules General Instructions.**

For Method Code “c,” identify the specific broker or custodian used.

For Method Code “d,” leave blank.

For Method Code “e,” leave blank.

If net asset value (NAV) is used instead of fair value, the reporting entity should use “NAV” to indicate net asset value used instead of fair value.

SCHEDULE D – PART 2 – SECTION 1

PREFERRED STOCKS OWNED DECEMBER 31 OF CURRENT YEAR

Detail Eliminated To Conserve Space

Column 23 – Fair Value Hierarchy Level and Method Used to Obtain Fair Value Code

Whenever possible, fair value should represent the price at which the security could be sold, based on market information. Fair value should only be determined analytically when the market-based value cannot be obtained.

The following is a listing of valid fair value level indicators to show the fair value hierarchy level.

“1” for Level 1

“2” for Level 2

“3” for Level 3

[The guidance in SSAP No. 100—Fair Value allows the use of net asset value per share \(NAV\) instead of fair value for certain investments. If NAV is used instead of fair value, show “n”.](#)

[A “1,” “2,” “3,” or “n” is required in this column.](#)

The following is a listing of the valid method indicators for preferred stocks to show the method used by the reporting entity to determine the Rate Per Share Used to Obtain Fair Value.

“a” for securities where the rate is determined by a pricing service.

“b” for securities where the rate is determined by a stock exchange.

“c” for securities where the rate is determined by a broker or custodian. The reporting entity should obtain and maintain the pricing policy for any broker or custodian used as a pricing source. In addition, the broker must either be approved by the reporting entity as a counterparty for buying and selling securities or be an underwriter of the security being valued.

“d” for securities where the rate is determined by the reporting entity. The reporting entity is required to maintain a record of the pricing methodology used.

“e” for securities where the rate is determined by the unit price published in the NAIC *Valuation of Securities*.

Enter a combination of hierarchy and method indicator. The fair value hierarchy level indicator would be listed first and the method used to determine fair value indicator would be listed next. For example, use “1b” to report Level 1 for the fair value hierarchy level and stock exchange for the method used to determine fair value.

~~The guidance in SSAP No. 100—Fair Value allows the use of net asset value (NAV) per share instead of fair value for certain investments. If NAV is used instead of fair value, leave blank.~~

Column 24 – Source Used to Obtain Fair Value

For Method Code “a,” identify the specific pricing service used.

For Method Code “b,” identify the specific stock exchange used.

The listing of most **stock exchange codes can be found in the Investment Schedules General Instructions.**

For Method Code “c,” identify the specific broker or custodian used.

For Method Code “d,” leave blank.

For Method Code “e,” leave blank.

If net asset value (NAV) is used instead of fair value, the reporting entity should use “NAV” to indicate net asset value used instead of fair value.

SCHEDULE D – PART 2 – SECTION 2

COMMON STOCKS OWNED DECEMBER 31 OF CURRENT YEAR

Detail Eliminated To Conserve Space

Column 21 – Fair Value Hierarchy Level and Method Used to Obtain Fair Value Code

Whenever possible, fair value should represent the price at which the security could be sold, based on market information. Fair value should only be determined analytically when the market-based value cannot be obtained.

The following is a listing of valid fair value level indicators to show the fair value hierarchy level.

“1” for Level 1

“2” for Level 2

“3” for Level 3

[The guidance in SSAP No. 100—Fair Value allows the use of net asset value per share \(NAV\) instead of fair value for certain investments. If NAV is used instead of fair value, show “n”.](#)

[A “1,” “2,” “3,” or “n” is required in this column.](#)

The following is a listing of the valid method indicators for common stocks to show the method used by the reporting entity to determine the Rate Per Share Used to Obtain Fair Value.

“a” for securities where the rate is determined by a pricing service.

“b” for securities where the rate is determined by a stock exchange.

“c” for securities where the rate is determined by a broker or custodian. The reporting entity should obtain and maintain the pricing policy for any broker or custodian used as a pricing source. In addition, the broker must either be approved by the reporting entity as a counterparty for buying and selling securities or be an underwriter of the security being valued.

“d” for securities where the rate is determined by the reporting entity. The reporting entity is required to maintain a record of the pricing methodology used.

“e” for securities where the rate is determined by the unit price published in the NAIC *Valuation of Securities*.

Enter a combination of hierarchy and method indicator. The fair value hierarchy level indicator would be listed first and the method used to determine fair value indicator would be listed next. For example, use “1b” to report Level 1 for the fair value hierarchy level and stock exchange for the method used to determine fair value.

~~The guidance in SSAP No. 100—Fair Value allows the use of net asset value (NAV) per share instead of fair value for certain investments. If NAV is used instead of fair value, leave blank.~~

Column 22 – Source Used to Obtain Fair Value

For Method Code “a,” identify the specific pricing service used.

For Method Code “b,” identify the specific stock exchange used.

The listing of most **stock exchange codes can be found in the Investment Schedules General Instructions.**

For Method Code “c,” identify the specific broker or custodian used.

For Method Code “d,” leave blank.

For Method Code “e,” leave blank.

If net asset value (NAV) is used instead of fair value, the reporting entity should use “NAV” to indicate net asset value used instead of fair value.

SCHEDULE DL – PART 1

SECURITIES LENDING COLLATERAL ASSETS

Reinvested Collateral Assets Owned December 31 Current Year
(Securities lending collateral assets reported in aggregate on Line 10 of the Asset page
(Line 9 for Separate Accounts) and not included on Schedules A, B, BA, D, DB, and E)

Detail Eliminated To Conserve Space

Column 10 – Fair Value Hierarchy Level and Method Used to Obtain Fair Value Code

Report the fair value level that represents the inputs used to determine fair value. Whenever possible, the reported fair value shall reflect level 1, followed by level 2, and then level 3. In all situations fair value shall be determined in accordance with *SSAP No. 100—Fair Value*.

The following is a listing of valid fair value level indicators to show the fair value hierarchy level.

“1” for Level 1

“2” for Level 2

“3” for Level 3

[The guidance in SSAP No. 100—Fair Value allows the use of net asset value per share \(NAV\) instead of fair value for certain investments. If NAV is used instead of fair value, show “n”.](#)

[A “1,” “2,” “3,” or “n” is required in this column.](#)

The following is a listing of the valid method indicators to show the method used by the reporting entity to determine the Rate Used to Obtain Fair Value.

“a” for securities where the rate is determined by a pricing service.

“b” for securities where the rate is determined by a stock exchange.

“c” for securities where the rate is determined by a broker or custodian. The reporting entity should obtain and maintain the pricing policy for any broker or custodian used as a pricing source. In addition, the broker must either be approved by the reporting entity as a counterparty for buying and selling securities or be an underwriter of the security being valued.

“d” for securities where the rate is determined by the reporting entity or a third party contracted by the reporting entity. The reporting entity is required to maintain a record of the pricing methodology used.

“e” for securities where the rate is determined by the unit price published in the NAIC *Valuation of Securities*.

Enter a combination of hierarchy and method indicator. The fair value hierarchy level indicator would be listed first and the method used to determine fair value indicator would be listed next. For example, use “1b” to report Level 1 for the fair value hierarchy level and stock exchange for the method used to determine fair value.

~~The guidance in SSAP No. 100—Fair Value allows the use of net asset value per share (NAV) instead of fair value for certain investments. If NAV is used instead of fair value leave blank.~~

Column 11 – Source Used to Obtain Fair Value

For Method Code “a,” identify the specific pricing service used.

For Method Code “b,” identify the specific stock exchange used.

The listing of most **stock exchange codes can be found in the Investment Schedules General Instructions.**

For Method Code “c,” identify the specific broker or custodian used.

For Method Code “d,” leave blank.

For Method Code “e,” leave blank.

If net asset value (NAV) is used instead of fair value, the reporting entity should use “NAV” to indicate net asset value used instead of fair value.

SCHEDULE DL – PART 2

SECURITIES LENDING COLLATERAL ASSETS

Reinvested Collateral Assets Owned December 31 Current Year
(Securities lending collateral assets included on Schedules A, B, BA, D, DB, and E
and not reported in aggregate on Line 10 of the Asset page (Line 9 for Separate Accounts))

Detail Eliminated To Conserve Space

Column 10 – Fair Value Hierarchy Level and Method Used to Obtain Fair Value Code

Report the fair value level that represents the inputs used to determine fair value. Whenever possible, the reported fair value shall reflect level 1, followed by level 2, and then level 3. In all situations fair value shall be determined in accordance with *SSAP No. —100 Fair Value*.

The following is a listing of valid fair value level indicators to show the fair value hierarchy level.

“1” for Level 1

“2” for Level 2

“3” for Level 3

[The guidance in SSAP No. 100—Fair Value allows the use of net asset value per share \(NAV\) instead of fair value for certain investments. If NAV is used instead of fair value, show “n”.](#)

[A “1, “2”, “3”, or “n” is required in this column.](#)

The following is a listing of the valid method indicators to show the method used by the reporting entity to determine the Rate Used to Obtain Fair Value.

“a” for securities where the rate is determined by a pricing service.

“b” for securities where the rate is determined by a stock exchange.

“c” for securities where the rate is determined by a broker or custodian. The reporting entity should obtain and maintain the pricing policy for any broker or custodian used as a pricing source. In addition, the broker must either be approved by the reporting entity as a counterparty for buying and selling securities or be an underwriter of the security being valued.

“d” for securities where the rate is determined by the reporting entity or a third part contracted by the reporting entity. The reporting entity is required to maintain a record of the pricing methodology used.

“e” for securities where the rate is determined by the unit price published in the NAIC *Valuation of Securities*.

Enter a combination of hierarchy and method indicator. The fair value hierarchy level indicator would be listed first and the method used to determine fair value indicator would be listed next. For example, use “1b” to report Level 1 for the fair value hierarchy level and stock exchange for the method used to determine fair value.

~~The guidance in SSAP No. 100—Fair Value allows the use of net asset value per share (NAV) instead of fair value for certain investments. If NAV is used instead of fair value leave blank.~~

Column 11 – Source Used to Obtain Fair Value

For Method Code “a,” identify the specific pricing service used.

For Method Code “b,” identify the specific stock exchange used.

The listing of most **stock exchange codes can be found in the Investment Schedules General Instructions.**

For Method Code “c,” identify the specific broker or custodian used.

For Method Code “d,” leave blank.

For Method Code “e,” leave blank.

If net asset value (NAV) is used instead of fair value, the reporting entity should use “NAV” to indicate net asset value used instead of fair value.

SCHEDULE BA – PARTS 1, 2 AND 3

OTHER LONG-TERM INVESTED ASSETS – GENERAL INSTRUCTIONS

Detail Eliminated To Conserve Space

Column 22 – Fair Value Hierarchy Level and Method Used to Obtain Fair Value Code

Report the fair value level that represents the inputs used to determine fair value. Whenever possible, the reported fair value shall reflect level 1, followed by level 2, and then level 3. In all situations fair value shall be determined in accordance with *SSAP No. 100—Fair Value*.

The following is a listing of valid fair value level indicators to show the fair value hierarchy level.

“1” for Level 1

“2” for Level 2

“3” for Level 3

[The guidance in *SSAP No. 100—Fair Value* allows the use of net asset value per share \(NAV\) instead of fair value for certain investments. If NAV is used instead of fair value, show “n”.](#)

[A “1,” “2,” “3,” or “n” is required in this column.](#)

The following is a listing of the valid method indicators to show the method used by the reporting entity to determine the Rate Used to Obtain Fair Value.

“a” for securities where the rate is determined by a pricing service.

“b” for securities where the rate is determined by a stock exchange.

“c” for securities where the rate is determined by a broker or custodian. The reporting entity should obtain and maintain the pricing policy for any broker or custodian used as a pricing source. In addition, the broker must either be approved by the reporting entity as a counterparty for buying and selling securities or be an underwriter of the security being valued. (Reporting entities shall utilize source “c” to capture any other method used by the reporting entity to obtain observable inputs resulting in a hierarchy Level 1 or Level 2. Documentation of this source shall then be included in Column 22.)

“d” for securities where the rate is determined by the reporting entity or a third party contracted by the reporting entity. The reporting entity is required to maintain a record of the pricing methodology used.

“e” for securities where the rate is determined by the unit price published in the NAIC *Valuation of Securities*.

Enter a combination of hierarchy and method indicator. The fair value hierarchy level indicator would be listed first and the method used to determine fair value indicator would be listed next. For example, use “1b” to report Level 1 for the fair value hierarchy level and stock exchange for the method used to determine fair value.

~~The guidance in SSAP No. 100—Fair Value allows the use of net asset value per share (NAV) instead of fair value for certain investments. If NAV is used instead of fair value, leave blank.~~

Column 23 – Source Used to Obtain Fair Value

For Method Code “a,” identify the specific pricing service used.

For Method Code “b,” identify the specific stock exchange used.

The listing of most **stock exchange codes can be found in the Investment Schedules General Instructions.**

For Method Code “c,” identify the specific broker or custodian used.

For Method Code “d,” leave blank.

For Method Code “e,” leave blank.

If net asset value (NAV) is used instead of fair value, the reporting entity should use “NAV” to indicate net asset value used instead of fair value.

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NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

DATE: <u>3/26/2026</u> CONTACT PERSON: _____ TELEPHONE: _____ EMAIL ADDRESS: _____ ON BEHALF OF: _____ NAME: <u>Kevin Clark</u> TITLE: <u>Chair SAPWG</u> AFFILIATION: <u>Iowa Insurance Division</u> ADDRESS: _____	FOR NAIC USE ONLY Agenda Item # <u>2026-06BWG</u> Year <u>2026</u> Changes to Existing Reporting [X] New Reporting Requirement [] REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT No Impact [X] Modifies Required Disclosure [] Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No] <i>***If Yes, complete question below***</i> DISPOSITION [] Rejected For Public Comment [] Referred To Another NAIC Group [] Received For Public Comment [X] Adopted Date <u>5/28/2026</u> [] Rejected Date _____ [] Deferred Date _____ [] Other (Specify) _____

BLANK(S) TO WHICH PROPOSAL APPLIES

☒ ANNUAL STATEMENT	☒ INSTRUCTIONS	☒ CROSSCHECKS
☒ QUARTERLY STATEMENT	☐ BLANK	
☒ Life, Accident & Health/Fraternal	☐ Separate Accounts	☒ Title
☒ Property/Casualty	☐ Protected Cell	☐ Other _____
☒ Health	☐ Health (Life Supplement)	☐ Life (Health Supplement)

Anticipated Effective Date: Annual 2026 / 1st Quarter 2027

IDENTIFICATION OF ITEM(S) TO CHANGE

Update Notes to Financials Note 5L(1) to add a reconciling adjustment line to the illustration to identify the assets pledged under multiple arrangements.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The purpose of this proposal is to incorporate a reconciling adjustment to Note 5L(1) to identify the assets pledged under multiple arrangements. This revision intends to result with a total of restricted assets that reflects the actual assets restricted at a reporting entity and highlights the extent that assets are pledged for multiple reasons. This item is sponsored by the chair of the SAPWG, but revisions to the SSAP No. 1 restricted asset disclosure were not deemed necessary for this blanks template change.

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

ANNUAL STATEMENT INSTRUCTIONS –HEALTH & TITLE

NOTES TO FINANCIAL STATEMENTS



Detail Eliminated To Conserve Space



Note 5 - Investments

Note 5L - Instruction:

L. Restricted Assets

(1) Restricted Assets (Including Pledged)

Disclose the total gross (admitted and nonadmitted) book/adjusted carrying value amount of restricted assets by category, with separate identification of the admitted and nonadmitted restricted assets by category and nature of any assets pledged to others as collateral or otherwise restricted (e.g., not under the exclusive control, assets subject to a put option contract, etc.) by the reporting entity. Provide the total gross amount of restricted assets (current year, prior year, and the change between years), the total admitted of restricted assets, and the percentage the restricted asset amount (gross and admitted) is of the reporting entity's total assets amount reported on Line 28 of the asset page (gross and admitted respectively) by the following categories:

- a. Subject to contractual obligation for which liability is not shown
- b. Collateral held under security lending agreements
- c. Subject to repurchase agreements
- d. Subject to reverse repurchase agreements
- e. Subject to dollar repurchase agreements
- f. Subject to dollar reverse repurchase agreements
- g. Placed under option contracts
- h. Letter stock or securities restricted as to sale – excluding FHLB capital stock
- i. FHLB capital stock
- j. On deposit with states
- k. On deposit with other regulatory bodies
- l. Pledged collateral to FHLB (including assets backing funding agreements)
- m. Pledged as collateral not captured in other categories
- n. Other restricted assets

o. Collateral assets received and on balance sheet

Exclude: Collateral under security lending and repurchase agreements reported on balance sheet.

p. Assets held under modco reinsurance agreements

q. Assets held under funds withheld reinsurance agreements

[r. Reconciling Adjustment for Assets Pledged under Multiple Arrangements](#)

f.s. Total restricted assets

Items captured “pledged as collateral not captured in other categories” shall include, but not be limited to, assets pledged under derivative arrangements.



Note 5L - Illustration:

L. Restricted Assets

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR TABLES 5L(1) THROUGH 5L(5) BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.

This illustration includes the presentation of all restricted assets reported on the financial statements for a total comparison to total assets. This includes the items captured in SSAP No. 1, paragraphs 23.b. and 23.c. (Items captured in paragraph 23.c. should have a corresponding liability recognized, therefore there is no capture within the general interrogatories or capture as a noncontrolled asset in the RBC formula.)

(1) Restricted Assets (Including Pledged)

Restricted Asset Category	1 Total Gross (Admitted & Nonadmitted) Restricted from Current Year	2 Total Gross (Admitted & Nonadmitted) Restricted from Prior Year	3 Increase/ (Decrease) (1 minus 2)	4 Total Current Year Nonadmitted Restricted	5 Total Current Year Admitted Restricted (1 minus 4)	6 Gross (Admitted & Nonadmitted) Restricted to Total Assets (a)	7 Admitted Restricted to Total Admitted Assets (b)	8 Amount Reported in General Interrogatories	9 Difference from Note and GI	10 Annual GI Ref
a. Subject to contractual obligation for which liability is not shown	\$	\$	\$	\$	\$	%	%	XXX	XXX	XXX
b. Collateral held under security lending agreements										25.04 + 25.05

Restricted Asset Category	1 Total Gross (Admitted & Nonadmitted) Restricted from Current Year	2 Total Gross (Admitted & Nonadmitted) Restricted from Prior Year	3 Increase/ (Decrease) (1 minus 2)	4 Total Current Year Nonadmitted Restricted	5 Total Current Year Admitted Restricted (1 minus 4)	6 Gross (Admitted & Nonadmitted) Restricted to Total Assets (a)	7 Admitted Restricted to Total Admitted Assets (b)	8 Amount Reported in General Interrogatories	9 Difference from Note and GI	10 Annual GI Ref
c. Subject to repurchase agreements										26.21
d. Subject to reverse repurchase agreements										26.22
e. Subject to dollar repurchase agreements										26.23
f. Subject to dollar reverse repurchase agreements										26.24
g. Placed under option contracts										26.25
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock										26.26
i. FHLB capital stock										26.27
j. On deposit with states										26.28
k. On deposit with other regulatory bodies										26.29
l. Pledged as collateral to FHLB (including assets backing funding agreements)										26.31
m. Pledged as collateral not captured in other categories										26.30
n. Other restricted assets										26.32

Restricted Asset Category	1 Total Gross (Admitted & Nonadmitted) Restricted from Current Year	2 Total Gross (Admitted & Nonadmitted) Restricted from Prior Year	3 Increase/ (Decrease) (1 minus 2)	4 Total Current Year Nonadmitted Restricted	5 Total Current Year Admitted Restricted (1 minus 4)	6 Gross (Admitted & Nonadmitted) Restricted to Total Assets (a)	7 Admitted Restricted to Total Admitted Assets (b)	8 Amount Reported in General Interrogatories	9 Difference from Note and GI	10 Annual GI Ref
o. Collateral assets received and on balance sheet								XXX	XXX	XXX
p. Assets held under modco reinsurance agreements								XXX	XXX	XXX
q. Assets held under funds withheld reinsurance agreements								XXX	XXX	XXX
r. Reconciling adjustment for Assets Pledged under Multiple Arrangements								XXX	XXX	XXX
r.s. Total restricted assets (Sum of a through q.)	\$	\$	\$	\$	\$	%	%	XXX	XXX	XXX

- (a) Column 1 divided by Asset Page, Column 1, Line 28
(b) Column 5 divided by Asset Page, Column 3, Line 28

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL

NOTES TO FINANCIAL STATEMENTS



Detail Eliminated To Conserve Space



Note 5 – Investments

Note 5L - Instruction:

L. Restricted Assets

(1) Restricted Assets (Including Pledged)

Disclose the total gross (admitted and nonadmitted) book/adjusted carrying value amount of restricted assets by category, with separate identification of the admitted and nonadmitted restricted assets by category and nature of any assets pledged to others as collateral or otherwise restricted (e.g., not under the exclusive control, assets subject to a put option contract, etc.) by the reporting entity. Provide the gross amount of restricted assets (total general account, general account assets supporting separate account activity, total separate account, separate account assets supporting general account activity and sum of the general account and the separate account for current year, prior year, and the change between years), the total admitted of restricted assets and the percentage the restricted asset amount (gross and admitted) is of the reporting entity's total assets amount reported on Line 28 of the asset page (gross and admitted respectively) by the following categories:

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- c. Subject to repurchase agreements
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- e. Subject to dollar repurchase agreements
- f. Subject to dollar reverse repurchase agreements
- g. Placed under option contracts
- h. Letter stock or securities restricted as to sale – excluding FHLB capital stock
- i. FHLB capital stock
- j. On deposit with states
- k. On deposit with other regulatory bodies
- l. Pledged collateral to FHLB (including assets backing funding agreements)
- m. Pledged as collateral not captured in other categories

- n. Other restricted assets
- o. Collateral assets received and on balance sheet

Exclude: Collateral under security lending and repurchase agreements reported on balance sheet.
- p. Assets held under modco reinsurance agreements
- q. Assets held under funds withheld reinsurance agreements

r. [Reconciling Adjustment for Assets Pledged under Multiple Arrangements](#)

~~f.s.~~ Total restricted assets

Items captured “pledged as collateral not captured in other categories” shall include, but not be limited to, assets pledged under derivative arrangements.

Detail Eliminated To Conserve Space

Note 5L - Illustration:

L. Restricted Assets

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(1) Restricted Assets (Including Pledged)

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted						
	Current Year					6	7
	1	2	3	4	5		
	Total General Account (G/A)	G/A Supporting S/A Activity (a)	Total Separate Account (S/A) Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)
a. Subject to contractual obligation for which liability is not shown	\$	\$	\$	\$	\$	\$	\$
b. Collateral held under security lending agreements							
c. Subject to repurchase agreements							
d. Subject to reverse repurchase agreements							
e. Subject to dollar repurchase agreements							
f. Subject to dollar reverse repurchase agreements							
g. Placed under option contracts							

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted						
	Current Year					6 Total From Prior Year	7 Increase/ (Decrease) (5 minus 6)
	1 Total General Account (G/A)	2 G/A Supporting S/A Activity (a)	3 Total Separate Account (S/A) Restricted Assets	4 S/A Assets Supporting G/A Activity (b)	5 Total (1 plus 3)		
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock							
i. FHLB capital stock							
j. On deposit with states							
k. On deposit with other regulatory bodies							
l. Pledged as collateral to FHLB (including assets backing funding agreements)							
m. Pledged as collateral not captured in other categories							
n. Other restricted assets							
o. Collateral assets received and on balance sheet							
p. Assets held under modco reinsurance agreements							
q. Assets held under funds withheld reinsurance agreements							
r. Reconciling adjustment for assets pledged under multiple arrangements							
f.s. Total restricted assets (Sum of a through r)	\$	\$	\$	\$	\$	\$	\$

- (a) Subset of Column 1
(b) Subset of Column 3

Restricted Asset Category	Current Year						
	8 Total Nonadmitted Restricted	9 Total Admitted Restricted (5 minus 8)	Percentage		12 Amount Reported in General Interrogatories	13 Difference from Note and GI	14 Annual GI Ref
			10 Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	11 Admitted Restricted to Total Admitted Assets (d)			
a. Subject to contractual obligation for which liability is not shown	\$	\$	%	%	XXX	XXX	XXX
b. Collateral held under security lending agreements							25.04+25.05
c. Subject to repurchase agreements							26.21
d. Subject to reverse repurchase agreements							26.22
e. Subject to dollar repurchase agreements							26.23
f. Subject to dollar reverse repurchase agreements							26.24
g. Placed under option contracts							26.25
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock							26.26
i. FHLB capital stock							26.27
j. On deposit with states							26.28

Restricted Asset Category	Current Year						
	8	9	Percentage		12	13	14
	Total Nonadmitted Restricted	Total Admitted Restricted (5 minus 8)	10 Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	11 Admitted Restricted to Total Admitted Assets (d)	Amount Reported in General Interrogatories	Difference from Note and GI	Annual GI Ref
k. On deposit with other regulatory bodies							26.29
l. Pledged as collateral to FHLB (including assets backing funding agreements)							26.31
m. Pledged as collateral not captured in other categories							26.30
n. Other restricted assets							26.32
o. Collateral assets received and on balance sheet					XXX	XXX	XXX
p. Assets held under modco reinsurance agreements					XXX	XXX	XXX
q. Assets held under funds withheld reinsurance agreements					XXX	XXX	XXX
r. Reconciling adjustment for assets pledged under multiple arrangements					XXX	XXX	XXX
f.s. Total restricted assets (Sum of a through q)	\$	\$	%	%	XXX	XXX	XXX

- (c) Column 5 divided by Asset Page, Column 1, Line 28
(d) Column 9 divided by Asset Page, Column 3, Line 28

ANNUAL STATEMENT INSTRUCTIONS – PROPERTY

NOTES TO FINANCIAL STATEMENTS



Detail Eliminated To Conserve Space



Note 5 – Investments

Note 5L - Instruction:

L. Restricted Assets

(1) Restricted Assets (Including Pledged)

Disclose the total gross (admitted and nonadmitted) book/adjusted carrying value amount of restricted assets by category, with separate identification of the admitted and nonadmitted restricted assets by category and nature of any assets pledged to others as collateral or otherwise restricted (e.g., not under the exclusive control, assets subject to a put option contract, etc.) by the reporting entity. Provide the gross amount of restricted assets (total general account, general account assets supporting protected cell account activity, total protected cell account, protected cell account assets supporting general account activity and sum of the general account and the protected cell account for current year, prior year, and the change between years), the total admitted of restricted assets and the percentage the restricted asset amount (gross and admitted) is of the reporting entity's total assets amount reported on Line 28 of the asset page (gross and admitted respectively) by the following categories:

- a. Subject to contractual obligation for which liability is not shown
- b. Collateral held under security lending agreements
- c. Subject to repurchase agreements
- d. Subject to reverse repurchase agreements
- e. Subject to dollar repurchase agreements
- f. Subject to dollar reverse repurchase agreements
- g. Placed under option contracts
- h. Letter stock or securities restricted as to sale – excluding FHLB capital stock
- i. FHLB capital stock
- j. On deposit with states
- k. On deposit with other regulatory bodies
- l. Pledged collateral to FHLB (including assets backing funding agreements)
- m. Pledged as collateral not captured in other categories

- n. Other restricted assets
- o. Collateral assets received and on balance sheet

Exclude: Collateral under security lending and repurchase agreements reported on balance sheet.
- p. Assets held under modco reinsurance agreements
- q. Assets held under funds withheld reinsurance agreements

r. [Reconciling Adjustment for Assets Pledged under Multiple Arrangements](#)

r.s. Total restricted assets

Items captured “pledged as collateral not captured in other categories” shall include, but not be limited to, assets pledged under derivative arrangements.

Detail Eliminated To Conserve Space

Note 5L - Illustration:

L. Restricted Assets

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(1) Restricted Assets (Including Pledged)

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted						
	Current Year					6 Total From Prior Year	7 Increase/ (Decrease) (5 minus 6)
	1 Total General Account (G/A)	2 G/A Supporting Protected Cell Account Activity (a)	3 Total Protected Cell Account Restricted Assets	4 Protected Cell Account Assets Supporting G/A Activity (b)	5 Total (1 plus 3)		
a. Subject to contractual obligation for which liability is not shown	\$	\$	\$	\$	\$	\$	\$
b. Collateral held under security lending agreements							
c. Subject to repurchase agreements							
d. Subject to reverse repurchase agreements							
e. Subject to dollar repurchase agreements							
f. Subject to dollar reverse repurchase agreements							

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted						
	Current Year					6 Total From Prior Year	7 Increase/ (Decrease) (5 minus 6)
	1 Total General Account (G/A)	2 G/A Supporting Protected Cell Account Activity (a)	3 Total Protected Cell Account Restricted Assets	4 Protected Cell Account Assets Supporting G/A Activity (b)	5 Total (1 plus 3)		
g. Placed under option contracts							
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock							
i. FHLB capital stock							
j. On deposit with states							
k. On deposit with other regulatory bodies							
l. Pledged as collateral to FHLB (including assets backing funding agreements)							
m. Pledged as collateral not captured in other categories							
n. Other restricted assets							
o. Collateral assets received and on balance sheet							
p. Assets held under modco reinsurance agreements							
q. Assets held under funds withheld reinsurance agreements							
r. Reconciling adjustment for assets pledged under multiple arrangements							
s. Total restricted assets (Sum of a through r)	\$	\$	\$	\$	\$	\$	\$

- (a) Subset of Column 1
(b) Subset of Column 3

Restricted Asset Category	Current Year						
	8 Total Nonadmitted Restricted	9 Total Admitted Restricted (5 minus 8)	Percentage		12 Amount Reported in General Interrogatories	13 Difference from Note and GI	14 Annual GI Ref
			10 Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	11 Admitted Restricted to Total Admitted Assets (d)			
a. Subject to contractual obligation for which liability is not shown	\$	\$	%	%	XXX	XXX	XXX
b. Collateral held under security lending agreements							25.04+25.05
c. Subject to repurchase agreements							26.21
d. Subject to reverse repurchase agreements							26.22
e. Subject to dollar repurchase agreements							26.23

Restricted Asset Category	Current Year						
	8 Total Nonadmitted Restricted	9 Total Admitted Restricted (5 minus 8)	Percentage		12 Amount Reported in General Interrogatories	13 Difference from Note and GI	14 Annual GI Ref
			10 Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	11 Admitted Restricted to Total Admitted Assets (d)			
f. Subject to dollar reverse repurchase agreements							26.24
g. Placed under option contracts							26.25
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock							26.26
i. FHLB capital stock							26.27
j. On deposit with states							26.28
k. On deposit with other regulatory bodies							26.29
l. Pledged as collateral to FHLB (including assets backing funding agreements)							26.31
m. Pledged as collateral not captured in other categories							26.30
n. Other restricted assets							26.32
o. Collateral assets received and on balance sheet					XXX	XXX	XXX
p. Assets held under modco reinsurance agreements					XXX	XXX	XXX
q. Assets held under funds withheld reinsurance agreements					XXX	XXX	XXX
r. Reconciling adjustment for assets pledged under multiple arrangements					XXX	XXX	XXX
f.s. Total restricted assets (Sum of a through q.)	\$	\$	%	%	XXX	XXX	N/A

- (c) Column 5 divided by Asset Page, Column 1, Line 28
(d) Column 9 divided by Asset Page, Column 3, Line 28

QUARTERLY STATEMENT INSTRUCTIONS –HEALTH & TITLE

NOTES TO FINANCIAL STATEMENTS



Detail Eliminated To Conserve Space



Note 5 - Investments

Note 5L - Instruction:

L. Restricted Assets

(1) Restricted Assets (Including Pledged)

Disclose the total gross (admitted and nonadmitted) book/adjusted carrying value amount of restricted assets by category, with separate identification of the admitted and nonadmitted restricted assets by category and nature of any assets pledged to others as collateral or otherwise restricted (e.g., not under the exclusive control, assets subject to a put option contract, etc.) by the reporting entity. Provide the total gross amount of restricted assets (current year, prior year, and the change between years), the total admitted of restricted assets, and the percentage the restricted asset amount (gross and admitted) is of the reporting entity's total assets amount reported on Line 28 of the asset page (gross and admitted respectively) by the following categories:

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- i. FHLB capital stock
- j. On deposit with states
- k. On deposit with other regulatory bodies
- l. Pledged collateral to FHLB (including assets backing funding agreements)
- m. Pledged as collateral not captured in other categories
- n. Other restricted assets
- o. Collateral assets received and on balance sheet

Exclude: Collateral under security lending and repurchase agreements reported on balance sheet.

- p. Assets held under modco reinsurance agreements
- q. Assets held under funds withheld reinsurance agreements

[r. Reconciling Adjustment for Assets Pledged under Multiple Arrangements](#)

[s.f.](#) Total restricted assets

Items captured “pledged as collateral not captured in other categories” shall include, but not be limited to, assets pledged under derivative arrangements.



Note 5L - Illustration:

L. Restricted Assets

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(1) Restricted Assets (Including Pledged)

Restricted Asset Category	1 Total Gross (Admitted & Nonadmitted) Restricted from Current Year	2 Total Gross (Admitted & Nonadmitted) Restricted from Prior Year	3 Increase/ (Decrease) (1 minus 2)	4 Total Current Year Nonadmitted Restricted	5 Total Current Year Admitted Restricted (1 minus 4)	6 Gross (Admitted & Nonadmitted) Restricted to Total Assets (a)	7 Admitted Restricted to Total Admitted Assets (b)	8 Amount Reported in General Interrogatories	9 Difference from Note and GI	10 Annual GI Ref
a. Subject to contractual obligation for which liability is not shown	\$	\$	\$	\$	\$	%	%	XXX	XXX	XXX
b. Collateral held under security lending agreements										25.04 + 25.05

Attachment Two-A11
Accounting Practices and Procedures (E) Task Force
8/13/2026

Restricted Asset Category	1 Total Gross (Admitted & Nonadmitted) Restricted from Current Year	2 Total Gross (Admitted & Nonadmitted) Restricted from Prior Year	3 Increase/ (Decrease) (1 minus 2)	4 Total Current Year Nonadmitted Restricted	5 Total Current Year Admitted Restricted (1 minus 4)	6 Gross (Admitted & Nonadmitted) Restricted to Total Assets (a)	7 Admitted Restricted to Total Admitted Assets (b)	8 Amount Reported in General Interrogatories	9 Difference from Note and GI	10 Annual GI Ref
c. Subject to repurchase agreements										26.21
d. Subject to reverse repurchase agreements										26.22
e. Subject to dollar repurchase agreements										26.23
f. Subject to dollar reverse repurchase agreements										26.24
g. Placed under option contracts										26.25
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock										26.26
i. FHLB capital stock										26.27
j. On deposit with states										26.28
k. On deposit with other regulatory bodies										26.29
l. Pledged as collateral to FHLB (including assets backing funding agreements)										26.31
m. Pledged as collateral not captured in other categories										26.30
n. Other restricted assets										26.32

Attachment Two-A11
Accounting Practices and Procedures (E) Task Force
8/13/2026

Restricted Asset Category	1 Total Gross (Admitted & Nonadmitted) Restricted from Current Year	2 Total Gross (Admitted & Nonadmitted) Restricted from Prior Year	3 Increase/ (Decrease) (1 minus 2)	4 Total Current Year Nonadmitted Restricted	5 Total Current Year Admitted Restricted (1 minus 4)	6 Gross (Admitted & Nonadmitted) Restricted to Total Assets (a)	7 Admitted Restricted to Total Admitted Assets (b)	8 Amount Reported in General Interrogatories	9 Difference from Note and GI	10 Annual GI Ref
o. Collateral assets received and on balance sheet								XXX	XXX	XXX
p. Assets held under modco reinsurance agreements								XXX	XXX	XXX
q. Assets held under funds withheld reinsurance agreements								XXX	XXX	XXX
r. Reconciling adjustment for assets pledged under multiple arrangements								XXX	XXX	XXX
f.s. Total restricted assets (Sum of a through e.)	\$	\$	\$	\$	\$	%	%	XXX	XXX	XXX

- (a) Column 1 divided by Asset Page, Column 1, Line 28
(b) Column 5 divided by Asset Page, Column 3, Line 28

QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL

NOTES TO FINANCIAL STATEMENTS



Detail Eliminated To Conserve Space



Note 5 – Investments

Note 5L - Instruction:

L. Restricted Assets

(1) Restricted Assets (Including Pledged)

Disclose the total gross (admitted and nonadmitted) book/adjusted carrying value amount of restricted assets by category, with separate identification of the admitted and nonadmitted restricted assets by category and nature of any assets pledged to others as collateral or otherwise restricted (e.g., not under the exclusive control, assets subject to a put option contract, etc.) by the reporting entity. Provide the gross amount of restricted assets (total general account, general account assets supporting separate account activity, total separate account, separate account assets supporting general account activity and sum of the general account and the separate account for current year, prior year, and the change between years), the total admitted of restricted assets and the percentage the restricted asset amount (gross and admitted) is of the reporting entity's total assets amount reported on Line 28 of the asset page (gross and admitted respectively) by the following categories:

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- g. Placed under option contracts
- h. Letter stock or securities restricted as to sale – excluding FHLB capital stock
- i. FHLB capital stock
- j. On deposit with states
- k. On deposit with other regulatory bodies
- l. Pledged collateral to FHLB (including assets backing funding agreements)
- m. Pledged as collateral not captured in other categories

- n. Other restricted assets
- o. Collateral assets received and on balance sheet

Exclude: Collateral under security lending and repurchase agreements reported on balance sheet.
- p. Assets held under modco reinsurance agreements
- q. Assets held under funds withheld reinsurance agreements

r. [Reconciling Adjustment for Assets Pledged under Multiple Arrangements](#)

~~f.s.~~ Total restricted assets

Items captured “pledged as collateral not captured in other categories” shall include, but not be limited to, assets pledged under derivative arrangements.



Note 5L - Illustration:

L. Restricted Assets

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(1) Restricted Assets (Including Pledged)

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted						
	Current Year					6	7
	1	2	3	4	5	Total From Prior Year	Increase/ (Decrease) (5 minus 6)
	Total General Account (G/A)	G/A Supporting S/A Activity (a)	Total Separate Account (S/A) Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)		
a. Subject to contractual obligation for which liability is not shown	\$	\$	\$	\$	\$	\$	\$
b. Collateral held under security lending agreements							
c. Subject to repurchase agreements							
d. Subject to reverse repurchase agreements							
e. Subject to dollar repurchase agreements							
f. Subject to dollar reverse repurchase agreements							
g. Placed under option contracts							

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted						
	Current Year					6 Total From Prior Year	7 Increase/ (Decrease) (5 minus 6)
	1 Total General Account (G/A)	2 G/A Supporting S/A Activity (a)	3 Total Separate Account (S/A) Restricted Assets	4 S/A Assets Supporting G/A Activity (b)	5 Total (1 plus 3)		
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock							
i. FHLB capital stock							
j. On deposit with states							
k. On deposit with other regulatory bodies							
l. Pledged as collateral to FHLB (including assets backing funding agreements)							
m. Pledged as collateral not captured in other categories							
n. Other restricted assets							
o. Collateral assets received and on balance sheet							
p. Assets held under modco reinsurance agreements							
q. Assets held under funds withheld reinsurance agreements							
r. Reconciling adjustment for assets pledged under multiple arrangements							
f.s. Total restricted assets (Sum of a through r)	\$	\$	\$	\$	\$	\$	\$

- (a) Subset of Column 1
(b) Subset of Column 3

Restricted Asset Category	Current Year						
	8 Total Nonadmitted Restricted	9 Total Admitted Restricted (5 minus 8)	Percentage		12 Amount Reported in General Interrogatories	13 Difference from Note and GI	14 Annual GI Ref
			10 Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	11 Admitted Restricted to Total Admitted Assets (d)			
a. Subject to contractual obligation for which liability is not shown	\$	\$	%	%	XXX	XXX	XXX
b. Collateral held under security lending agreements							25.04+25.05
c. Subject to repurchase agreements							26.21
d. Subject to reverse repurchase agreements							26.22
e. Subject to dollar repurchase agreements							26.23
f. Subject to dollar reverse repurchase agreements							26.24
g. Placed under option contracts							26.25
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock							26.26
i. FHLB capital stock							26.27
j. On deposit with states							26.28

Restricted Asset Category	Current Year						
	8	9	Percentage		12	13	14
	Total Nonadmitted Restricted	Total Admitted Restricted (5 minus 8)	10 Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	11 Admitted Restricted to Total Admitted Assets (d)	Amount Reported in General Interrogatories	Difference from Note and GI	Annual GI Ref
k. On deposit with other regulatory bodies							26.29
l. Pledged as collateral to FHLB (including assets backing funding agreements)							26.31
m. Pledged as collateral not captured in other categories							26.30
n. Other restricted assets							26.32
o. Collateral assets received and on balance sheet					XXX	XXX	XXX
p. Assets held under modco reinsurance agreements					XXX	XXX	XXX
q. Assets held under funds withheld reinsurance agreements					XXX	XXX	XXX
r. Reconciling adjustment for assets pledged under multiple arrangements					XXX	XXX	XXX
f.s. Total restricted assets (Sum of a through q)	\$	\$	%	%	XXX	XXX	XXX

- (c) Column 5 divided by Asset Page, Column 1, Line 28
(d) Column 9 divided by Asset Page, Column 3, Line 28

QUARTERLY STATEMENT INSTRUCTIONS – PROPERTY

NOTES TO FINANCIAL STATEMENTS



Detail Eliminated To Conserve Space



Note 5 – Investments

L. Restricted Assets

(1) Restricted Assets (Including Pledged)

Disclose the total gross (admitted and nonadmitted) book/adjusted carrying value amount of restricted assets by category, with separate identification of the admitted and nonadmitted restricted assets by category and nature of any assets pledged to others as collateral or otherwise restricted (e.g., not under the exclusive control, assets subject to a put option contract, etc.) by the reporting entity. Provide the gross amount of restricted assets (total general account, general account assets supporting protected cell account activity, total protected cell account, protected cell account assets supporting general account activity and sum of the general account and the protected cell account for current year, prior year and the change between years), the total admitted of restricted assets and the percentage the restricted asset amount (gross and admitted) is of the reporting entity's total assets amount reported on Line 28 of the asset page (gross and admitted respectively) by the following categories:

- a. Subject to contractual obligation for which liability is not shown
- b. Collateral held under security lending agreements
- c. Subject to repurchase agreements
- d. Subject to reverse repurchase agreements
- e. Subject to dollar repurchase agreements
- f. Subject to dollar reverse repurchase agreements
- g. Placed under option contracts
- h. Letter stock or securities restricted as to sale – excluding FHLB capital stock
- i. FHLB capital stock
- j. On deposit with states
- k. On deposit with other regulatory bodies
- l. Pledged collateral to FHLB (including assets backing funding agreements)
- m. Pledged as collateral not captured in other categories
- n. Other restricted assets

o. Collateral Assets Received and on Balance Sheet

Exclude: Collateral under security lending and repurchase agreements reported on balance sheet.

p. Assets held under Modco Reinsurance Agreements

q. Assets held under Funds Withheld Reinsurance Agreements

r. Reconciling Adjustment for Assets Pledged under Multiple Arrangements

rs. Total restricted assets

Items captured “pledged as collateral not captured in other categories” shall include, but not be limited to, assets pledged under derivative arrangements.

Detail Eliminated To Conserve Space

Note 5L - Illustration:

L. Restricted Assets

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR TABLES 5L(1) THROUGH 5L(5) BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.

This illustration includes the presentation of all restricted assets reported on the financial statements for a total comparison to total assets. This includes the items captured in SSAP No. 1, paragraphs 23.b. and 23.c. (Items captured in paragraph 23.c. should have a corresponding liability recognized, therefore there is no capture within the general interrogatories or capture as a noncontrolled asset in the RBC formula.)

(1) Restricted Assets (Including Pledged)

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted						
	Current Year					6 Total From Prior Year	7 Increase/ (Decrease) (5 minus 6)
	1 Total General Account (G/A)	2 G/A Supporting Protected Cell Account Activity (a)	3 Total Protected Cell Account Restricted Assets	4 Protected Cell Account Assets Supporting G/A Activity (b)	5 Total (1 plus 3)		
a. Subject to contractual obligation for which liability is not shown	\$	\$	\$	\$	\$	\$	\$
b. Collateral held under security lending agreements							
c. Subject to repurchase agreements							
d. Subject to reverse repurchase agreements							
e. Subject to dollar repurchase agreements							
f. Subject to dollar reverse repurchase agreements							
g. Placed under option contracts							

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted						
	Current Year					6 Total From Prior Year	7 Increase/ (Decrease) (5 minus 6)
	1 Total General Account (G/A)	2 G/A Supporting Protected Cell Account Activity (a)	3 Total Protected Cell Account Restricted Assets	4 Protected Cell Account Assets Supporting G/A Activity (b)	5 Total (1 plus 3)		
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock							
i. FHLB capital stock							
j. On deposit with states							
k. On deposit with other regulatory bodies							
l. Pledged as collateral to FHLB (including assets backing funding agreements)							
m. Pledged as collateral not captured in other categories							
n. Other restricted assets							
o. Collateral assets received and on balance sheet							
p. Assets held under modco reinsurance agreements							
q. Assets held under funds withheld reinsurance agreements							
r. Reconciling adjustment for assets pledged under multiple arrangements							
~~rs.~~ Total restricted assets (Sum of a through ~~qr~~)	\$	\$	\$	\$	\$	\$	\$

- (a) Subset of Column 1
(b) Subset of Column 3

Restricted Asset Category	Current Year						
	8 Total Nonadmitted Restricted	9 Total Admitted Restricted (5 minus 8)	Percentage		12 Amount Reported in General Interrogatories	13 Difference from Note and GI	14 Annual GI Ref
			10 Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	11 Admitted Restricted to Total Admitted Assets (d)			
a. Subject to contractual obligation for which liability is not shown	\$	\$	%	%	XXX	XXX	XXX
b. Collateral held under security lending agreements							25.04+25.05
c. Subject to repurchase agreements							26.21
d. Subject to reverse repurchase agreements							26.22
e. Subject to dollar repurchase agreements							26.23
f. Subject to dollar reverse repurchase agreements							26.24

Restricted Asset Category	Current Year						
	8 Total Nonadmitted Restricted	9 Total Admitted Restricted (5 minus 8)	Percentage		12 Amount Reported in General Interrogatories	13 Difference from Note and GI	14 Annual GI Ref
			10 Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	11 Admitted Restricted to Total Admitted Assets (d)			
g. Placed under option contracts							26.25
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock							26.26
i. FHLB capital stock							26.27
j. On deposit with states							26.28
k. On deposit with other regulatory bodies							26.29
l. Pledged as collateral to FHLB (including assets backing funding agreements)							26.31
m. Pledged as collateral not captured in other categories							26.30
n. Other restricted assets							26.32
o. Collateral assets received and on balance sheet					XXX	XXX	XXX
p. Assets held under modco reinsurance agreements					XXX	XXX	XXX
q. Assets held under funds withheld reinsurance agreements					XXX	XXX	XXX
r. Reconciling adjustment for assets pledged under multiple arrangements					XXX	XXX	XXX
f.s. Total restricted assets (Sum of a through q.)	\$	\$	%	%	XXX	XXX	N/A

(c) Column 5 divided by Asset Page, Column 1, Line 28

(d) Column 9 divided by Asset Page, Column 3, Line 28

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NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

DATE: <u>3/26/2026</u> CONTACT PERSON: _____ TELEPHONE: _____ EMAIL ADDRESS: _____ ON BEHALF OF: _____ NAME: <u>Kevin Clark</u> TITLE: <u>Chair SAPWG</u> AFFILIATION: <u>Iowa Insurance Division</u> ADDRESS: _____	<u>FOR NAIC USE ONLY</u> Agenda Item # <u>2026-07BWG</u> Year <u>2026</u> Changes to Existing Reporting [X] New Reporting Requirement [] <u>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</u> No Impact [X] Modifies Required Disclosure [] Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No] <i>***If Yes, complete question below***</i> <u>DISPOSITION</u> [] Rejected For Public Comment [] Referred To Another NAIC Group [] Received For Public Comment [X] Adopted Date <u>5/28/2026</u> [] Rejected Date _____ [] Deferred Date _____ [] Other (Specify) _____

BLANK(S) TO WHICH PROPOSAL APPLIES

☒ ANNUAL STATEMENT ☒ QUARTERLY STATEMENT ☒ Life, Accident & Health/Fraternal ☒ Property/Casualty ☒ Health	☒ INSTRUCTIONS ☐ BLANK ☒ Separate Accounts ☐ Protected Cell ☐ Health (Life Supplement)	☐ CROSSCHECKS ☒ Title ☐ Other _____ ☐ Life (Health Supplement)

Anticipated Effective Date: Annual 2026 / 1st Quarter 2027

IDENTIFICATION OF ITEM(S) TO CHANGE

Update Schedule D, Part 1, Section 1 and 2 to add clarification to the instructions for the payment due at maturity column and also specify what reporting categories should be reporting in this column. Also add clarifying instructions to the origination balloon payment percentage column on Schedule D, Part 1, Section 2. For Schedule BA, Parts 1, 2, and 3 add clarification to the maturity date column to complete the column if the investment has a contractual stated maturity date.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The purpose of this proposal is to incorporate clarifying revisions to the instructions for completing certain investment reporting columns (payment due at maturity, origination balloon payment and Schedule BA maturity date.) It also limits the reporting scope for the payment due at maturity on both Schedule D-1-1 and Schedule D-1-2. (SAPWG Ref. 2025-29)

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

ANNUAL STATEMENT INSTRUCTIONS –HEALTH, LIFE/FRATERNAL, PROPERTY, & TITLE

SCHEDULE D – PART 1- SECTION 1

LONG-TERM BONDS – ISSUER CREDIT OBLIGATIONS OWNED DECEMBER 31 OF CURRENT YEAR



Column 20 – Payment Due at Maturity

Report [the contractual](#) payment due at [the legal](#) maturity [date](#). Include the final principal payment (including balloon payments) as well as interest to be paid at maturity. [The amount reported at acquisition shall not be subsequently revised unless additional lots are purchased or if lots are sold. If there is no contractual amount to be paid at legal maturity, report zero.](#)

[Use only for asset-backed securities reported in the following categories:](#)

- [Single Entity Backed Obligations \(Unaffiliated & Affiliated\)](#)

SCHEDULE D – PART 1 – SECTION 2

ASSET-BACKED SECURITIES OWNED DECEMBER 31 OF CURRENT YEAR



Detail Eliminated To Conserve Space



Column 20 – Payment Due at Maturity

Report [the contractual](#) payment due at [the legal](#) maturity [date](#). Include the final principal payment (including balloon payments) as well as interest to be paid at maturity. [The amount reported at acquisition shall not be subsequently revised unless additional lots are purchased or if lots are sold. If there is no contractual amount to be paid at legal maturity, report zero.](#)

[Use only for asset-backed securities reported in the following categories:](#)

- [Financial Asset-Backed Securities – Not Self-Liquidating](#)
- [Non-Financial Asset-Backed Securities – Practical Expedient](#)
- [Non-Financial Asset-Backed Securities – Full Analysis](#)

Column 21 – Origination Balloon Payment %

Use only for asset-backed securities reported in the following categories:

- Financial Asset-Backed Securities – Not Self-Liquidating
- Non-Financial Asset-Backed Securities – Practical Expedient
- Non-Financial Asset-Backed Securities – Full Analysis

Include the percentage of [contractual](#) balloon payment due at [legal](#) maturity based on the original outstanding principal amount. For example, if the original security had principal repayment of \$100 and \$80 is scheduled to be paid at maturity, the balloon payment percentage at origination is 80%. [Origination date information shall be used when available. For instruments purchased on the secondary market, for which origination date information is not available as of the acquisition date may be used using best efforts to obtain data.](#) The balloon percentage shall not be adjusted subsequent to origination regardless of principal reduction or payments in advance of maturity that reduce the outstanding balloon. If there is no balloon payment, then ~~update-report~~ with 0%.

SCHEDULE BA – PART 1

OTHER LONG-TERM INVESTED ASSETS OWNED DECEMBER 31 OF CURRENT YEAR



Detail Eliminated To Conserve Space



Column 26 – Maturity Date

The maturity date shall be reported for all investments on Schedule BA that have a [contractual](#) stated maturity date. This is anticipated to include, but not limited to, all investments captured as non-bond debt securities, surplus notes, capital notes, collateral loans, non-collateral loans, and investments in tax credits. However, this list should not be considered all-inclusive for investments captured on other reporting lines with stated maturity dates.

SCHEDULE BA – PART 2

OTHER LONG-TERM INVESTED ASSETS ACQUIRED AND ADDITIONS MADE DURING THE YEAR



Detail Eliminated To Conserve Space



Column 15 – Maturity Date

The maturity date shall be reported for all investments on Schedule BA that have a [contractual](#) stated maturity date. This is anticipated to include, but not limited to, all investments captured as non-bond debt securities, surplus notes, capital notes, collateral loans, non-collateral loans, and investments in tax credits. However, this list should not be considered all-inclusive for investments captured on other reporting lines with stated maturity dates.

SCHEDULE BA – PART 3

OTHER LONG-TERM INVESTED ASSETS DISPOSED, TRANSFERRED OR REPAID DURING THE YEAR



Detail Eliminated To Conserve Space

Column 24 – Maturity Date

The maturity date shall be reported for all investments on Schedule BA that have a [contractual](#) stated maturity date. This is anticipated to include, but not limited to, all investments captured as non-bond debt securities, surplus notes, capital notes, collateral loans, non-collateral loans, and investments in tax credits. However, this list should not be considered all-inclusive for investments captured on other reporting lines with stated maturity dates.

QUARTERLY STATEMENT INSTRUCTIONS –HEALTH, LIFE/FRATERNAL, PROPERTY, & TITLE

SCHEDULE BA – PART 2

**OTHER LONG-TERM INVESTED ASSETS ACQUIRED
AND ADDITIONS MADE DURING THE CURRENT QUARTER**

Detail Eliminated To Conserve Space

Column 17 – Maturity Date

The maturity date shall be reported for all investments on Schedule BA that have a [contractual](#) stated maturity date. This is anticipated to include, but not limited to, all investments captured as non-bond debt securities, surplus notes, capital notes, collateral loans, non-collateral loans, and investments in tax credits. However, this list should not be considered all-inclusive for investments captured on other reporting lines with stated maturity dates.

SCHEDULE BA – PART 3

**OTHER LONG-TERM INVESTED ASSETS DISPOSED, TRANSFERRED OR REPAYED
DURING THE CURRENT QUARTER**

  **Detail Eliminated To Conserve Space**  

Column 24 – Maturity Date

The maturity date shall be reported for all investments on Schedule BA that have a [contractual](#) stated maturity date. This is anticipated to include, but not limited to, all investments captured as non-bond debt securities, surplus notes, capital notes, collateral loans, non-collateral loans, and investments in tax credits. However, this list should not be considered all-inclusive for investments captured on other reporting lines with stated maturity dates.

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NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

DATE: <u>3/26/2026</u> CONTACT PERSON: <u>Bailey Henning</u> TELEPHONE: <u>816-783-8129</u> EMAIL ADDRESS: <u>bhenning@naic.org</u> ON BEHALF OF: <u>Financial Regulatory Standards & Accreditation (F) Committee</u> NAME: _____ TITLE: _____ AFFILIATION: _____ ADDRESS: _____	FOR NAIC USE ONLY Agenda Item # <u>2026-08BWG MOD</u> Year <u>2026</u> Changes to Existing Reporting [X] New Reporting Requirement [] REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT No Impact [X] Modifies Required Disclosure [] Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No] <i>***If Yes, complete question below***</i> DISPOSITION [] Rejected For Public Comment [] Referred To Another NAIC Group [] Received For Public Comment [X] Adopted Date <u>5/28/2026</u> [] Rejected Date _____ [] Deferred Date _____ [] Other (Specify) _____

BLANK(S) TO WHICH PROPOSAL APPLIES

☒ ANNUAL STATEMENT	☒ INSTRUCTIONS	☒ CROSSCHECKS
☒ QUARTERLY STATEMENT	☒ BLANK	
☒ Life, Accident & Health/Fraternal	☐ Separate Accounts	☒ Title
☒ Property/Casualty	☐ Protected Cell	☐ Other _____
☒ Health	☐ Health (Life Supplement)	☐ Life (Health Supplement)

Anticipated Effective Date: Annual 2026

IDENTIFICATION OF ITEM(S) TO CHANGE

This proposal is to allow for an additional option in the list of active status codes on Schedule T to include an "O - Other" category for reporting entities that have a unique, restricted license type that does not fit into one of the other existing categories. This category would be used by captive insurers, international insurers, or other types of insurers that have received an insurance authorization from a U.S. jurisdiction, but do not qualify as fully admitted carriers and do not fit into one of the other categories.

The proposal also edits the "N - None of the Above" status code to change it to "N - None," as instances where the existing codes do not apply would now be reported through the "O - Other" status code. In addition, the proposal adds a field to Schedule T for the reporting entity to provide a description of the "O - Other" license type being reported.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The benefit of this change is that the authorization of unique entities will be more accurately and consistently presented on Schedule T, which will assist states in monitoring an entity's licensed status and ongoing business activities.

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments: ***** DRAFTING NOTE: Proposal 2025-19BWG's changes are not shown in this proposal.*****

ANNUAL STATEMENT INSTRUCTIONS – HEALTH

SCHEDULE T – PREMIUMS AND OTHER CONSIDERATIONS

ALLOCATED BY STATES AND TERRITORIES

Premiums are reported on a written basis, gross of reinsurance.

Written premium is defined as the contractually determined amount charged by the reporting entity to the policyholder for the effective period of the contract based on the expectation of risk, policy benefits, and expenses associated with the coverage provided by the terms of the insurance contract. For health contracts without fixed contract periods, premiums written will be equal to the amount collected during the reporting period plus uncollected premiums at the end of the period less uncollected premiums at the beginning of the period.

All premium adjustments (both increases and decreases), including but not limited to Affordable Care Act (ACA) premium adjustments related to the risk adjustment program, shall be allocated as premium in the respective jurisdiction.

Column 1 – Active Status

Use the following codes to identify the reporting entity's status for each state or territory reported in the schedule as of the end of the reporting period. Enter the code that applies to the reporting entity's status in the state or territory. Each line must have an entry in order to subtotal Footnote (a).

L – Licensed or Chartered	(Licensed Insurance Carrier and Domiciled Risk Retention Groups referred to in some states as admitted.)
R – Registered	(Non-domiciled Risk Retention Groups)
E – Eligible	(Reporting Entities eligible or approved to write Surplus Lines in the state. In some states referred to as nonadmitted.)
Q – Qualified	(Qualified or Accredited Reinsurer)
<u>O – Other</u>	<u>(Reporting entities have a unique and limited status in the state where none of the other codes apply (e.g., captive or international insurer¹))</u>
N – None ~~of the above~~	(Not allowed to write business in the state ~~or none of the above codes apply~~)

¹ The term "international insurer" refers to a specific type of insurance authority granted by a state or territory, and not a generic term for an alien insurer operating in the U.S.

SCHEDULE T – PREMIUMS AND ANNUITY CONSIDERATIONS**ALLOCATED BY STATES AND TERRITORIES**

This schedule is intended to exhibit the amount of premium and annuity considerations, and deposit-type contracts allocated to each state. For Life Companies only, this Schedule also provides: (a) the starting point for the calculation of state premium taxes, and (b) the starting point for the calculation of premium-based, state guaranty association assessments. (The basis for such assessments is developed in the Life, Health, and Annuity Guaranty Association Assessable Premium Exhibit, not in Schedule T.) See the instructions to the Life, Health, and Annuity Guaranty Association Assessable Premium Exhibit for allocated and unallocated annuities reported in Columns 3, 5, and 7.

Report premiums and annuity considerations for life and health contracts and deposit-type contracts for direct business. Exclude contract proceeds left with the reporting entity, such as amounts for supplemental contracts, dividend or refund accumulations and other similar items. Dividends or refunds on contracts that are used to pay renewal life and accident and health insurance premiums or annuity considerations should be included in the amounts allocated to the states and territories in Columns 2, 3, 4, and 5.

All premium adjustments (both increases and decreases), including but not limited to Affordable Care Act (ACA) premium adjustments related to the risk adjustment program, shall be allocated as premium in the respective jurisdiction.

Refer to *SSAP No. 50—Classifications of Insurance or Managed Care Contracts* for life, accident and health and deposit-type contract definitions, *SSAP No. 51—Life Contracts* and *SSAP No. 52—Deposit-Type Contracts* for accounting guidance.

Column 1 – Active Status

Use the following codes to identify the reporting entity's status for each state or territory reported in the schedule as of the end of the reporting period. Enter the code that applies to the reporting entity's status in the state or territory. Each line must have an entry in order to subtotal Footnote (a).

L	–	Licensed or Chartered	(Licensed Insurance Carrier and Domiciled Risk Retention Groups referred to in some states as admitted.)
R	–	Registered	(Non-domiciled Risk Retention Groups)
E	–	Eligible	(Reporting Entities eligible or approved to write Surplus Lines in the state. In some states referred to as nonadmitted.)
Q	–	Qualified	(Qualified or Accredited Reinsurer)
O	–	~~Qualified~~ Other	(Reporting entities have a unique and limited status in the state where none of the other codes apply (e.g., captive or international insurer²))
N	–	None ~~of the above~~	(Not allowed to write business in the state ~~or none of the above codes apply~~)

² The term "international insurer" refers to a specific type of insurance authority granted by a state or territory, and not a generic term for an alien insurer operating in the U.S.

SCHEDULE T – EXHIBIT OF PREMIUMS WRITTEN**ALLOCATED BY STATES AND TERRITORIES**

This schedule is intended to report premiums, losses, and other items allocated to each state or territory during the current reporting period, regardless of the reporting entity's license status in that state or territory. Allocation of premiums and the other items reported on this schedule should be based on the physical location of the insured risk (except individual and group health insurance). Amounts reported as losses should be assigned to the state in which the associated premium has been allocated.

All U.S. business must be allocated by state regardless of license status.

All premium adjustments (both increases and (decreases)), including but not limited to Affordable Care Act (ACA) premium adjustments related to the risk adjustment program, shall be allocated as premium in the respective jurisdiction.

Column 1 – Active Status

Use the following codes to identify the reporting entity's status for each state or territory reported in the schedule as of the end of the reporting period. Enter the code that applies to the reporting entity's status in the state or territory. Each line must have an entry in order to subtotal Footnote (a).

L – Licensed or Chartered	(Licensed Insurance Carrier and Domiciled Risk Retention Groups referred to in some states as admitted.)
R – Registered	(Non-domiciled Risk Retention Groups)
E – Eligible	(Reporting Entities eligible or approved to write Surplus Lines in the state (other than their state of domicile – see DSLI). In some states referred to as nonadmitted.)
Q – Qualified	(Qualified or Accredited Reinsurer)
D – DSLI	(Domestic Surplus Lines Insurer (DSLI) – Reporting Entities authorized to write Surplus Lines in the state of domicile)
<u>O – Other</u>	<u>(Reporting entities have a unique and limited status in the state where none of the other codes apply (e.g., captive or international insurer³))</u>
N – None ~~of the above~~	(Not allowed to write business in the state ~~or none of the above codes apply~~)

³ The term "international insurer" refers to a specific type of insurance authority granted by a state or territory, and not a generic term for an alien insurer operating in the U.S.

SCHEDULE T – EXHIBIT OF PREMIUMS WRITTEN**BY STATES AND TERRITORIES**

✕	=====	Detail Eliminated To Conserve Space	=====	✕
Column 1	–	Active Status		

Use the following codes to identify the reporting entity's status for each state or territory reported in the schedule as of the end of the reporting period. Enter the code that applies to the reporting entity's status in the state or territory. Each line must have an entry in order to subtotal Footnote (a).

L – Licensed or Chartered	(Licensed Insurance Carrier and Domiciled Risk Retention Groups referred to in some states as admitted.)
R – Registered	(Non-domiciled Risk Retention Groups)
E – Eligible	(Reporting Entities eligible or approved to write Surplus Lines in the state. In some states referred to as nonadmitted.)
Q – Qualified	(Qualified or Accredited Reinsurer)
<u>O – Other</u>	<u>(Reporting entities have a unique and limited status in the state where none of the other codes apply (e.g., captive or international insurer⁴))</u>
N – None ~~of the above~~	(Not allowed to write business in the state ~~or none of the above codes apply~~)

⁴ The term "international insurer" refers to a specific type of insurance authority granted by a state or territory, and not a generic term for an alien insurer operating in the U.S.

ANNUAL STATEMENT BLANK – HEALTH**SCHEDULE T – PREMIUMS AND OTHER CONSIDERATIONS****Allocated by States and Territories**

State, Etc.	1 Active Status (a)	Direct Business Only								
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 CHIP Title XXI	6 Federal Employees Health Benefits Plan Premiums	7 Life & Annuity Premiums & Other Considerations	8 Property/ Casualty Premiums	9 Total Columns 2 Through 8	10 Deposit- Type Contracts
1. Alabama.....AL										
2. Alaska.....AK										
3. Arizona.....AZ										
4. Arkansas.....AR										
5. California.....CA										
6. Colorado.....CO										
7. Connecticut.....CT										
8. Delaware.....DE										
9. Dist. Columbia.....DC										
10. Florida.....FL										
11. Georgia.....GA										
12. Hawaii.....HI										
13. Idaho.....ID										
14. Illinois.....IL										
15. Indiana.....IN										
16. Iowa.....IA										
17. Kansas.....KS										
18. Kentucky.....KY										
19. Louisiana.....LA										
20. Maine.....ME										
21. Maryland.....MD										
22. Massachusetts.....MA										
23. Michigan.....MI										
24. Minnesota.....MN										
25. Mississippi.....MS										
26. Missouri.....MO										
27. Montana.....MT										
28. Nebraska.....NE										
29. Nevada.....NV										
30. New Hampshire.....NH										
31. New Jersey.....NJ										
32. New Mexico.....NM										
33. New York.....NY										
34. North Carolina.....NC										
35. North Dakota.....ND										
36. Ohio.....OH										
37. Oklahoma.....OK										
38. Oregon.....OR										
39. Pennsylvania.....PA										
40. Rhode Island.....RI										
41. South Carolina.....SC										
42. South Dakota.....SD										
43. Tennessee.....TN										
44. Texas.....TX										
45. Utah.....UT										
46. Vermont.....VT										
47. Virginia.....VA										
48. Washington.....WA										
49. West Virginia.....WV										
50. Wisconsin.....WI										
51. Wyoming.....WY										
52. American Samoa.....AS										
53. Guam.....GU										
54. Puerto Rico.....PR										
55. U.S. Virgin Islands.....VI										
56. Northern Mariana Islands.....MP										
57. Canada.....CAN										
58. Aggregate other alien.....OT	XXX									
59. Subtotal.....	XXX									
60. Reporting entity contributions for employee benefit plans.....	XXX									
61. Total (direct business)	XXX									
DETAILS OF WRITE-INS										
58001.	XXX									
58002.	XXX									
58003.	XXX									
58998. Summary of remaining write-ins for Line 58 from overflow page.....	XXX									
58999. Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	XXX									

(a) Active Status Counts:

1. L – Licensed or Chartered – Licensed insurance carrier or domiciled RRG
 2. R – Registered – Non-domiciled RRGs
 3. E – Eligible – Reporting entities eligible or approved to write surplus lines in the state

4. Q – Qualified – Qualified or accredited reinsurer
 5. O – Other – Unique and limited status
 56. N – None of the above – Not allowed to write business in the state

(b) Explanation of basis of allocation by states, premiums by state, etc.

(c) Description of Other Status:

ANNUAL STATEMENT BLANK – LIFE/FRATERNAL

SCHEDULE T – PREMIUMS AND ANNUITY CONSIDERATIONS
Allocated by States and Territories

States, Etc.	1 Active Status (a)	Direct Business Only					
		Life Contracts		4 Accident and Health Insurance Premiums, Including Policy, Membership and Other Fees	5 Other Considerations	6 Total Columns 2 through 5 (b)	7 Deposit -Type Contracts
		2 Life Insurance Premiums	3 Annuity Considerations				
1. Alabama.....AL							
2. Alaska.....AK							
3. Arizona.....AZ							
4. Arkansas.....AR							
5. California.....CA							
6. Colorado.....CO							
7. Connecticut.....CT							
8. Delaware.....DE							
9. District of Columbia.....DC							
10. Florida.....FL							
11. Georgia.....GA							
12. Hawaii.....HI							
13. Idaho.....ID							
14. Illinois.....IL							
15. Indiana.....IN							
16. Iowa.....IA							
17. Kansas.....KS							
18. Kentucky.....KY							
19. Louisiana.....LA							
20. Maine.....ME							
21. Maryland.....MD							
22. Massachusetts.....MA							
23. Michigan.....MI							
24. Minnesota.....MN							
25. Mississippi.....MS							
26. Missouri.....MO							
27. Montana.....MT							
28. Nebraska.....NE							
29. Nevada.....NV							
30. New Hampshire.....NH							
31. New Jersey.....NJ							
32. New Mexico.....NM							
33. New York.....NY							
34. North Carolina.....NC							
35. North Dakota.....ND							
36. Ohio.....OH							
37. Oklahoma.....OK							
38. Oregon.....OR							
39. Pennsylvania.....PA							
40. Rhode Island.....RI							
41. South Carolina.....SC							
42. South Dakota.....SD							
43. Tennessee.....TN							
44. Texas.....TX							
45. Utah.....UT							
46. Vermont.....VT							
47. Virginia.....VA							
48. Washington.....WA							
49. West Virginia.....WV							
50. Wisconsin.....WI							
51. Wyoming.....WY							
52. American Samoa.....AS							
53. Guam.....GU							
54. Puerto Rico.....PR							
55. U.S. Virgin Islands.....VI							
56. Northern Mariana Islands.....MP							
57. Canada.....CAN							
58. Aggregate other alien.....OT							
59. Subtotal.....	XXX						
90. Reporting entity contributions for employee benefits plans.....	XXX						
91. Dividends or refunds applied to purchase paid-up additions and annuities.....	XXX						
92. Dividends or refunds applied to shorten endowment or premium paying period.....	XXX						
93. Premium or annuity considerations waived under disability or other contract provisions.....	XXX						
94. Aggregate other amounts not allocable by State.....	XXX						
95. Totals (direct business).....	XXX						
96. Plus reinsurance assumed.....	XXX						
97. Totals (all business).....	XXX						
98. Less reinsurance ceded.....	XXX						
99. Totals (all business) less reinsurance ceded.....	XXX			(c)			
DETAILS OF WRITE-INS							
58001.....	XXX						
58002.....	XXX						
58003.....	XXX						
58998. Summary of remaining write-ins for Line 58 from overflow page.....	XXX						
58999. Total (Lines 58001 through 58003 + 58998) (Line 58 above).....							
9401.....	XXX						
9402.....	XXX						
9403.....	XXX						
9498. Summary of remaining write-ins for Line 94 from overflow page.....	XXX						
9499. Total (Lines 9401 through 9403 + 9498) (Line 94 above).....							

(a) Active Status Counts:

1. L – Licensed or Chartered - Licensed insurance carrier or domiciled RRG.....	4. Q – Qualified - Qualified or accredited reinsurer.....
2. R – Registered - Non-domiciled RRGs.....	5. O – Other - Unique and limited status.....
3. E – Eligible - Reporting entities eligible or approved to write surplus lines in the state.....	56. N – None of the above - Not allowed to write business in the state.....

(b) Explanation of basis of allocation by states, etc., of premiums and annuity considerations

(a) Active Status Counts:		
1.	L – Licensed or Chartered - Licensed insurance carrier or domiciled RRG	_____
2.	R – Registered - Non-domiciled RRGs	_____
3.	E – Eligible - Reporting entities eligible or approved to write surplus lines in the state (other than their state of domicile – See DSLU)	_____
4.	Q – Qualified - Qualified or accredited reinsurer	_____
5.	D – Domestic Surplus Lines Insurer (DSLU) – Reporting entities authorized to write surplus lines in the state of domicile.	_____
6.	<u>Q – Other – Unique and limited status</u>	_____
67.	N – None of the above – Not allowed to write business in the state.....	_____

(b) Explanation of basis of allocation of premiums by states, etc.

(c) Description of Other status:

(a) Active Status Counts:

1. L – Licensed or Chartered - Licensed insurance carrier or domiciled RRG	_____	4. Q – Qualified - Qualified or accredited reinsurer	_____
2. R – Registered - Non-domiciled RRGs	_____	5. Q – Other - Unique and limited status	_____
3. E – Eligible - Reporting entities eligible or approved to write surplus lines in the state	_____	§6 . N – ~~None of the above~~ - Not allowed to write business in the state	_____

(b) Each type of rate must be coded with a combination of the five activity codes (R, S, X, C, and/or E) listed in the instructions. Use the code combination corresponding to the state's statutory definitions of title insurance premium. If more than one combination of activities is indicated in the statutory definition, all relevant combinations must be listed. See the Schedule T instructions.

[\(c\) Description of Other Status:](#)

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NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

DATE: <u>3/26/2026</u> CONTACT PERSON: _____ TELEPHONE: _____ EMAIL ADDRESS: _____ ON BEHALF OF: _____ NAME: <u>Kevin Clark</u> TITLE: <u>Chair SAPWG</u> AFFILIATION: <u>Iowa Insurance Division</u> ADDRESS: _____	FOR NAIC USE ONLY Agenda Item # <u>2026-09BWG</u> Year <u>2026</u> Changes to Existing Reporting ☒ [X] New Reporting Requirement ☐ [] REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT No Impact ☒ [X] Modifies Required Disclosure ☐ [] Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? ☐ [No] ***If Yes, complete question below*** DISPOSITION ☐ [] Rejected For Public Comment ☐ [] Referred To Another NAIC Group ☐ [] Received For Public Comment ☒ [X] Adopted Date <u>5/28/2026</u> ☐ [] Rejected Date _____ ☐ [] Deferred Date _____ ☐ [] Other (Specify) _____

BLANK(S) TO WHICH PROPOSAL APPLIES

☒ [X] ANNUAL STATEMENT	☒ [X] INSTRUCTIONS	☒ [X] CROSSCHECKS
☐ [] QUARTERLY STATEMENT	☒ [X] BLANK	
☒ [X] Life, Accident & Health/Fraternal	☐ [] Separate Accounts	☒ [X] Title
☒ [X] Property/Casualty	☐ [] Protected Cell	☐ [] Other _____
☒ [X] Health	☐ [] Health (Life Supplement)	☐ [] Life (Health Supplement)

Anticipated Effective Date: Annual 2026

IDENTIFICATION OF ITEM(S) TO CHANGE

Update the Five-Year Historical to add a line reporting short-term and cash equivalent affiliated investments.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The purpose of this proposal reincorporate the affiliated short-term line to the Five-Year Historical. It was previously removed with proposal 2024-02BWG but has since been determined that the reporting line needs to be included on the schedule.

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

**** This section must be completed on all forms.**

Revised 11/17/2022

ANNUAL STATEMENT INSTRUCTIONS – HEALTH

FIVE-YEAR HISTORICAL DATA



Detail Eliminated To Conserve Space



Investments in Parent, Subsidiaries, and Affiliates

Line 26 – Affiliated Bonds

All years Schedule D Summary By Country, Line 9+15, Column 1

Line 27 – Affiliated Preferred Stocks

All years Schedule D Summary By Country, Line 22, Column 1

Line 28 – Affiliated Common Stocks

All years Schedule D Summary By Country, Line 28, Column 1

[Line 29 – Affiliated Short-term Investment and Cash Equivalent](#)

[All years Subtotal included in Schedule DA, Part 1, Line 7699999999, Column 6 and
Schedule E, Part 2, Line 8599999999, Column 7](#)

Line ~~32~~[33](#) – Total Investment in Parent

Report the amount of investments reported in Lines 26 to ~~30~~[31](#) above that are in an immediate or indirect parent.

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL

FIVE-YEAR HISTORICAL DATA

↓ **===== Detail Eliminated To Conserve Space =====** **↓**

Investments in Parent, Subsidiaries, and Affiliates

Line 44 – Affiliated Bonds

All years Schedule D Summary By Country, Line 9+15, Column 1

Line 45 – Affiliated Preferred Stocks

All years Schedule D Summary By Country, Line 22, Column 1

Line 46 – Affiliated Common Stocks

All years Schedule D Summary By Country, Line 28, Column 1

Line 47 – Affiliated Short-term Investment and Cash Equivalent

All years Subtotal included in Schedule DA, Part 1, Line 7699999999, Column 6 and
Schedule E, Part 2, Line 8599999999, Column 7

Line ~~50~~51 – Total Investment in Parent

Report the amount of investments reported in Lines 44 to ~~48~~49 above that are in an immediate or indirect parent.

***** Drafting Note – Renumber remaining lines in instructions. *****

ANNUAL STATEMENT INSTRUCTIONS – PROPERTY

FIVE-YEAR HISTORICAL DATA



Investments in Parent, Subsidiaries, and Affiliates

Line 42 – Affiliated Bonds

All years Schedule D Summary By Country, Line 9+15, Column 1

Line 43 – Affiliated Preferred Stocks

All years Schedule D Summary By Country, Line 22, Column 1

Line 44 – Affiliated Common Stock

All years Schedule D Summary By Country, Line 28, Column 1

Line 45 – Affiliated Short-term Investment and Cash Equivalent

All years Subtotal included in Schedule DA, Part 1, Line 7699999999, Column 6 and
Schedule E, Part 2, Line 8599999999, Column 7

Line ~~48~~49 – Total Investment in Parent

Report the amount of investments reported in Lines 42 to ~~46~~47 above that are in an immediate or indirect parent.

Line ~~49~~50 – Percentage of Investments in Parents, Subsidiaries, and Affiliates to Surplus as Regards Policyholders

All years Five Year Historical, Line ~~47~~48 divided by Page 3, Column 1, Line 37 x 100.0

***** Drafting Note – Renumber remaining lines in instructions. *****

ANNUAL STATEMENT INSTRUCTIONS – TITLE

FIVE-YEAR HISTORICAL DATA

↓ **===== Detail Eliminated To Conserve Space =====** ↓

Investment in Parent, Subsidiaries, and Affiliates

Line 38 – Affiliated Bonds

All years Schedule D Summary By Country, Line 9+15, Column 1

Line 39 – Affiliated Preferred Stock

All years Schedule D Summary By Country, Line 22, Column 1

Line 40 – Affiliated Common Stock

All years Schedule D Summary By Country, Line 28, Column 1

Line 41 – Affiliated Short-term Investment and Cash Equivalent

All years Subtotal included in Schedule DA, Part 1, Line 7699999999, Column 6 and
Schedule E, Part 2, Line 8599999999, Column 7

Line ~~44~~45 – Total Investment in Parent

Report the amount of investments reported in Lines 38 to ~~42~~43 above that are in an immediate or indirect parent.

Line ~~45~~46 – Percentage of Investments in Parent, Subsidiaries, and Affiliates to Surplus as Regards to Policyholders

All years Line ~~43~~44 divided by Page 3, Line 32, Column 1 x 100.0

***** Drafting Note – Renumber remaining lines in instructions. *****

ANNUAL STATEMENT BLANK – HEALTH

FIVE-YEAR HISTORICAL DATA

	1 2026	2 2025	3 2024	4 2023	5 2022
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28)					
2. Total liabilities (Page 3, Line 24)					
3. Statutory minimum capital and surplus requirement.....					
4. Total capital and surplus (Page 3, Line 33)					
Income Statement (Page 4)					
5. Total revenues (Line 8).....					
6. Total medical and hospital expenses (Line 18)					
7. Claims adjustment expenses (Line 20)					
8. Total administrative expenses (Line 21)					
9. Net underwriting gain (loss) (Line 24)					
10. Net investment gain (loss) (Line 27)					
11. Total other income (Lines 28 plus 29)					
12. Net income or (loss) (Line 32)					
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)					
Risk-Based Capital Analysis					
14. Total adjusted capital					
15. Authorized control level risk-based capital					
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)					
17. Total members months (Column 6, Line 7)					
Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19)					
20. Cost containment expenses					
21. Other claims adjustment expenses					
22. Total underwriting deductions (Line 23)					
23. Total underwriting gain (loss) (Line 24)					
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 17, Col. 5)					
25. Estimated liability of unpaid claims-[prior year (Line 17, Col. 6)]...					
Investments in Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 9 + 15, Col. 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 22, Col. 1)					
28. Affiliated common stocks (Sch. D Summary, Line 28, Col. 1)					
29. <u>Affiliated short-term investments and cash equivalent (Sch. DA Pt. 1, Line 7699999999, Col. 6 and Sch. E Pt 2, Line 8599999999, Col. 7)</u>					
~~29~~ 30. Affiliated mortgage loans on real estate					
~~30~~ 31. All other affiliated					
~~31~~ 32. Total of above Lines 26 to ~~30~~ 31					
~~32~~ 33. Total investment in parent included in Lines 26 to ~~30~~ 31 above.					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3—Accounting Changes and Corrections of Errors? Yes [] No []
If no, please explain

ANNUAL STATEMENT BLANK – LIFE/FRATERNAL

FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e., 17.6
\$000 omitted for amounts of life insurance

	1 2026	2 2025	3 2024	4 2023	5 2022
Life Insurance in Force (Exhibit of Life Insurance)					
1. Ordinary-whole life and endowment (Line 34, Col. 4)					
2. Ordinary-term (Line 21, Col. 4, less Line 34, Col. 4)					
3. Credit life (Line 21, Col. 6)					
4. Group, excluding FEGLI/SGLI (Line 21, Col. 9 less Lines 43 & 44, Col. 4)					
5. Industrial (Line 21, Col. 2)					
6. FEGLI/SGLI (Lines 43 & 44, Col. 4)					
7. Total (Line 21, Col. 10)					
7.1 Total in force for which VM-20 deterministic/stochastic reserves are calculated					
New Business Issued (Exhibit of Life Insurance)					
8. Ordinary-whole life and endowment (Line 34, Col. 2)					
9. Ordinary-term (Line 2, Col. 4, less Line 34, Col. 2)					
10. Credit life (Line 2, Col. 6)					
11. Group (Line 2, Col. 9)					
12. Industrial (Line 2, Col. 2)					
13. Total (Line 2, Col. 10)					
Premium Income-Lines of Business (Exhibit 1 – Part 1)					
14. Individual life (Line 20.4, Col. 2)					
15. Group life (Line 20.4, Col. 3)					
16. Individual annuities (Line 20.4, Col. 4)					
17. Group annuities (Line 20.4, Col. 5)					
18. Accident & Health (Line 20.4, Col. 6)					
19. Other lines of business (Line 20.4, Col. 8)					
20. Total					
Balance Sheet (Pages 2 and 3)					
21. Total admitted assets excluding Separate Accounts business (Page 2, Line 26, Col. 3)					
22. Total liabilities excluding Separate Accounts business (Page 3, Line 26)					
23. Aggregate life reserves (Page 3, Line 1)					
23.1 Excess VM-20 deterministic/stochastic reserve over NPR related to Line 7.1					
24. Aggregate A & H reserves (Page 3, Line 2)					
25. Deposit-type contract funds (Page 3, Line 3)					
26. Asset valuation reserve (Page 3, Line 24.01)					
27. Capital (Page 3, Lines 29 & 30)					
28. Surplus (Page 3, Line 37)					
Cash Flow (Page 5)					
29. Net cash from operations (Line 11)					
Risk-Based Capital Analysis					
30. Total adjusted capital					
31. Authorized control level risk-based capital					
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Line No./Page 2, Line 12, Col. 3) x 100.0					
32. Bonds (Line 1)					
33. Stocks (Lines 2.1 and 2.2)					
34. Mortgage loans on real estate (Lines 3.1 and 3.2)					
35. Real estate (Lines 4.1, 4.2 and 4.3)					
36. Cash, cash equivalents and short-term investments (Line 5)					
37. Contract loans (Line 6)					
38. Derivatives (Page 2, Line 7)					
39. Other invested assets (Line 8)					
40. Receivables for securities (Line 9)					
41. Securities lending reinvested collateral assets (Line 10)					
42. Aggregate write-ins for invested assets (Line 11)					
43. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
44. Affiliated bonds (Sch. D Summary, Line 9 + 15, Col. 1)					
45. Affiliated preferred stocks (Sch. D Summary, Line 22, Col. 1)					
46. Affiliated common stocks (Sch. D Summary, Line 28, Col. 1)					
Affiliated short-term investments and cash equivalents (Sch. DA Pt. 1, Line 7699999999, Col. 6 and					
Sch. E Pt 2, Line 8599999999, Col. 7)					
47. Affiliated mortgage loans on real estate					
48. All other affiliated					
49. Total of above Lines 44 to 48					
50. Total investment in parent included in Lines 44 to 48 above					

*** Drafting Note – Renumber remaining lines in blank. ***

ANNUAL STATEMENT BLANK – PROPERTY

FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e., 17.6.

	1 2026	2 2025	3 2024	4 2023	5 2022
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)					
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
6. Total (Line 35)					
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)					
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
12. Total (Line 35)					
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)					
14. Net investment gain (loss) (Line 11)					
15. Total other income (Line 15)					
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)					
18. Net income (Line 20)					
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)					
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)					
20.2 Deferred and not yet due (Line 15.2)					
20.3 Accrued retrospective premiums (Line 15.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 26)					
22. Losses (Page 3, Line 1)					
23. Loss adjustment expenses (Page 3, Line 3)					
24. Unearned premiums (Page 3, Line 9)					
25. Capital paid up (Page 3, Lines 30 & 31)					
26. Surplus as regards policyholders (Page 3, Line 37)					
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)					
Risk-Based Capital Analysis					
28. Total adjusted capital					
29. Authorized control level risk-based capital					
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)					
31. Stocks (Lines 2.1 & 2.2)					
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)					
35. Contract loans (Line 6)					
36. Derivatives (Line 7)					
37. Other invested assets (Line 8)					
38. Receivables for securities (Line 9)					
39. Securities lending reinvested collateral assets (Line 10)					
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Sch. D, Summary, Line 9 + 15, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 22, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 28, Col. 1)					
<u>45. Affiliated short-term investments and cash equivalents (Sch. DA Pt. 1, Line 7699999999, Col. 6 and Sch. E Pt 2, Line 8599999999, Col. 7)</u>					
<u>45</u> <u>46. Affiliated mortgage loans on real estate</u>					
<u>46</u> <u>47. All other affiliated</u>					
<u>47</u> <u>48. Total of above Lines 42 to <u>46</u><u>47</u></u>					
<u>48</u> <u>49. Total investment in parent included in Lines 42 to <u>46</u><u>47</u> above</u>					
<u>49</u> <u>50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line <u>47</u><u>48</u> above divided by Page 3, Col. 1, Line 37 x 100.0)</u>					

***** Drafting Note – Renumber remaining lines in blank. *****

ANNUAL STATEMENT BLANK – TITLE

FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e. 17.6.

	1 2026	2 2025	3 2024	4 2023	5 2022
Source of Direct Title Premiums Written (Part 1A)					
1. Direct operations (Part 1A, Line 1, Col. 1)					
2. Non-affiliated agency operations (Part 1A, Line 1, Col. 2)					
3. Affiliated agency operations (Part 1A, Line 1, Col. 3)					
4. Total					
Operating Income Summary (Page 4 & Part 1)					
5. Premiums earned (Part 1B, Line 3)					
6. Escrow and settlement service charges (Part 1A, Line 2)					
7. Title examinations (Part 1A, Line 3)					
8. Searches and abstracts (Part 1A, Line 4)					
9. Surveys (Part 1A, Line 5)					
10. Aggregate write-ins for service charges (Part 1A, Line 6)					
11. Other operating income (Page 4, Line 2)					
12. Total operating income (Page 4, Line 3)					
Statement of Income (Page 4)					
13. Net operating gain or (loss) (Line 8)					
14. Net investment gain or (loss) (Line 11)					
15. Total other income (Line 12)					
16. Federal and foreign income taxes incurred (Line 14)					
17. Net income (Line 15)					
Balance Sheet (Pages 2 and 3)					
18. Title insurance premiums and fees receivable (Page 2, Line 15, Col. 3)					
19. Total admitted assets excluding segregated accounts (Page 2, Line 26, Col. 3)					
20. Known claims reserve (Page 3, Line 1)					
21. Statutory premium reserve (Page 3, Line 2)					
22. Total liabilities (Page 3, Line 23)					
23. Capital paid up (Page 3, Lines 25 + 26)					
24. Surplus as regards policyholders (Page 3, Line 32)					
Cash Flow (Page 5)					
25. Net cash from operations (Line 11)					
Percentage Distribution of Cash, Cash-Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
26. Bonds (Line 1)					
27. Stocks (Lines 2.1 & 2.2)					
28. Mortgage loans on real estate (Line 3.1 and 3.2)					
29. Real estate (Lines 4.1, 4.2 & 4.3)					
30. Cash, cash equivalents and short-term investments (Line 5)					
31. Contract loans (Line 6)					
32. Derivatives (Line 7)					
33. Other invested assets (Line 8)					
34. Receivable for securities (Line 9)					
35. Securities lending reinvested collateral assets (Line 10)					
36. Aggregate write-ins for invested assets (Line 11)					
37. Subtotals cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
38. Affiliated bonds (Sch. D Summary, Line 9 + 15, Col. 1)					
39. Affiliated preferred stocks (Sch. D, Summary, Line 22, Col. 1)					
40. Affiliated common stocks (Sch. D, Summary, Line 28, Col. 1)					
41. <u>Affiliated short-term investments and cash equivalents (Sch. DA Pt. 1, Line 7699999999, Col. 6 and Sch. E Pt 2, Line 8599999999, Col. 7)</u>					
42. <u>Affiliated mortgage loans on real estate</u>					

~~42~~ <u>43</u> .	All other affiliated					
~~43~~ <u>44</u> .	Total of above Lines 38 to ~~42~~ <u>43</u>					
~~44~~ <u>45</u> .	Total investment in parent included in Lines 38 to ~~42~~ <u>43</u> above					
~~45~~ <u>46</u> .	Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line ~~43~~ <u>44</u> above divided by Page 3, Line 32, Col. 1 x 100.0)					

***** Drafting Note – Renumber remaining lines in blank. ***

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NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

DATE: <u>3/26/2026</u> CONTACT PERSON: _____ TELEPHONE: _____ EMAIL ADDRESS: _____ ON BEHALF OF: _____ NAME: <u>Kevin Clark</u> TITLE: <u>Chair SAPWG</u> AFFILIATION: <u>Iowa Insurance Division</u> ADDRESS: _____	FOR NAIC USE ONLY Agenda Item # <u>2026-11BWG</u> Year <u>2026</u> Changes to Existing Reporting [X] New Reporting Requirement [] REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT No Impact [X] Modifies Required Disclosure [] Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No] <i>***If Yes, complete question below***</i> DISPOSITION [] Rejected For Public Comment [] Referred To Another NAIC Group [] Received For Public Comment [X] Adopted Date <u>5/28/2026</u> [] Rejected Date _____ [] Deferred Date _____ [] Other (Specify) _____

BLANK(S) TO WHICH PROPOSAL APPLIES

[X] ANNUAL STATEMENT [] QUARTERLY STATEMENT [X] Life, Accident & Health/Fraternal [X] Property/Casualty [X] Health	[X] INSTRUCTIONS [] BLANK [] Separate Accounts [] Protected Cell [] Health (Life Supplement)	[] CROSSCHECKS [X] Title [] Other _____ [] Life (Health Supplement)

Anticipated Effective Date: Annual 2026

IDENTIFICATION OF ITEM(S) TO CHANGE

Update Notes to Financials Note 5A – Mortgage Loans by adding a paragraph to disclose mortgage loans acquired through a qualifying investment in a qualifying statutory trust.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The purpose of this proposal is update Notes to Financials with the new disclosure in SSAP No. 37 – Mortgage Loans. (SAPWG Ref. 2025-13)

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

ANNUAL STATEMENT INSTRUCTIONS –HEALTH, LIFE/FRATERNAL, PROPERTY, & TITLE

NOTES TO FINANCIAL STATEMENTS

Detail Eliminated To Conserve Space

Note 5 - Investments

Note 5A – Instruction:

- A. Mortgage Loans, including Mezzanine Real Estate Loans

For mortgage loans, disclose the following information:

Detail Eliminated To Conserve Space

- (9) The policy for recognizing interest income on impaired loans, including the method for recording cash receipts.

(10) The following disclosures shall be made for mortgage loans acquired through a qualifying investment in a qualifying statutory trust:

- a. A description of the qualifying statutory trust(s). Mortgage loans held in qualifying statutory trusts must be separately reported on Schedule B in accordance with the annual statement instructions.
- If the qualifying statutory trust(s) holds any amount of subprime mortgages, the reporting entity must disclose this fact in the description of the qualifying statutory trust(s) and complete the subprime mortgage disclosures as detailed in SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures. Transactions of the qualifying statutory trusts within the scope of SSAP No. 25 shall also be disclosed.
 - The description of each qualifying statutory trust must specify its state of domicile as well as each U.S. state and/or foreign country, if applicable, in which the qualifying statutory trust holds residential mortgage loans.
 - Summary of assets and liabilities held within qualifying statutory trusts; aggregated by total residential mortgage loans, real estate acquired through foreclosure, cash and cash equivalents, and liabilities (if any) to be shown by reporting line.
- b. Disclosure of material litigation and any kind of material state or federal regulatory review and/or action concerning the qualifying statutory trust(s).
- c. Disclosure of financing transactions of any sort which are secured, directly or indirectly, by statutory trust assets.
- d. Total of residential mortgages held in qualifying statutory trusts, disaggregated by loan standing: In Good Standing, Restructured, Overdue Interest Over 90 Days Not in the Process of Foreclosure, and In the Process of Foreclosure.

Note 5A – Illustration:

A. Mortgage Loans, including Mezzanine Real Estate Loans



Detail Eliminated To Conserve Space



(9) The company recognizes interest income on its impaired loans upon receipt.

(10) The following disclosures shall be made for mortgage loans acquired through a qualifying investment in a qualifying statutory trust:

a. The reporting entity holds one qualifying statutory trust captured in SSAP No. 37, with the mortgage loans within the trust individually reported on Schedule B. The statutory trust is domiciled in Delaware and holds residential mortgage loans for properties located in Florida and Georgia. The qualifying statutory trust includes \$1.3 million of residential mortgage loans and does not include any foreclosed real estate or cash or cash equivalents.

b. There are no material litigations concerning the qualifying statutory trust.

c. The reporting entity has pledged residential mortgage loans held in the qualifying statutory trust to the Federal Home Loan Bank under their FHLB borrowing agreement. These pledged assets are captured in the restricted asset note (Note 5L) as well as the FHLB note (Note 11B).

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLES (5A(10)d) BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THESE ILLUSTRATIONS.

d. Total of residential mortgages held in qualifying statutory trusts, disaggregated by loan standing:

<u>In Good Standing</u>	<u>Restructured</u>	<u>Overdue Interest Over 90 Days Not in the Process of Foreclosure</u>	<u>In the Process of Foreclosure</u>
\$ _____	\$ _____	\$ _____	\$ _____

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

DATE: <u>4/20/2026</u> CONTACT PERSON: _____ TELEPHONE: _____ EMAIL ADDRESS: _____ ON BEHALF OF: _____ NAME: <u>Ben Slutsker</u> TITLE: <u>Life RBC Chair</u> AFFILIATION: <u>MN Department of Commerce</u> ADDRESS: _____	<u>FOR NAIC USE ONLY</u> Agenda Item # <u>2026-12BWG</u> Year <u>2026</u> Changes to Existing Reporting [X] New Reporting Requirement [] <u>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</u> No Impact [X] Modifies Required Disclosure [] Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No] <i>***If Yes, complete question below***</i> <u>DISPOSITION</u> [] Rejected For Public Comment [] Referred To Another NAIC Group [] Received For Public Comment [X] Adopted Date <u>5/28/2026</u> [] Rejected Date _____ [] Deferred Date _____ [] Other (Specify) _____

BLANK(S) TO WHICH PROPOSAL APPLIES

☒ ANNUAL STATEMENT ☐ QUARTERLY STATEMENT ☒ Life, Accident & Health/Fraternal ☐ Property/Casualty ☐ Health	☐ INSTRUCTIONS ☒ BLANK ☒ Separate Accounts ☐ Protected Cell ☐ Health (Life Supplement)	☐ CROSSCHECKS ☐ Title ☐ Other _____ ☐ Life (Health Supplement)

Anticipated Effective Date: Annual 2026

IDENTIFICATION OF ITEM(S) TO CHANGE

Update the AVR factors to zero in columns 7 and 9 for the Collateral Loan section.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

This proposal was prepared to update the collateral loan factors for Reserve Objective and Maximum Reserve to be zero. These should have been set at zero when the collateral loan section was added in 2025.

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments: _____

**** This section must be completed on all forms.**

Revised 11/17/2022

ANNUAL STATEMENT BLANK – LIFE/FRATERNAL AND SEPARATE ACCOUNTS

ASSET VALUATION RESERVE (Continued)
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
EQUITY AND OTHER INVESTED ASSET COMPONENT

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	Basic Contribution		Reserve Objective		Maximum Reserve	
							5 Factor	6 Amount (Cols. 4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols. 4x9)
100		COLLATERAL LOANS										
101		Backed by mortgage loans – collateral loans – unaffiliated		XXX	XXX		0.0000		0.00000.0680		0.00000.0680	
102		Backed by mortgage loans – collateral loans – affiliated		XXX	XXX		0.0000		0.00000.0680		0.00000.0680	
103		Backed by joint ventures, partnerships, & limited liability companies – collateral loans – unaffiliated.....		XXX	XXX		0.0000		0.00000.0680		0.00000.0680	
104		Backed by joint ventures, partnerships, & limited liability companies – collateral loans – affiliated		XXX	XXX		0.0000		0.00000.0680		0.00000.0680	
105		Backed by residual tranches or interests – collateral loans – unaffiliated.....		XXX	XXX		0.0000		0.00000.0680		0.00000.0680	
106		Backed by residual tranches or interests – collateral loans – affiliated.....		XXX	XXX		0.0000		0.00000.0680		0.00000.0680	
107		Backed by debt securities – collateral loans – unaffiliated		XXX	XXX		0.0000		0.00000.0680		0.00000.0680	
108		Backed by debt securities – collateral loans – affiliated		XXX	XXX		0.0000		0.00000.0680		0.00000.0680	
109		Backed by real estate – collateral loans – unaffiliated.....		XXX	XXX		0.0000		0.00000.0680		0.00000.0680	
110		Backed by real estate – collateral loans – affiliated.....		XXX	XXX		0.0000		0.00000.0680		0.00000.0680	
111		Collateral loans – all other – unaffiliated.....		XXX	XXX		0.0000		0.00000.0680		0.00000.0680	
112		Collateral loans – all other – affiliated.....		XXX	XXX		0.0000		0.00000.0680		0.00000.0680	
		Total collateral loans (Sum of Lines 100 through 111)		XXX	XXX		XXX		XXX		XXX	
113		ALL OTHER INVESTMENTS										
114		NAIC 1 working capital finance investments		XXX			0.0000		0.0042		0.0042	
115		NAIC 2 working capital finance investments		XXX			0.0000		0.0137		0.0137	
116		Other invested assets - Schedule BA		XXX			0.0000		0.1580		0.1580	
117		Other short-term invested assets - Schedule DA		XXX			0.0000		0.1580		0.1580	
118		Total all other (Sum of Lines 113 through 116)		XXX			XXX		XXX		XXX	
		Total other invested assets - Schedules BA & DA (Sum of Lines 29, 37, 64, 70, 74, 79, 92, 99 112, and 117)					XXX		XXX		XXX	

- (a) Times the company's weighted average portfolio beta (Minimum .1215, Maximum .2431).
(b) This will be the factor associated with the risk category determined in the company generated worksheet.

*****Drafting Note: Changes in Blanks Proposal 2025-27BWG for AVR – CLO reporting are not shown on this proposal. Line numbers for AVR reporting are being updated in Blanks Proposal 2025-27BWG.*****

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Blanks (E) Working Group
Editorial Revisions to the Blanks and Instructions
(presented at the May 28, 2026, Meeting)

Statement Type:

H = Health; **L/F** = Life/Fraternal Combined; **P/C** = Property/Casualty; **SA** = Separate Accounts; **T** = Title

Effective	Table Name	Description	Statement Type	Filing Type
2026	Exhibit of Nonadmitted Assets	CHANGE TO INSTRUCTION Update the instructions to the first sentence on the Exhibit of Nonadmitted Assets to provide clarifying language on what should be included. This change came about with proposal 2025-23BWG when this exhibit is being added to the Separate Account blank and it was decided that the wording of this first sentence should be updated to clarify that the schedule should include all nonadmitted assets. This schedule should include the nonadmitted <u>amounts for all assets</u>~~(both group and individual) amounts for both invested assets and other than invested assets.~~	H, L/F, P/C, T	Annual
2026	Notes to Financial Statements	CHANGE TO INSTRUCTION Minor update to Note 8A(4) to add word “received” that was inadvertently missed when updating Notes to Financial Statements for SAPWG Reference 2024-23. (4) Identification of whether the reporting entity has derivative contracts with financing premiums. (For purposes of this term, this includes scenarios in which the premium cost is paid/<u>received</u> at the end of the derivative contract or throughout the derivative contract.)	H, L/F, P/C, T	Annual

Effective	Table Name	Description	Statement Type	Filing Type
		NAIC Designation Equivalent: For the NAIC Designation Equivalent, use the NAIC Designation that would have been used for the investment had it been reported on Schedule D, Part 1, Section 1 if available. If no NAIC Designation is available, the reporting entity should use a Designation Equivalent most closely resembles their credit risk the investment. NAIC Designation Modifier Equivalent: Bonds (Lines 0019999999 through 02699999990279999999)		
2026 / 2027	Notes to Financial Statements	CHANGE TO INSTRUCTION Update Note 5L(4) crosschecks that check back to Note 5L(1). The column reference for 5L(1) in the crosscheck should be Column 3 for Separate Account, not Column 2. *** k (Collateral BACV) should equal Note 5L(1) Column 1, Line o. w (Collateral BACV) should equal Note 5L(1) Column 23, Line o. **** k (Modco BACV) should equal Note 5L(1) Column 1, Line p. w (Modco BACV) should equal Note 5L(1) Column 23, Line p. ***** k (FWH BACV) should equal Note 5L(1) Column 1, Line q. w (FWH BACV) should equal Note 5L(1) Column 23, Line q.	L/F	Annual / Quarterly
2026 / 2027	Notes to Financial Statements	CHANGE TO INSTRUCTION Update Note 5L(4) crosschecks that check back to Note 5L(1). The column reference for 5L(1) in the crosscheck should be Column 3 for Protected Cell, not Column 2. *** k (Collateral BACV) should equal Note 5L(1) Column 1, Line o. w (Collateral BACV) should equal Note 5L(1) Column 23, Line o. **** k (Modco BACV) should equal Note 5L(1) Column 1, Line p. w (Modco BACV) should equal Note 5L(1) Column 23, Line p. ***** k (FWH BACV) should equal Note 5L(1) Column 1, Line q. w (FWH BACV) should equal Note 5L(1) Column 23, Line q.	P/C	Annual / Quarterly

Effective	Table Name	Description	Statement Type	Filing Type
2026 / 2027	Schedule Y, Part 1A	CHANGE TO INSTRUCTION Remove the electronic only column for Legal Entity Identifier. When the LEI columns were removed from the investment schedules (with the exception of Schedule DB), we inadvertently didn't review the remainder of the instructions to see if there were other places that were not needed. ~~** Column 17 will be electronic only. **~~ ~~Column 17 — Legal Entity Identifier (LEI)~~ ~~Provide the 20-character Legal Entity Identifier (LEI) for any issuer as assigned by a designated Local Operating Unit. If no LEI number has been assigned, leave blank.~~	H, L/F, P/C, T	Annual / Quarterly
2026 / 2027	Schedule B, Part 1, 2, & 3	CHANGE TO INSTRUCTION Update the Loan Type column instructions to clarify that the column should not be left blank and codes 1 or 2 will always apply. (Part 2 and 3 column number is Column 4) Column 5 — Loan Type If the loan was made to an officer or director of the reporting entity/subsidiary/affiliate, enter "E". If the loan was made directly to a subsidiary or affiliate enter "S". If the loan was made directly to a related party that doesn't meet the affiliate definition or the reporting entity has received domiciliary state approval to disclaim control/affiliation, enter "R." If the residential mortgage loan is held in a qualifying statutory trust, enter "T". If the mortgage loan is 100% first lien, enter "1".	H, L/F, P/C, T, SA	Annual / Quarterly

Effective	Table Name	Description	Statement Type	Filing Type
		If the mortgage loan is not a first lien, including those with a combination of first and subordinate liens, enter "2". If there is more than one loan type codes, then list the appropriate code(s) separated by commas. ~~Otherwise, leave the column blank.~~ Note: Code 1 or 2 would always apply.		
2026 / 2027	Schedule BA, Part 1, 2, & 3	CHANGE TO INSTRUCTION Update the Maturity Date column instructions on Schedule BA to clarify that the field should be left blank if the investment does not have a contractual, stated maturity date. <i>(Column References: Part 1 is Column 26, Part 2 is Column 15, Part 3 is Column 24 / Quarterly References: Part 2 is Column 17, Part 3 is Column 24)</i> Column 26 – Maturity Date The maturity date shall be reported for all investments on Schedule BA that have a stated maturity date. This is anticipated to include, but not limited to, all investments captured as non-bond debt securities, surplus notes, capital notes, collateral loans, non-collateral loans, and investments in tax credits. However, this list should not be considered all-inclusive for investments captured on other reporting lines with stated maturity dates. If the investment does not have a contractual, stated maturity date, then leave blank.	H, L/F, P/C, T, SA	Annual / Quarterly
2027	General Interrogatories Part 1	CHANGE TO INSTRUCTION Remove the LEI reference from General Interrogatory # 16.6 to be consistent with the Annual General Interrogatories that were updated for Annual 2025. 16.6 For assets managed by an affiliated or unaffiliated firm or individual, provide for each firm or individual the Central Registration Depository Number, ~~Legal Entity Identifier (LEI)~~, who they are registered with and if an Investment Management Agreement has been filed for each firm or individual.	H, L/F, P/C, T	Quarterly

Effective	Table Name	Description	Statement Type	Filing Type
		<u>Central Registration Depository Number:</u> The Central Registration Depository (CRD) number is a number issued by the Financial Industry Regulatory Authority (FINRA) to brokers, dealers or individuals when licensed, and can be verified against their database www.finra.org. These brokers, dealers or individuals would be those contracted to manage some of the reporting entity's investments or funds and invest them for the reporting entity. The brokers, dealers or individuals can be affiliated or unaffiliated with the reporting entity. The reporting entity must list all brokers, dealers or individuals who have the authority to make investments on behalf of the reporting entity. <u>Name of Firm or Individual:</u> Should be name of firm or individual provided for 16.5 <u>Legal Entity Identifier (LEI):</u> ~~Provide the 20-character Legal Entity Identifier (LEI) for issuer as assigned by a designated Local Operating Unit. If no LEI number has been assigned, leave blank.~~		
2027	Notes to Financial Statements	CHANGE TO INSTRUCTION Update Note 5L(1) Columns 8 and 9 to not allow entry in quarterly reporting. The general interrogatories referenced are annual interrogatories and will not tie to quarterly reporting. Also add a disclaimer that the difference/explanation table for Note 5L(1) should only be completed for annual reporting.	H, T	Quarterly

Effective	Table Name	Description	Statement Type	Filing Type																																																																																
		<table><tr><th></th><th>8 Amount Reported in Annual General Interrogatories</th><th>9 Difference from Note and Annual GI</th><th>10 Annual GI Ref</th></tr><tr><td>Restricted Asset Category</td><td></td><td></td><td></td></tr><tr><td>a. Subject to contractual obligation for which liability is not shown</td><td>XXX</td><td>XXX</td><td>XXX</td></tr><tr><td>b. Collateral held under security lending agreements</td><td>XXX</td><td>XXX</td><td>25.04 + 25.05</td></tr><tr><td>c. Subject to repurchase agreements</td><td>XXX</td><td>XXX</td><td>26.21</td></tr><tr><td>d. Subject to reverse repurchase agreements</td><td>XXX</td><td>XXX</td><td>26.22</td></tr><tr><td>e. Subject to dollar repurchase agreements</td><td>XXX</td><td>XXX</td><td>26.23</td></tr><tr><td>f. Subject to dollar reverse repurchase agreements</td><td>XXX</td><td>XXX</td><td>26.24</td></tr><tr><td>g. Placed under option contracts</td><td>XXX</td><td>XXX</td><td>26.25</td></tr><tr><td>h. Letter stock or securities restricted as to sale – excluding FHLB capital stock</td><td>XXX</td><td>XXX</td><td>26.26</td></tr><tr><td>i. FHLB capital stock</td><td>XXX</td><td>XXX</td><td>26.27</td></tr><tr><td>j. On deposit with states</td><td>XXX</td><td>XXX</td><td>26.28</td></tr><tr><td>k. On deposit with other regulatory bodies</td><td>XXX</td><td>XXX</td><td>26.29</td></tr><tr><td>l. Pledged as collateral to FHLB (including assets backing funding agreements)</td><td>XXX</td><td>XXX</td><td>26.31</td></tr><tr><td>m. Pledged as collateral not captured in other categories</td><td>XXX</td><td>XXX</td><td>26.30</td></tr><tr><td>n. Other restricted assets</td><td>XXX</td><td>XXX</td><td>26.32</td></tr><tr><td>o. Collateral Assets Received and on Balance Sheet</td><td>XXX</td><td>XXX</td><td>XXX</td></tr><tr><td>p. Assets held under ~~Modco~~ Reinsurance Agreements</td><td>XXX</td><td>XXX</td><td>XXX</td></tr><tr><td>q. Assets held under Funds Withheld Reinsurance Agreements</td><td>XXX</td><td>XXX</td><td>XXX</td></tr><tr><td>r. Total Restricted Assets (Sum of a through q)</td><td>XXX</td><td>XXX</td><td>XXX</td></tr></table> ***Detail Eliminated to Conserve Space***		8 Amount Reported in Annual General Interrogatories	9 Difference from Note and Annual GI	10 Annual GI Ref	Restricted Asset Category				a. Subject to contractual obligation for which liability is not shown	XXX	XXX	XXX	b. Collateral held under security lending agreements	XXX	XXX	25.04 + 25.05	c. Subject to repurchase agreements	XXX	XXX	26.21	d. Subject to reverse repurchase agreements	XXX	XXX	26.22	e. Subject to dollar repurchase agreements	XXX	XXX	26.23	f. Subject to dollar reverse repurchase agreements	XXX	XXX	26.24	g. Placed under option contracts	XXX	XXX	26.25	h. Letter stock or securities restricted as to sale – excluding FHLB capital stock	XXX	XXX	26.26	i. FHLB capital stock	XXX	XXX	26.27	j. On deposit with states	XXX	XXX	26.28	k. On deposit with other regulatory bodies	XXX	XXX	26.29	l. Pledged as collateral to FHLB (including assets backing funding agreements)	XXX	XXX	26.31	m. Pledged as collateral not captured in other categories	XXX	XXX	26.30	n. Other restricted assets	XXX	XXX	26.32	o. Collateral Assets Received and on Balance Sheet	XXX	XXX	XXX	p. Assets held under ~~Modco~~ Reinsurance Agreements	XXX	XXX	XXX	q. Assets held under Funds Withheld Reinsurance Agreements	XXX	XXX	XXX	r. Total Restricted Assets (Sum of a through q)	XXX	XXX	XXX		
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2027	VM-22 Reserves Supplement Part 1A	CHANGE TO BLANK Remove all the “XXX”s from Column 1 – Prior Year. These XXX’s were originally added because the supplement was new for 2026 and there wouldn’t be prior year data. Now for Annual 2027 the prior year column should be open for entry. VM-22 RESERVES SUPPLEMENT – PART 1A Non-Variable Annuity Reserves Valued According to VM-22 by Product Type For The Year Ended December 31, 20__ (To Be Filed by March 1) <table><tr><td></td><td>Prior Year</td><td>Current Year</td></tr><tr><td></td><td>1</td><td>2</td></tr><tr><td></td><td>Reported Reserve in Excess of Cash Surrender Value</td><td>Reported Reserve in Excess of Cash Surrender Value</td></tr><tr><td>1. Post-Reinsurance-Ceded Reserve</td><td></td><td></td></tr><tr><td>1.1. Fixed Annuities Deferred without Guaranteed Living Benefit</td><td>XXX</td><td>.....</td></tr><tr><td>1.2. Indexed Annuities Deferred without Guaranteed Living Benefit</td><td>XXX</td><td>.....</td></tr><tr><td>1.3. Individual Immediate and Deferred Income Annuities and Annuitizations</td><td>XXX</td><td>.....</td></tr></table> DRAFTING NOTE – Remove all “XXX”s from the Prior Year column. Entire blank was not shown to conserve space.		Prior Year	Current Year		1	2		Reported Reserve in Excess of Cash Surrender Value	Reported Reserve in Excess of Cash Surrender Value	1. Post-Reinsurance-Ceded Reserve			1.1. Fixed Annuities Deferred without Guaranteed Living Benefit	XXX		1.2. Indexed Annuities Deferred without Guaranteed Living Benefit	XXX		1.3. Individual Immediate and Deferred Income Annuities and Annuitizations	XXX		L/F	Annual
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TO: Ben Slutsker, Chair, Capital Adequacy (E) Task Force
Kevin Clark, Chair, Statutory Accounting Principles (E) Working Group
Roy Eft, Chair, Blanks (E) Working Group

FROM: Charles A. Therriault, Director, NAIC Securities Valuation Office
Marc Perlman, Managing Investment Counsel, NAIC Securities Valuation Office

CC: Carrie Mears, Chair, Invested Assets (E) Task Force
Ken Contron, Chair, Investment Designation Analysis (E) Working Group
Julie Gann Director, NAIC Solvency Policy - Financial Regulatory Affairs
Jake Stultz, Manager II, NAIC Accounting Policy - Financial Regulatory Affairs
Maggie Chang, Manager III, NAIC RBC & Solvency Policy - Financial Regulatory Affairs
Eva Yeung, Sr. RBC Analyst/Technical & Team Lead, NAIC Financial Regulatory Affairs
Mary Caswell, Sr. Manager II, NAIC Financial Regulatory Affairs
Jill Youtsey, Manager I - FDR Data Quality, NAIC Financial Regulatory Affairs

RE: Referral: Combining Security Identifiers and Adding a Security Identifier Type Field to the Annual and Quarterly Financial Statements

DATE: March 27, 2026

Summary: At the NAIC's 2025 Fall National Meeting and 2026 Spring National Meeting the Securities Valuation Office (SVO) put forward a recommendation that the annual and quarterly financial statement investment schedules be updated to combine investment security identifiers such as the Committee on Uniform Securities Identification Procedures (CUSIP), CUSIP International Numbering System (CINS), Private Placement Number (PPN) and the International Securities Identification Number (ISIN) into a single reporting field called Security Identifier paired with a Security Identifier Type field. They further recommended adding one new identifier, S&P Global's LoanX ID (LXID) (formerly IHS Marketit LoanX ID), which are unique identifiers developed to track individual loans, borrowers, and lenders in the syndicated loan and private credit markets. The objective of combining these fields is to improve investment security identification and integration with other NAIC systems, data, and reporting. The SVO has been working with the Blanks (E) Working Group support staff, American Council of Life Insurers (ACLI), Private Placement Investors Association (PPIA) and North American Securities Valuation Association (NASVA) on this proposal.

The Investment Designation Analysis (E) Working Group and Invested Assets (E) Task Force approved this referral to Blanks (E) Working Group to effect these changes and informational

Washington, DC 1101 K Street NW, Suite 650, Washington, DC 20005-7032

p | 202 471 3990

Kansas City 1100 Walnut Street, Suite 1000, Kansas City, MO 64106-2197

p | 816 842 3600

New York One New York Plaza, Suite 4210, New York, NY 10004

p | 212 398 9000

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referrals to the Capital Adequacy (E) Task Force and Statutory Accounting Principles (E) Working Group to notify them and solicit their feedback.

Recommendation: The SVO recommends combining the current CUSIP “like” fields (e.g. CUSIP, CINS, PPN) with the electronic only ISIN field and the new LXID into a single Security Identifier field (Security ID). This would be accompanied by a new field to identify the Security ID Type. All of these identifiers are included in S&P Global’s Global Instruments Cross Reference Service (GICRS) database of global security identifiers that cross-references approximately 92 million instruments. The NAIC is in the process of integrating the GICRS data into its systems.

The Security ID Type field would be an abbreviation to denote the type of security identifier being reported: C=CUSIP and CINS (including syndicated loans with an CUSIP), I=ISIN (including syndicated loans with an ISIN), P=PPN and L=LXID. This change would permit additional security identifiers to be added in the future, as needed. The table below would be an example of the new fields. The reporting instructions for the annual and quarterly statement instructions should include the following preferred order of prioritization or usage of these security identifiers: CUSIP, CINS, ISIN, PPN and LXID.

Two special situation Security IDs are requested to accommodate common reporting issues. The first would be for securities acquired within the initial reporting year end of the financial statement reporting date that have not yet been issued an NAIC recognized Security ID but where one was requested. A temporary Security ID of “000000000” would be used for that initial reporting year end until the Security IDs is assigned. The temporary Security ID of “000000000” could only be used one time, in the initial reporting year end, but would need to be changed to an identifier of “999999999” in any subsequent reporting year end. The second special situation Security ID would be for securities that the insurer does not expect to receive a Security ID and an identifier of “999999999” would be used to clearly identify these securities as not having an NAIC recognized Security ID. The Security ID of “000000000” and “999999999” would not have a Security ID Type. Securities with the Security IDs of “000000000” and “999999999” would still need to follow the P&P Manual guidance to determine the NAIC Designation Category and the appropriate use of the administrative symbols.

Security ID	Security ID Type
123456AB7	C
U12345ABX	C
US123456AB79	I
123456#B7	P
LX118650	L
000000000	
999999999	

Please reach out to Charles Therriault or Marc Perlman with any questions about this referral.

**Accounting Practices and Procedures (E) Task Force
2027 Proposed Charges
Tracked Revisions to 2026 charges**

1. The **Accounting Practices and Procedures (E) Task Force** will:
 - a. Oversee the activities of the Blanks (E) Working Group and the Statutory Accounting Principle (E) Working Group
2. The **Statutory Accounting Principles (E) Working Group** will:
 - a. Maintain codified statutory accounting principles by providing periodic updates to the guidance that address new statutory issues and new U.S. generally accepted accounting principles (GAAP) pronouncements. Provide authoritative responses to questions of application and clarifications for existing statutory accounting principles. Report all actions and provide updates to the Accounting Practices and Procedures (E) Task Force.
 - b. At the discretion of the Working Group chair, develop comments on exposed U.S. GAAP and International Financial Reporting Standards (IFRS) pronouncements affecting financial accounting and reporting. Any comments are subject to review and approval by the chairs of the Accounting Practices and Procedures (E) Task Force and the Financial Condition (E) Committee.
 - c. Coordinate with the Life Actuarial (A) Task Force on changes to the AP&P Manual related to the *Valuation Manual* VM-A, Requirements, and VM-C, Actuarial Guidelines, as well as other *Valuation Manual* requirements. This process will include the receipt of periodic reports on changes to the *Valuation Manual* on items that require coordination.
 - d. Obtain, analyze, and review information on permitted practices, prescribed practices, or other accounting treatments suggesting that issues or trends occurring within the industry may compromise the consistency and uniformity of statutory accounting, including, but not limited to, activities conducted by insurers for which there is currently no statutory accounting guidance or where the states have prescribed statutory accounting that differs from the guidance issued by the NAIC. Use this information to consider possible changes to statutory accounting.
3. The **Blanks (E) Working Group** will:
 - a. Consider improvements and revisions to the various annual/quarterly statement blanks to:
 - i. Conform these blanks to changes made in other areas of the NAIC to promote uniformity in reporting of financial information by insurers.
 - ii. Develop reporting formats for other entities subject to the jurisdiction of state insurance departments.
 - iii. Conform the various NAIC blanks and instructions to adopted NAIC policy.
 - iv. Oversee the development of additional reporting formats within the existing annual financial statements as needs are identified.
 - b. Continue to monitor state filing checklists to maintain current filing requirements.
 - c. Continue to monitor and improve the quality of financial data filed by insurance companies by recommending improved or additional language for the Annual Statement Instructions.
 - d. Continue to monitor and review all proposals necessary for the implementation of statutory accounting guidance to ensure proper implementation of any action taken by

Accounting Practices and Procedures (E) Task Force
2027 Proposed Charges
Tracked Revisions to 2026 charges

the Accounting Practices and Procedures (E) Task Force affecting annual financial statements and/or instructions.

- e. Continue to coordinate with other task forces of the NAIC to ensure proper implementation of reporting and instructions changes as proposed by these taskforces.
- f. Coordinate with the applicable task forces and working groups as needed to avoid duplication of reporting within the annual and quarterly statement blanks.
- g. Consider proposals presented that would address duplication in reporting, eliminate data elements, financial schedules and disclosures that are no longer needed, and coordinate with other NAIC task forces and working groups if applicable, to ensure revised reporting still meets the needs of regulators.
- h. Review requests for investment schedule blanks and instructions changes in connection with the work being performed by the Capital Adequacy (E) Task Force and its working groups.
- i. Review changes requested by the ~~Valuation of Securities (E) Task Force~~ [Invested Assets \(E\) Task Force or its Working Groups](#) relating to its work on other invested assets reporting for technical consistency within the investment reporting schedules and instructions.