

ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE

Accounting Practices and Procedures (E) Task Force Dec. 10, 2025, Minutes

Statutory Accounting Principles (E) Working Group Dec. 9, 2025, Minutes (Attachment One)

Statutory Accounting Principles (E) Working Group Oct. 6, 2025, Minutes (Attachment One-A)
(Attachment One-A1)

Statutory Accounting Principles (E) Working Group Sept. 10, 2025, Minutes (Attachment One-B)

American Council of Life Insurers (ACLI) Asset Liability Management (ALM) Derivative Statement of

Statutory Accounting Principles (SSAP) Proposal (Attachment One-B1)

Fair Value Approach (Attachment One-B2)

Amortized Cost Approach (Attachment One-B3)

Comments Received on Previously Exposed Items (Attachment One-C)

Statutory Accounting Principles (E) Working Group Ref #2025-12EP; NAIC Accounting Practices and
Procedures Manual Editorial Maintenance Update, March 24, 2025 (Attachment One-D)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2024-21;
Investment Subsidiary Classification (Attachment One-E)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2025-18;
ASU 2019-12, Simplifying the Accounting for Income Taxes (Attachment One-F)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2025-20;
Debt Security and Residual Interest Disclosures (Attachment One-G)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2025-21;
Retirement Plan Assets Held at NAV (Attachment One-H)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2025-13;
Residential Mortgage Loans Held in Statutory Trusts (Attachment One-I)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2025-19;
Private Placement Securities (Attachment One-J)

Memorandum to Roy Eft, Chair of the Blanks (E) Working Group, and Steve Drutz, Vice Chair of the Blanks (E)
Working Group; From Dale Bruggeman, Chair of the Statutory Accounting Principles (E) Working Group,
and Kevin Clark, Vice Chair of the Statutory Accounting Principles (E) Working Group, Dated December 9,
2025, Regarding Schedule S, Part 8—Reporting of Modco and Funds Withheld Assets (Attachment One-K)

Blanks (E) Working Group November 5, 2025, Meeting (Attachment Two)

Editorial Revisions to the Blanks and Instructions Presented at the Blanks (E) Working Group November 5,
2025, Meeting (Attachment Two-A)

Blanks 2026 State Filing Checklists (Attachment Two-B)

Draft Pending Adoption

Draft: 12/18/25

Accounting Practices and Procedures (E) Task Force
Hollywood, Florida
December 10, 2025

The Accounting Practices and Procedures (E) Task Force met in Hollywood, FL, Dec. 10, 2025. The following Task Force members participated: Cassie Brown, Chair, represented by Jamie Walker (TX); Angela L. Nelson, Vice Chair, represented by Shannon Schmoeger (MO); Heather Carpenter represented by David Phifer (AK); Mark Fowler represented by Lori Brock (AL); Ricardo Lara represented by Kim Hudson (CA); Jared Kosky represented by William Arfanis and Wayne Shepherd (CT); Karima M. Woods represented by Yohaness Negash (DC); Trinidad Navarro represented by Rylynn Brown (DE); Michael Yaworsky represented by Corey Hubbard (FL); Doug Ommen represented by Kevin Clark (IA); Dean L. Cameron represented by Amber Re and Eric Fletcher (ID); Holly W. Lambert represented by Roy Eft (IN); Vicki Schmidt represented by Levi Nwasoria (KS); Sharon P. Clark represented by Mark Griggs (KY); Michael T. Caljouw represented by Jim McCarthy (MA); Robert L. Carey represented by Vanessa Sullivan (ME); Anita G. Fox represented by Kristin Hynes (MI); Grace Arnold represented by Kathleen Orth (MN); Mike Chaney represented by Chad Bridges (MS); Mike Causey represented by Jacqueline Obusek (NC); Eric Dunning represented by Tadd Wegner (NE); Justin Zimmerman represented by David Wolf (NJ); Ned Gaines represented by Steve Ross and Diana Branciforte, (NV); Kaitlin Asrow represented by Bob Kasinow (NY); Judith L. French represented by Dale Bruggeman (OH); Glen Mulready represented by Ryan Rowe and Eli Snowbarger (OK); TK Keen represented by Paul Throckmorton (OR); Michael Humphreys represented by Diana Sherman (PA); Elizabeth Kelleher Dwyer represented by John Tudino (RI); Michael Wise represented by Ryan Basnett (SC); Larry D. Deiter represented by Johanna Nickelson (SD); Carter Lawrence represented by Trey Hancock (TN); Scott A. White represented by Doug Stolte and Jennifer Blizzard (VA); Kaj Samsom represented by Dan Petterson and Karen Ducharme (VT); Patty Kuderer represented by Steve Drutz (WA); and Nathan Houdek represented by Amy Malm (WI).

1. Adopted its Summer National Meeting Minutes

Obusek made a motion, seconded by Malm, to adopt the Task Force's Aug. 12 minutes (*see NAIC Proceedings Summer 2025, Accounting Practices and Procedures (E) Task Force*). The motion passed unanimously.

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

Bruggeman provided the report of the Statutory Accounting Principles (E) Working Group, which met Dec. 9. During this meeting, the Working Group took the following action:

- A. Adopted its Summer National Meeting minutes.
- B. Adopted its Sept. 10 minutes. During this meeting, the Working Group took the following action:
 - i. Heard a presentation from the American Council of Life Insurers (ACLI) on two draft proposals for asset liability matching (ALM) derivatives.
 - ii. Exposed agenda item 2024-15 (ALM Derivatives), the ACLI presentation on ALM derivatives, and the two ACLI proposal drafts for a 51-day public comment period ending Oct. 31.
- C. Adopted its Oct. 6 minutes. During this meeting, the Working Group took the following action:

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- i. Exposed the revised agenda item 2025-19 (Private Securities), including the interested party and Working Group edits discussed during the meeting, for a 25-day public comment period ending Oct. 31.
- D. Adopted the following statutory accounting principle (SAP) concepts and clarifications to statutory accounting guidance:
 - i. *Preamble*: Adopted revisions to the Preamble to clarify treatment of issue papers in Level 5 and reference U.S. Securities and Exchange Commission (SEC) rules and interpretations as sources of authoritative U.S. generally accepted accounting principles (GAAP) for SEC registrants. (Ref #2025-12EP)
 - ii. *Statement of Statutory Accounting Principles (SSAP) No. 2—Cash, Cash Equivalents, Drafts and Short-Term Investments, SSAP No. 21—Other Admitted Assets, SSAP No. 26—Bonds, and SSAP No. 43—Asset-Backed Securities*: Adopted revisions, effective Dec. 31, 2026, to incorporate a new reporting column to identify private placement securities in relevant investment schedules and an aggregate disclosure that details key investment information by type of public or private security. (Ref #2025-19)
 - iii. *SSAP No. 21, SSAP No. 26, and SSAP No. 43*: Adopted revisions, effective Dec. 31, 2026, to clarify the existing disclosure financial statement note location and frequency for debt security disclosures and incorporate disclosures for residuals that identify the company's measurement method, whether the company is transitioning from the practical expedient to the allowable earned yield (AEY) method, and for those following the AEY method, information comparable to SSAP No. 43 for impaired securities. (Ref #2025-20)
 - iv. *SSAP No. 37—Mortgage Loans and SSAP No. 40—Real Estate Investments*: Adopted new SAP concept revisions to allow residential mortgage loans held in qualifying statutory trusts to be captured in the scope of SSAP No. 37. These revisions are effective Jan. 1, 2027, with early adoption permitted. (Ref #2025-13)
 - v. *SSAP No. 92—Postretirement Benefits Other Than Pensions and SSAP No. 102—Pensions*: Adopted revisions to clarify that retirement plan assets can be held at net asset value (NAV) and shall be included in the required fair value disclosure. (Ref #2025-21)
 - vi. *SSAP No. 101—Income Taxes*: Adopted, with modification, certain revisions from *Accounting Standards Update (ASU) 2019-12, Simplifying the Accounting for Income Taxes*. The revisions also incorporate U.S. GAAP guidance previously incorporated by reference. (Ref #2025-18)
 - vii. *Annual Statement Blanks and Instructions*: Adopted revisions to support removing the investment subsidiary concept from statutory reporting. This adoption action includes sponsoring a blanks proposal to remove annual statement reporting components as well as a referral to the Capital Adequacy (E) Task Force to eliminate risk-based capital (RBC)-related instructions. (Ref #2024-21)
- E. Exposed the following SAP concepts and clarifications to statutory accounting guidance for a public comment period ending Feb. 13, 2026:
 - i. *SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures*: Exposed revisions to add a new investment schedule reporting code to identify restricted assets held under a modified coinsurance (modco) and funds withheld arrangement. (Ref #2025-27)

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- ii. *SSAP No. 1, SSAP No. 5—Liabilities, Contingencies and Impairments of Assets, SSAP No. 21, SSAP No. 26, and SSAP No. 43*: Exposed revisions to consolidate and clarify the disclosure requirements for commitments and contingent commitments, including the addition of a definition for commitments, and a new comprehensive commitments and contingent commitments disclosure. (Ref #2025-24)
- iii. *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve*: Exposed proposed concepts and templates for an interest maintenance reserve (IMR) proof of reinvestment developed by the IMR Ad Hoc Group. (Ref #2025-23)
- iv. *SSAP No. 22—Leases*: Exposed further revisions to clarify that sale-leasebacks with restrictions on access to cash or assets received from the sale do not qualify for sale-leaseback accounting and must be accounted for by the seller using the financing method. (Ref #2025-01)
- v. *SSAP No. 40 and SSAP No. 90—Impairment or Disposal of Real Estate Investments*: Exposed revisions to delete the shaded text instructions and delete previously superseded guidance in SSAP No. 40 currently shown as shaded text. (Ref #2025-32)
- vi. *SSAP No. 47—Uninsured Plans*: Exposed revisions correct inconsistencies in the calculation used to disclose in note 18B gains/losses on administrative services contracts (ASCs). (Ref #2025-30)
- vii. *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies*: Exposed agenda item proposes a review of several SSAP No. 48 concepts, and how they are applied to ensure intended guidance is clear and consistently applied. (Ref #2025-26)
- viii. *SSAP No. 51—Life Contracts and SSAP No. 52—Deposit-Type Contracts*: Exposed revisions provide guidance on the optional implementation period for *Valuation Manual* revisions regarding the economic scenario generator and non-variable annuities. (Ref #2025-34)
- ix. *SSAP No. 56—Separate Accounts*: Exposed revisions explicitly address nonadmittance for assets held under the “general account basis” in the separate account, and proposed revisions to incorporate the concept of nonadmitted assets within the separate account balance sheet and corresponding schedules. (Ref #2025-25)
- x. *SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance*: Exposed revisions clarify how IMR eliminated as part of a reinsurance transaction should influence the reinsurance collateral required to receive reinsurance credit. Exposure requests comments on whether different IMR treatments should be considered specifically, and whether negative IMR eliminated from reinsurance transactions impacts the reinsurance collateral. (Ref #2025-22)
- xi. *SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*: Exposed revisions allow repurchase agreements with maturity dates in excess of one year to be admitted. (Ref #2025-28)
- xii. *Interpretation (INT) 05-05: Accounting for Revenues Under Medicare Part D Coverage*: Exposed revisions note the Dec. 31, 2024, end of the coverage gap discount program and add references to the replacement federal Centers for Medicare & Medicaid Services (CMS) manufacturer’s discount program. (Ref #2025-31)
- xiii. *Annual Statement Blanks*:
 - a. Exposed proposed revisions to clarify reporting on debt securities, and requested comments on additional reporting elements to improve consistency in reporting. (Ref #2025-29)

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- b. Exposed revisions to update and modernize expense descriptions and categories. (Ref #2025-33)
- F. Directed NAIC committee support on the following items:
- i. New SSAP: Directed NAIC committee support to prepare an issue paper and concurrent SSAP to reflect statutory accounting guidance for interest-rate hedging derivatives used for ALM using the amortized cost approach. (Ref #2024-15)
- G. Received updates on the following:
- i. A memorandum to the Blanks (E) Working Group clarifying that the intent of the new reporting on Schedule S, Part 8, was not to change any part of the way that assets subject to a modco or funds withheld arrangement are factored into the life/fraternal RBC calculation, and that the goal of Schedule S, Part 8, is to create a schedule that matches with the existing reporting in RBC and does not change or override the guidance that exists in life/fraternal RBC reporting.
 - ii. IMR Ad Hoc Group activities, noting that the discussions have focused on the proof of reinvestment, the concept of “disallowed” IMR, separate account reporting, amortization of IMR, and updating the NAIC designation change guidance for allocating realized gains and losses to either IMR or asset valuation reserve (AVR). Remaining topics include excess withdrawals, market value adjustments, modco/funds withheld (FWH) reinsurance transactions, and the admittance limit.
 - iii. Notice of a potential Macroprudential (E) Working Group referral regarding disclosure requirements for financial asset-backed notes.
 - iv. Discussion of a printed *Accounting Practices and Procedures Manual* (AP&P Manual), resulting in support of no longer printing Volume II if it allows for more copies of Volume I to be printed.
 - v. Received an update that NAIC committee support will collaborate with interested parties in identifying possible clarifications to respond to the referral from the Life Risk-Based Capital (E) Working Group received at the Summer National Meeting to distinguish between “Certain Other” and “Other” AVR equity reporting lines for subsidiary, controlled, and affiliated entities (SCA) investments.
 - vi. U.S. GAAP exposures, noting that no items are currently exposed by the Financial Accounting Standards Board (FASB), and future items will follow the normal maintenance process.
 - vii. International Association of Insurance Supervisors (IAIS) Accounting and Auditing Working Group activities. Some items of particular interest are the International Accounting Standards Board’s (IASB’s) potential exposure of targeted improvements to amortized cost measurement expected in International Financial Reporting Standard (IFRS) 9, Financial Instruments, discussions on private equity investments in accounting firms and related ethical and independence considerations, and the insurance capital standard (ICS) implementation and revisions to Insurance Core Principle (ICP) 9 (Supervisory Reporting) and ICP 20 (Public Disclosure).

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

Draft Pending Adoption

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

Eft provided the report of the Blanks (E) Working Group, which met Nov. 5. During this meeting, the Working Group took the following action:

- A. Adopted its Aug. 6 minutes, which included the following action:
 - i. Adopted its May 29 minutes.
 - ii. Adopted proposal 2025-16BWG to: 1) update the Health Annual Statement Instructions for the prescribed language for Statement of Actuarial Opinion (SAO), Section 4 (Identification Section), for consistency in reporting; and 2) update SAO, Section 7 (Opinion Section), Item C, to be consistent with the Life Annual Statement Instructions and Valuation Manual (VM)-30, Actuarial Opinion and Memorandum Requirements.
 - iii. Adopted its editorial listing.
- B. Exposed four new items for a 90-day public comment period ending Feb. 6, 2026.
- C. Adopted its editorial listing.
- D. Approved the state filing checklists.

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.

SharePoint/NAIC Support Staff Hub/Committees ...[https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2025 Fall/minutes and summary/APPTF Minutes12-10-25 after TPR.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/APPTF/2025%20Fall/minutes%20and%20summary/APPTF%20Minutes12-10-25%20after%20TPR.docx)

Draft: 12/15/25

Statutory Accounting Principles (E) Working Group
Hollywood, Florida
December 9, 2025

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force met in Hollywood, FL, Dec. 9, 2025. The following Working Group members participated: Dale Bruggeman, Chair (OH); Kevin Clark, Vice Chair (IA); Lori Brock and Richard Russell (AL); Kim Hudson and Laura Clements (CA); William Arfanis and Michael Estabrook (CT); Tom Hudson (DE); Cindy Andersen (IL); Steve Kowalaski and Tom Travis (LA); 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. Adopted its Oct. 6, Sept. 10, and Summer National Meeting Minutes

The Working Group met Oct. 6 and Sept. 10. During its Oct. 6 meeting, the Working Group exposed a revised agenda item 2025-19 (Private Securities), including the interested parties' and Working Group's edits discussed during the meeting, for a 25-day public comment period ending Oct. 31. During its Sept. 10 meeting, the Working Group exposed an American Council of Life Insurers (ACLI) presentation on asset-liability matching (ALM) derivatives and two ACLI proposal drafts, one using an amortized cost approach and the other using a fair value approach, for a 51-day public comment period ending Oct. 31.

The Working Group also met Dec. 2 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) and paragraph 6 (consultations with NAIC staff related to NAIC technical guidance) of the NAIC Policy Statement on Open Meetings, to discuss the Fall National Meeting agendas.

Walker made a motion, seconded by Malm, to adopt the Working Group's Oct. 6 (Attachment One-A), Sept. 10 (Attachment One-B), and Aug. 11 (see *NAIC Proceedings – Summer 2025, 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 #2025-12EP

Bruggeman directed the Working Group to agenda item *2025-12EP: Editorial Revisions*. Julie Gann (NAIC) stated that this item was originally exposed in March 2025 and included proposed footnote revisions to the statutory hierarchy guidance in the preamble. She stated that the revision was inadvertently missed at the Summer National Meeting, as no comments were received during the initial exposure period. She stated that interested parties agree with the edits.

B. Ref #2024-21

Bruggeman directed the Working Group to agenda item *2024-21: Investment Subsidiaries*. Gann stated that the concept of an investment subsidiary was eliminated from statutory accounting guidance in 2005. Despite this, reporting lines have continued to appear in Schedule D, Part 6, Section 1 for investment subsidiaries, the asset valuation reserve (AVR), and the Life Risk-Based Capital (RBC) Instructions have allowed look-through risk-based

capital (RBC) calculations based on company records. She stated that this reporting structure has reduced transparency for state insurance regulators regarding the types of investments directly held and that the revisions would eliminate the separate line items for investment subsidiaries in the blanks reporting. Gann stated that companies that continue to maintain investment subsidiaries would need to account for them under the categories detailed in the *Statement of Statutory Accounting Principles (SSAP) No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*. She stated that no interested parties submitted comments on this item. Gann stated that the blanks proposal exposures are currently exposed until Feb. 6, 2026. With adoption, a referral to incorporate corresponding revisions to the RBC structure and instructions will be sent to the Capital Adequacy (E) Task Force. She stated that the revisions are scheduled to take effect at year-end 2026.

C. Ref #2025-18

Bruggeman directed the Working Group to agenda item *2025-18: Accounting Standards Update (ASU) 2019-12, Simplifying the Accounting for Income Taxes*. Wil Oden (NAIC) stated that this agenda item addresses ASU 2019-12, which was issued by the Financial Accounting Standards Board (FASB) to simplify income tax accounting standards. He stated that the proposal recommends incorporating certain aspects of this ASU, as well as fully incorporating the guidance from Accounting Principles Board (APB) Opinion No. 28, paragraph 19 and paragraph 20, which were previously included by reference in *SSAP No. 101—Income Taxes*. Comments received agree with the proposal.

D. Ref #2025-20

Bruggeman directed the Working Group to agenda item *2025-20: Debt Security & Residual Interest Disclosures*. Gann stated that this agenda item was exposed in August and relates to debt security and residual interest disclosures in *SSAP No. 21—Other Admitted Assets* for non-bond debt securities, *SSAP No. 26—Bonds* for issuer credit obligations, and *SSAP No. 43—Asset-Backed Securities* for asset-backed securities (ABS). She stated that while existing disclosures are similar, the revisions ensure they are consistently worded and uniform on when and where they are reported in the notes to the financial statements. In addition, the agenda item incorporates disclosures for residual interests, consistent with other investment disclosures. She stated that these new disclosures also require companies to identify whether they are following the practical expedient or the allowable earned yield method for residuals. Gann stated that no comments were received from interested parties and that the proposal has been exposed at the Blanks (E) Working Group, with comments due by Feb. 6, 2026. She stated that the disclosure revisions are effective for year-end 2026 reporting.

E. Ref #2025-21

Bruggeman directed the Working Group to agenda item *2025-21: Retirement Plan Assets Held at NAV*. Oden stated that this agenda item was exposed in August and clarifies statutory accounting guidance by specifically acknowledging net asset value (NAV) as an appropriate reporting method for retirement plan assets. He stated that comments received agree with the proposed revisions to *SSAP No. 92—Postretirement Benefits Other Than Pensions* and *SSAP No. 102—Pensions*, which would clarify that NAV is allowed to be used in the fair value disclosures. He stated that part of this adoption will be sponsoring a proposal to the Blanks (E) Working Group to update the corresponding notes to the financial statements.

Cataldo made a motion, seconded by Sherman, to adopt agenda items 2025-12EP (Attachment One-D), 2024-21 (Attachment One-E), 2025-18 (Attachment One-F), 2025-20 (Attachment One-G), and 2025-21 (Attachment One-H). The motion passed unanimously.

3. Reviewed Comments on Exposed Items

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

A. Agenda Item 2025-01

Bruggeman directed the Working Group to agenda item *2025-01: Sale-Leaseback Clarification*. Jake Stultz (NAIC) stated that this agenda item provides clarification of sale-leaseback transactions where access to the cash received as part of the sale is restricted. He stated that in these transactions, a company may sell a nonadmitted asset to an unaffiliated party, but the cash proceeds must be held in such a way that the selling insurance company cannot access them until the leaseback obligation is fully repaid, often years in the future. Stultz stated that if the insurer were placed into receivership during the lease term, the restricted cash would not be available to pay policyholder claims. He stated that this agenda item clarifies that in situations where the assets received as part of the sale are restricted, either in whole or in part, the transaction does not qualify for sale-leaseback treatment and shall be accounted for under the financing method. The accounting process for a lease financing arrangement includes that the “sold” asset under the sales-leaseback is not removed from the financial statements. (If this was a nonadmitted asset, it would continue to be nonadmitted and impact surplus.) The cash received from the “sale” is recognized as an asset, and a liability to return the cash received is recognized as an obligation. Over time, the “sold” asset retained on the books would continue to be depreciated, reducing the nonadmitted impact. Amounts paid towards the “lease” would decrease the cash balance and the liability to return the cash received.

Stultz stated that the proposal was exposed in August and that three comment letters were received. He stated that interested parties deferred to the National Association of Mutual Insurance Companies (NAMIC) and American Property and Casualty Insurance Association (APCIA), whose comments suggested additional language to better address the issue. He stated that Brotherhood Mutual also submitted a question regarding the effective date and whether grandfathering would apply. Stultz stated that after considering these comments and holding internal discussions with state insurance regulators, the recommendation is to expose the agenda item with updated language clarifying that transactions involving restricted assets are financing leases, consistent with the original intent of the guidance. He stated that the recommendation is that the revisions apply to all contracts effective on or after the date of adoption, with no grandfathering provisions.

Bruggeman stated that even when collateral may be provided, it can be somewhat restricted. He stated that this ties back to *Interpretation (INT) 01-31—Assets Pledged as Collateral* guidance, which applies when collateral is provided in connection with a recorded liability. He stated that in the case of leases, there is no recorded liability if the lease is treated as an operating lease. As such, reference to INT 01-31 as support for admitting collateral pledged to a lessor under a sales-leaseback arrangement is not an appropriate interpretation of INT 01-31. He stated that this was part of the thought process in determining whether the transaction should be considered a true sale-leaseback in the first place.

Jonathan Rodgers (NAMIC) stated that it submitted a letter jointly with APCIA and would like to thank NAIC staff for their engagement on this issue. He stated that NAMIC believes a solution is close and that it simply wants to ensure that there are no unintended consequences in how this interacts with other standards and INTs. He stated that NAMIC greatly appreciates the continued dialogue and will carefully review this exposure, continuing to work collaboratively.

Hudson made a motion, seconded by Clark, to expose agenda item 2025-01, which incorporates some of the suggested revisions provided by NAMIC and APCIA, with additional NAIC staff revisions, to be effective upon adoption. The motion passed unanimously.

B. Agenda Item 2025-13

Bruggeman directed the Working Group to agenda item *2025-13: Residential Mortgage Loans Held in Statutory Trusts*. Oden stated that this agenda item was last exposed at the Summer National Meeting and proposes revisions to *SSAP No. 37—Mortgage Loans* to establish accounting guidance for residential mortgage loans (RMLs) held within qualifying statutory trusts. He stated that under the proposal, RMLs held in such trusts would be reported on Schedule B—Mortgage Loans. Oden stated that interested parties provided comments on the exposure and that the recommendations with some modifications have been incorporated.

Oden stated that NAIC staff recommend that the Working Group provide direction on one of two options: 1) adoption of the agenda item, including the most recent revisions; or 2) exposure of the updated draft for another round of public comment. He stated that interested parties have verbally indicated support for adoption. Oden stated that the agenda item would apply prospectively with an effective date of Jan. 1, 2027, with early adoption permitted. He stated that if the item is exposed, adoption could not occur until after Jan. 1, 2026, which may require further consideration of the early adoption date. Oden stated that the proposed blank changes include updated instructions and new reporting codes intended to improve the accuracy and transparency of reporting on Schedule B for RMLs in qualifying trusts. However, there are no new reporting lines or columns planned. He stated that early adopters in 2025 or 2026 are not expected to face structural reporting challenges and that upon the effective date or early adoption, companies will be required to move investments from their previous reporting locations, such as Schedule BA—Other Long-Term Invested Assets for *SSAP No. 48—Joint Ventures, Partnerships, and Limited Liability Companies* structures or Schedule D, Part 2, Section 2 for subsidiary, controlled, and affiliated (SCA) investments, to Schedule B—Mortgage Loans. He stated that transition guidance has been added to *SSAP No. 37* to support this process.

Oden stated that the proposed guidance would also remove qualifying statutory trusts from the *SSAP No. 48* subsidiary audit requirement and that these investments would instead be reported as directly held. Oden stated that guidance was added to *SSAP No. 37* and *SSAP No. 40—Real Estate Investments* to permit real estate acquired through foreclosure to be held within an LLC, which is wholly and directly owned by the qualifying statutory trust. He stated that the revisions to *SSAP No. 40* were intentionally drafted to make clear that a qualifying trust may hold foreclosed real estate in an LLC only if that LLC is directly and wholly owned by the trust itself, thereby prohibiting any multilayered LLC structures beneath a qualifying trust. Oden stated that an additional reporting code was added to Schedule A—Real Estate to indicate whether a real estate investment is directly held by a qualifying statutory trust or by an LLC directly and wholly owned by such a trust. He stated that a previously proposed reporting column for Schedule B to capture state of domicile was deleted, as this information was determined to be more appropriately disclosed in the notes rather than included as a reporting column. He stated that transition guidance was also added for statutory trusts under *SSAP No. 37* and for real estate under *SSAP No. 40*. Oden stated that this guidance requires reporting entities to transfer all trust activities, assets, and liabilities at book adjusted carrying value (BACV) and ensure proper reporting in accordance with *SSAP No. 37*.

Bruggeman stated that there is a significant amount of detail in this agenda item and that the Working Group may either adopt the proposed changes or expose them. He stated that the hearing agenda highlights key revisions that are proposed. For example, the transition guidance and revisions related to allowing qualifying trusts to hold LLCs are outlined. He stated that from his perspective, adoption makes sense, as the most recent revisions appear straightforward. However, he stated that it is important that both the Working Group and interested parties are comfortable with that approach. He asked Working Group members to provide direction on whether to move forward with adoption of these changes or to re-expose the item for further comment.

Hudson stated that if both the Working Group members and interested parties are comfortable, California would support adoption at this time. Walker stated that Texas would concur with adoption, provided the interested parties are comfortable with moving forward.

Angelica Sanchez (New York Life), representing interested parties, stated that this is a particularly important asset class for insurance companies given the current interest rate environment, and it presents a valuable opportunity for insurers to participate in these investments in the most operationally effective and efficient way. She expressed appreciation to the Working Group and NAIC staff for the coordination throughout the process. She stated that interested parties are supportive of adoption and that for companies that need additional time, the effective date of 2027 provides sufficient flexibility, while early adoption may be especially helpful for those seeking to implement the guidance sooner. She stated that although the Schedule B changes with the new codes will not take effect until 2026, there should be no significant issues with reporting, as Schedule B already includes a residential mortgage loan section. She stated that this should work well for companies that choose to early adopt.

Bruggeman stated that he understands that there are already a couple of companies that were essentially following this approach with Schedule B, though perhaps not yet with Schedule A. He stated that for those companies, early adoption would be a good option, allowing them to implement the guidance at year-end 2025.

Sanchez stated that this is correct. She stated that they have heard from some companies that were already reporting certain structures on Schedule B, largely because a Delaware Statutory Trust (DST) was not viewed as a separate company and all the beneficial interests carried over directly to the insurance company. She stated that with this interpretation, companies were already applying this treatment in practice and that allowing early adoption would, therefore, be particularly helpful to those companies.

Hudson made a motion, seconded by Walker, to adopt agenda item 2025-13 (Attachment One-I), with the revisions provided by NAIC staff, establishing new accounting guidance in SSAP No. 37 for RMLs held within qualifying statutory trusts. The motion passed unanimously.

C. Agenda Item 2024-15

Bruggeman directed the Working Group to agenda item 2024-15: *ALM Derivatives*. Gann stated that on Sept. 10, the Working Group received a presentation from the ACLI regarding a proposal to incorporate new statutory accounting guidance for ALM derivatives. She stated that the ACLI gave a presentation and offered two draft SSAPs, one using an amortized cost approach and one using a fair value and spread method. Gann stated that those drafts were exposed for public comment and that interested parties' comments supported the proposals. She stated that one of the issues discussed during the presentation is that the current proposal would only allow symmetrical derivatives and would exclude derivatives with asymmetrical payoff profiles. Gann stated that for this national meeting, NAIC staff are requesting direction to move forward with drafting an issue paper and draft SSAP to provide guidance for ALM derivatives using the amortized cost approach. Consistent with the ACLI's comments, the amortized cost approach is more consistent with *SSAP No. 86—Derivatives*, is easier to apply, and avoids unrealized gains or losses that would occur when the derivative is open, which would occur under the fair value approach. She stated that under the amortized cost approach, deferred assets and liabilities would not arise throughout the derivative's life, but only at termination when a realized gain or loss would be recorded. Gann stated that NAIC staff are also recommending continuing the exclusion of asymmetrical derivatives as the exclusion makes the guidance easier to apply and avoids situations where an upfront premium could inadvertently become part of a deferred loss at termination. If the Working Group proceeds with that direction, Gann stated that she would like to have something ready for review at the 2026 Spring National Meeting. She stated that NAIC

staff are asking industry to work with NAIC staff on the reporting concepts that would accompany the guidance, including whether these derivatives can be included in existing Schedule DB reporting or if new schedules are needed, and how to identify these derivatives separately from other derivative schedules.

Walker made a motion, seconded by Malm, to direct NAIC staff to move forward with an issue paper and concurrent SSAP to reflect statutory accounting guidance for interest-rate hedging derivatives used for ALM using the amortized cost approach. These items will be presented for exposure in the interim (if possible) or at the 2026 Spring National Meeting with a potential effective date of Jan. 1, 2027. The motion passed unanimously.

D. Agenda Item 2025-19

Bruggeman directed the Working Group to agenda item *2025-19: Private Placement Securities*. Gann stated that at the Summer National Meeting, the Working Group exposed proposed revisions to capture new reporting to identify private placement securities. She stated that the original exposure proposed to identify securities separately based on whether they are publicly registered, unregistered under U.S. Securities and Exchange Commission (SEC) Rule 144A, unregistered under Regulation D, offered as unregistered under the SEC general exemption, and then not applicable. She stated that the proposal captures a new electronic column and an aggregate disclosure. She stated there was a shortened comment period to receive feedback before sponsoring a blanks proposal, and as a result of those comments, the categories were shortened so that now it would just be public, Rule 144A, the entire population of other private securities, and not applicable. Gann stated that the not applicable category is intended to only encompass those items not subject to registration, such as a bank loan or a long-term certificate of deposit on Schedule D and that any security subject to registration under the 1933 Act would be required to be identified in one of the other categories.

Gann stated that revisions were also proposed to limit the scope of what would be captured on Schedule BA so that the reporting categories would only encompass non-bond debt securities and residuals. She stated that other items on Schedule BA are generally not subject to registration. She stated that there was also discussion regarding frequency. For the investment schedules, the new electronic column would be required annually and quarterly in both the acquisition and disposal investment schedules. The aggregate disclosure would be required at year-end and would follow the preamble concepts for interim reporting if there were significant changes from year-end. Gann stated that with those changes, it was also proposed that the public and private reporting categories currently on Schedule D, Part 1A be removed since more granular information would now be available through the investment schedule electronic columns.

Gann stated that interested parties submitted comments, mostly regarding the proposed statutory guidance on frequency and location of disclosures. She noted that these would be more in line with the annual statement instructions. Gann stated that NAIC staff are recommending the Working Group proceed with adoption of what was exposed without revisions. She stated that as evidenced within the debt security item already adopted, the location and frequency of notes specifications are common in statutory accounting guidance to ensure consistency in application. She stated that NAIC staff do not recommend removing those references from the proposed guidance.

Gann stated that with adoption, the new disclosures will be encompassed in several SSAPs, including *SSAP No. 2—Cash, Cash Equivalents, Drafts and Short-Term investments*, *SSAP No. 21*, *SSAP No. 26*, *SSAP No. 30—Unaffiliated Common Stock*, *SSAP No. 32—Preferred Stock*, and *SSAP No. 43*. She stated that the disclosure revisions are proposed to be effective for year-end 2026.

Mike Reis (Northwestern Mutual) thanked NAIC staff and state insurance regulators for collaborating in this process. He stated that their objective has been to make the instructions clear and concise so they can be consistently applied. He stated that they believe that goal has been achieved, and they appreciate the collaboration and support adoption.

Clark made a motion, seconded by Hudson, to adopt the exposed agenda item 2025-19 (Attachment One-J), without the interested parties' suggested revisions, incorporating the new private security disclosures to be effective year-end 2026. The motion passed unanimously.

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

Malm made a motion, seconded by Walker, to expose agenda item 2025-22 and agenda item 2025-23, related to interest maintenance reserve (IMR), as discussed below, for a 66-day public comment period ending Feb. 13, 2026. The motion passed unanimously.

A. Agenda Item 2025-22

Bruggeman directed the Working Group to agenda item 2025-22: *IMR Impact to Reinsurance Collateral*. Gann stated that the IMR Ad Hoc Group has continued meeting every other Monday to discuss the long-term project for IMR. She stated that through those discussions, several items have been brought to the full Working Group. Gann stated that this item, although related to IMR, is not about the accounting of IMR but rather how IMR impacts reinsurance collateral in *SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance*. She stated that as part of the IMR discussions, the Working Group identified that the existing guidance in SSAP No. 61 is focused on positive IMR. She stated that if positive IMR is derecognized because of a reinsurance transaction and the reinsurer is required to have collateral, the positive IMR must be added to the collateral requirement. Gann stated that the discussions identified that companies were not consistently following that guidance, and the question arose as to what should happen if negative IMR is derecognized and whether that should reduce the reinsurance collateral requirement.

Gann stated that there was significant discussion on this item, but no consensus was reached among the IMR Ad Hoc Group. She stated that NAIC staff and some state insurance regulators believe it should follow what is referred to as an asymmetrical approach, meaning that positive IMR derecognized as part of a reinsurance transaction should continue to increase the reinsurance collateral requirement, but negative IMR derecognized should not decrease the collateral requirement. She stated that the alternative viewpoint is that they should be treated similarly under a symmetrical approach. Gann stated that NAIC staff are recommending that the Working Group expose this agenda item, highlighting the two different viewpoints but also showing the NAIC staff recommendation to strengthen the language in SSAP No. 61 using the asymmetrical approach. She stated that NAIC staff also recommend a referral to the Reinsurance (E) Task Force to receive their viewpoints on the issue.

Bruggeman stated that the IMR Ad Hoc Group includes several regulators as well as industry representatives, so there has been discussion and input from both sides. He stated that the Ad Hoc Group has reached many good conclusions throughout that process and that this item is somewhat of an oddity as it relates to collateral rather than directly to IMR accounting and reporting. He stated that he agrees with the NAIC staff recommendation.

Marc Altschull (ACLI) stated that the ACLI plans to provide comments recommending a symmetrical approach for the collateral requirements to align with the concept of IMR's evaluation adjustment to drive consistent valuation of assets and liabilities, among other reasons.

C. Agenda Item 2025-23

Bruggeman directed the Working Group to agenda item *2025-23: IMR Proof of Reinvestment*. Gann stated that this agenda item was prepared to present the IMR proof of reinvestment concept developed by the IMR Ad Hoc Group. She stated that a fundamental concept of negative IMR supporting the deferral of realized loss recognition with amortization over time is that the proceeds from a sale of fixed income investments have been used to acquire a new fixed income investment, and presumably the new fixed income investment has a higher yield. She stated that there were discussions from state insurance regulators and industry on whether there should be a matching process for sold investments to the acquired investment, but it was recognized that such a process is not realistic with how insurance companies buy and sell investments.

Gann stated that the proof of reinvestment concept was developed, which is a calculation using pulls from the annual statement reporting lines to the extent possible, identifying that investment acquisitions exceed investment sales and investable premium. She stated that there is also a test on whether the investments result in a greater average yield. Gann stated that the proof of reinvestment would be required by any company that moves to a net negative position or a greater net negative position. If a company ended with a positive IMR position or if its IMR position moved closer to zero, it would not have to do the proof of reinvestment. If a company fails the test, then at year-end, any realized losses that exceed realized gains that go to IMR would have to be eliminated from IMR and taken as immediate capital gains and losses. She stated that the agenda item includes templates for identifying when the proof is required, with charts to make it easy to identify, and the actual template calculations. She stated that there is one for both the general account and the separate account, because each account would have to be assessed individually based on its IMR position.

Gann stated that another discussion at the IMR Ad Hoc Group was to remove the disallowed concept where, if one was positive in the general account and negative in the separate account, there could be a contra liability. That concept is proposed to be eliminated, and each account would have either a positive or negative balance based on the actual IMR position in that account. She stated that this is why each account would have its own separate template for the proof of reinvestment. She stated that NAIC staff are recommending exposure since there was a lot of discussion at the IMR Ad Hoc Group, but they want to get a broader viewpoint before it goes into the issue paper and SSAP related to IMR.

5. Exposed SAP Concepts and Clarifications to Statutory Accounting Guidance

Hudson made a motion, seconded by Walker, to expose the following 11 statutory accounting principle (SAP) concepts and clarifications to statutory accounting guidance for a 66-day public comment period ending Feb. 13. The motion passed unanimously.

A. Agenda Item 2025-24

Bruggeman directed the Working Group to agenda item *2025-24: Commitments and Contingent Commitments*. Oden stated that this agenda item was prepared in response to two inquiries received. The first was an industry inquiry asking where to disclose the amount of private placement commitments. He stated that NAIC staff initially noted that such information would fall under the *SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures* requirement for non-derivative forward commitments, and in the disclosure checklist that maps to other disclosures in Note 21C. However, because Note 21C serves as a general catch-all, it does not provide any specific instructions for that disclosure. He stated that upon further review, NAIC staff recommend that *SSAP No. 5—Liabilities, Contingencies and Impairments of Assets* and Note 14 offer a better location for reporting those

types of commitments. It was also noted that currently, Note 14 only addresses commitments to SCA entities, guarantees, and guaranteed fund assessments. As a result, NAIC staff drafted revisions to SSAP No. 1, SSAP No. 5, and Note 14 to relocate the non-derivative forward commitments disclosure. Oden stated that after discussion, language was also added to clarify that material commitments not already disclosed elsewhere in the annual statement should be reported in Note 14.

Oden stated NAIC staff also received a state insurance regulator comment noting inconsistencies in how commitments are reported across investment schedules. He stated that Schedule BA has a commitment for additional investment column, but Schedule D does not. He stated that the regulator identified this issue after noticing several bond investments with delayed draw provisions, but Schedule D provided no way to report which specific investments had commitments or the amounts committed. Oden stated that NAIC staff also observed that commitments and contingent commitments are recorded across multiple notes and schedules, making it difficult for regulators to obtain a clear view of these potential obligations. He stated that as insurers enter more complex arrangements, embedded commitments restrict liquidity and materially affect an insurer's risk profile. Oden stated that revisions were made to include a general summary of all commitments and contingent commitments throughout the annual statement so they are compiled in one specific location.

Oden stated that this agenda item is wide-ranging but focuses on commitments, contingent commitments, and loss contingencies. Key revisions include moving the SSAP No. 1 disclosure for non-derivative forward commitments to SSAP No. 5 and remapping the disclosure to Note 14. He stated that a definition of commitments and contingent commitments was added to SSAP No. 5, as these terms are used throughout the financials but were not previously defined. Oden stated that instructions were revised to clarify that Note 14A(1) covers all material commitments and contingent commitments, not just SCA commitments. He stated that a summary disclosure was added to Note 14 to consolidate all material commitments and contingent commitments reported throughout the annual statement. He stated that this is not intended to duplicate disclosures but to pull all reporting into a single disclosure, avoiding the need to search across numerous locations.

Oden stated that additional revisions include removing the contingent liabilities reference in Note 14 except within the guarantees section instructions and clarifying that Note 14F includes both accrued and unrecorded loss contingencies and asset impairments. He stated that these changes are intended as clarifications, since with "contingent liabilities," there was a disconnect between the note and SAP guidance on loss contingencies. Oden stated that another revision adds a commitment for additional investment column to Schedule D-1-1 and D-1-2, with instructions, and updates Schedule BA instructions to ensure consistency across all three schedules. A clarification was also made to SSAP No. 21 regarding the timing for recording non-bond debts, confirming trade date recognition and private placement funding date.

Oden stated that NAIC staff recommend that the Working Group move this item to the active listing, categorized as an SAP clarification, and expose revisions to the annual statement instructions, SSAP No. 1, SSAP No. 5, SSAP No. 21, SSAP No. 26, and SSAP No. 43. He stated that inquiries were also received regarding whether statutory accounting guidance should explicitly address investments with clawback provisions. These contractual features allow the issuer or originator to recover previously distributed or paid amounts under specified conditions. He stated that such provisions are often associated with equity-related investments, though historically they have also been found in certain debt securities. Oden stated that NAIC staff request industry feedback on the types of investments that include clawback features, their prevalence in insurers' portfolios, typical triggers, valuation, accounting treatment, and potential implications for statutory reporting and risk assessment. He stated that, if needed, this could be addressed as a separate agenda item.

B. Agenda Item 2025-25

Bruggeman directed the Working Group to agenda item *2025-25: Separate Account Nonadmitted Assets*. Gann stated that this agenda item is related to IMR but not fully focused on IMR. She stated that it has been identified that the separate account blank does not have a column to identify nonadmitted assets or net admitted assets, even though there has been a continued increase of products that follow the book value method. These products should follow the general account concepts, and if something does not qualify for admittance, it should also be nonadmitted in the separate account. Gann stated that it was also identified that for IMR purposes, when negative IMR was not allowed before INT 23-01: Net Negative (Disallowed) IMR, if it was in the separate account, it was charged off to surplus. She stated that under INT 23-01, it was allowed to be reinstated and recognized as an asset if a company was still within its 10% admittance parameters. However, that charge-off and reinstatement is not a long-term sustainable solution. By incorporating a nonadmitted column on the separate account blank, companies with IMR that are over the admittance threshold would nonadmit it, but if they are subsequently below the threshold, they could move it to admitted status. Gann stated that this agenda item includes changes to *SSAP No. 56—Separate Accounts* but that most of the edits are related to blanks changes, essentially incorporating the nonadmitted columns on the balance sheet and including a change of nonadmitted assets schedule. She stated that the separate account blank already references nonadmitted assets, but it is not shown on the face of the balance sheet.

Gann stated that items that have related blanks proposals are also recommended to be exposed at the Blanks (E) Working Group. She stated that a chair exposure will occur shortly after the Fall National Meeting, so the proposals would be concurrently exposed at both the Statutory Accounting (E) Working Group and Blanks (E) Working Group, allowing them to be adopted for year-end 2026.

C. Agenda Item 2025-26

Bruggeman directed the Working Group to agenda item *2025-26: SSAP No. 48 Equity Changes*. Gann stated that NAIC staff has taken a full review of SSAP No. 48, as well as a comparison to Schedule BA reporting lines for items reported as joint ventures, LLCs, or partnerships. She stated that many questions were raised because of this review. She stated that the review focused on items acquired in 2024, so there were no prior-year impacts influencing reporting. However, in comparison of actual cost, BACV, changes to BACV, and how net investment income was reported, NAIC staff identified that much of it was unclear. She stated that some items acquired at the end of the year had significant changes between actual cost and BACV, raising questions about equity changes for investments acquired shortly before year-end. She stated that for net investment income, several were reported with negative numbers without explanation. Gann stated that there were also situations where something was identified as 100% owned by an insurer, but the related party code was 6, meaning no related party involvement.

Gann stated that NAIC staff identified many questions requesting feedback from industry and state insurance regulators on interpretations and how to clarify the guidance. She suggested the potential for new electronic columns showing when the last audit occurred, as well as the equity value of that audit, so there is a comparison to what is currently reported. She stated that there can be a lag from when an audit occurs to when equity changes are reflected, but adding this detail would at least provide the last known information. Regarding goodwill, when an SSAP No. 48 item is acquired at a premium or discount, it is supposed to be captured as positive or negative goodwill. She stated that in *SSAP No. 68—Business Combinations and Goodwill*, the goodwill standard clearly includes them in scope, but NAIC staff could not find disclosures related to that component of goodwill. She stated that there is also no way to identify on Schedule BA whether something was acquired at a premium or discount and whether the goodwill is being amortized.

Gann stated that in 2013, the Working Group had an investment classification project, where the various investment SSAPs were reviewed for updating. She stated that SSAP No. 26, SSAP No. 30, and SSAP No. 32—*Preferred Stock* were completed, and when SSAP No. 43 was reached, the bond project took off. She stated that the agenda item was closed, but SSAP No. 48 was originally intended to be included and that this is essentially a resurrection of the old investment classification project, taking a fresh look at SSAP No. 48 to ensure the guidance is clear and consistently reported. She stated that there are no proposed revisions in the agenda item and that it is a concept item to ask for initial feedback. Gann stated that NAIC staff will gather comments and determine the scope of revisions needed, hopefully by the Spring National Meeting.

D. Agenda Item 2025-27

Bruggeman directed the Working Group to agenda item 2025-27: *SSAP No. 1 Modco/FWH Code*. Stultz stated that this agenda item is for updates to SSAP No. 1 for modified coinsurance (modco) and funds withheld (FWH) codes. He stated that it proposes to update the required disclosures for SSAP No. 1 for the restricted asset disclosure to separately show modco and FWH assets within the Note 5L disclosures and to add a reporting code category within the investment schedules in the annual statement blanks. Stultz stated that during the most recent update to Note 5L for restricted assets, these categories had been added to the restricted asset note by the Blanks (E) Working Group with agenda item 2025-06BWG, so this is just catching up with that Working Group to ensure consistency.

Stultz stated that there are two distinct actions with this agenda item. First, there are draft revisions to the restricted asset disclosure requirements in SSAP No. 1 to add categories for modco assets, FWH assets, and collateral assets received reported on the balance sheet, excluding collateral held under securities lending and repurchase agreements reported on the balance sheet. He stated that these three categories had previously been added to the Note 5L disclosure, so this update incorporates them into SSAP No. 1. Second, this agenda item includes a recommendation to the Blanks (E) Working Group to add these categories into the restricted asset codes included in the investment schedules. He stated the recommendation is to expose this item and that NAIC staff have worked with NAIC staff for the Blanks (E) Working Group, and the proposed blanks changes should be part of the Blanks (E) Working Group chair exposure in the next few weeks.

E. Agenda Item 2025-28

Bruggeman directed the Working Group to agenda item 2025-28: *Nonadmittance of Long-Term Repos*. Gann stated that NAIC staff have a current convergence project for repo and security lending structures as time allows. However, there was one concept NAIC staff were asked to pull out separately, and that has to do with the non-admittance of long-term repurchase agreements. She stated that the current footnote in SSAP No. 103—*Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* says only short-term repos are allowed as admitted assets. She stated that the term repo is used as a collective term for both repurchase and reverse repurchase agreements. However, these two sides of agreements are different, and NAIC staff were asked to look at them individually and determine whether repurchase agreements could be permitted as admitted assets when they go beyond 365 days.

Gann stated that the agenda item discusses NAIC staff-recommended revisions to the footnote to permit long-term repurchase agreements that continue to meet the collateral requirements of SSAP No. 103 to be admitted assets without a 365-day maturity limit. She stated that for reverse repurchase agreements, NAIC staff are recommending that the short-term admittance requirement continue. Gann stated that questions were received on how nonadmittance should be reflected in the financial statements, and the footnote explains how the nonadmittance for reverse repurchase agreements would be reflected.

Gann stated that requiring nonadmittance of long-term repurchase agreements is different from other long-term borrowing agreements such as from the Federal Home Loan Bank (FHLB) or securities lending. She stated that one concern raised is if the borrowing agreements are puttable, and an insurer would need to liquidate reinvested assets earlier than planned to unwind the borrowing agreement. The agenda item requests information on whether long-term repurchase agreements are puttable and if restrictions or disclosures should be included in statutory accounting for borrowing agreements that could be puttable.

F. Agenda Item 2025-29

Bruggeman directed the Working Group to agenda item *2025-29: Reporting Clarifications*. Gann stated that this agenda item has been drafted to highlight some of the new reporting categories from the bond project that have received questions for which clarity or potential revisions could be considered. She stated that NAIC staff recommend exposing this item with the potential clarifications included, along with the request to industry that as they complete their year-end financial statements for the first time under the bond project, any additional collective questions be brought back to NAIC staff to clarify the guidance for subsequent reporting.

G. Agenda Item 2025-30

Bruggeman directed the Working Group to agenda item *2025-30: Administrative Services Contracts Disclosure Clarification*. Robin Marcotte (NAIC) stated that this agenda item is for clarification of the administrative services contract (ASC) disclosure in *SSAP No. 47—Uninsured Plans* and its related Note 18B, which is intended to disclose the gain or loss from ASC contracts. She stated that the existing disclosure wording and the annual statement data capture table resulted in inconsistent reporting. She stated that NAIC staff recommend exposing this SAP clarification to the disclosure. She stated that the main change being recommended is to divide the existing line that included both interest received and paid into separate lines for paid and received. This helps make the data captured note on the net gain or loss function better with a new formula on how the total is calculated. The intent is to separate inflows from outflows and improve the functionality of the note.

H. Agenda Item 2025-31

Bruggeman directed the Working Group to agenda item *2025-31: Update Coverage Gap Reference*. Marcotte stated that the coverage gap discount program under the federal Centers for Medicare & Medicaid Services (CMS) ended in 2024. She stated that this agenda item updates *INT 05-05: Accounting for Revenues Under Medicare Part D Coverage* to remove the coverage gap discount program from the primary part of the INT guidance, maintaining the existing description the coverage gap program, and it adds the replacement program called the manufacturer discount program. She stated the new manufacturer discount program began Jan. 1, 2025, and requires participating pharmaceutical manufacturers to sign an agreement with CMS to make drugs available and eligible for their Medicaid coverage. She stated that the INT 05-05 update adds the manufacturer discount program with a description in the INT.

I. Agenda Item 2025-32

Bruggeman directed the Working Group to agenda item *2025-32: Remove Shaded Text*. Oden stated the *NAIC Accounting Practices and Procedures Manual* (AP&P Manual) historically used shaded text to indicate substantive statutory accounting revisions with deleted text. He stated that this approach is no longer used, but NAIC staff noted that *SSAP No. 40* still includes shaded text representing superseded guidance that was replaced when *SSAP No. 90—Impairment or Disposal of Real Estate Investments* was introduced in 2005. He stated that NAIC staff recommend exposing revisions to *SSAP No. 40*, *SSAP No. 90*, the Summary of Changes, and the How to Use

document to delete the shaded text instructions and delete previously superseded guidance in SSAP No. 40, which is currently shown as shaded text.

J. Agenda Item 2025-33

Bruggeman directed the Working Group to agenda item *2025-33: Update to Annual Statement Expense Descriptions and Categories*. Stultz stated that this agenda item updates outdated expense category items such as Pony Express and references to outdated computer technology. He stated that these are being addressed as cleanup items and are not intended to change any categories, but simply to update the descriptions to be more modern and in line with current usage. He stated that it does not result in any statutory accounting changes and that NAIC staff took it on in case anything drifted into policy changes, but there really were none. He stated that the Blanks (E) Working Group will also expose proposed blanks changes to reflect the proposed revisions.

K. Agenda Item 2025-34

Bruggeman directed the Working Group to agenda item *2025-34: Updates on Economic Scenario Generator and Non-Variable Annuities*. Marcotte stated that this agenda item is to coordinate on updates to the *Valuation Manual* (VM) on the economic scenario generator and non-variable annuities, which were adopted by the Life Actuarial (A) Task Force. She stated that the VM already had some economic scenario generator references, but a new prescribed economic generator has been adopted, which is effective Jan. 1, 2026, but the *Valuation Manual* has an optional phase-in period, which allows partial recognition of the impact for up to 36 months. She stated that there was already an existing accounting disclosure regarding a phase-in for VM-20, Requirements for Principle-Based Reserves for Life Products, and the recommendation expands the phase-in disclosure to include VM-21, Requirements for Principle-Based Reserves for Variable Annuities.

Marcotte stated that the second update is the VM adoption of a new principles-based reserving framework for non-variable annuities in VM-22, Requirements for Principle-Based Reserves for Non-Variable Annuities. She stated that this has an optional implementation period of up to three years, allowing companies to choose which date within those three years to begin applying it. Therefore, the economic scenario update was a phase-in, while VM-22 involves different years of application.

Marcotte stated that NAIC staff recommend exposing the revisions to *SSAP No. 3—Accounting Changes and Corrections of Errors*, *SSAP No. 51—Life Contracts*, and *SSAP No. 52—Deposit-Type Contracts*. She stated that this is a minor revision to the existing phase-in disclosure to add a new chapter, VM-20, and reference it in SSAP No. 51 and SSAP No. 52. Marcotte stated that in SSAP No. 51, the other revision adds an effective date SSAP No. 51 and SSAP No. 52 on non-variable annuities.

6. Discussed a Memorandum to the Blanks (E) Working Group Clarifying Reporting on Schedule S, Part 8

Stultz stated that on May 22, the Working Group adopted agenda item 2024-07, which created a new Schedule S, Part 8 for reporting of assets that are subject to a funds withheld or modco arrangement, which was added to the Life/Fraternal Annual Statement Instructions and blanks. He stated that the new schedule was incorporated into the blanks by the Blanks (E) Working Group and is effective Dec. 31, 2025. Stultz stated that during the drafting and exposure process, comments were received that shifted the scope of the project, where it originally was to include all assets subject to a modco or FWH arrangement, but the scope was narrowed to only assets where investment risk is transferred.

Stultz stated that the intent of the memorandum (Attachment One-K) is to clarify that the new Schedule S, Part 8 is not intended to change any part of the way assets subject to a modco or FWH arrangement are factored into the life/fraternal RBC calculations. He stated that questions were received concerning whether this was intended to override any of those instructions, but it was not intended to impact RBC as it exists. He stated that the goal was to make the schedule work as cleanly as possible with existing RBC instructions—not to override or change them. Stultz stated that the schedule was designed to line up with existing guidance and provide clarity on what these assets are and support these arrangements. Stultz stated that the final adopted language is consistent with existing long-standing guidance in the Life/Fraternal RBC Reporting Instructions in LR045, LR046, LR047, and LR048.

7. Heard an Update on IMR Ad Hoc Group Activities

Gann stated that the remaining topics the IMR Ad Hoc Group has are excess withdrawals, market value adjustments, modco and FWH reinsurance transactions, and potentially the admittance limit. Gann provided an update on discussions that had occurred since the Summer National Meeting. This included the amortization of IMR, and the Ad Hoc Group's proposed use of a single simplified method, so that everyone would follow the same approach for amortization. She stated that the transition of the old approaches would be allowed as they run off, but going forward, there would be a single approach.

Gann stated that the Ad Hoc Group also discussed NAIC designation changes and how they are used to allocate gains and losses to the IMR or AVR. Under current guidance for issuer credit obligations, if there is more than one NAIC designation change, it goes to AVR, but this guidance predates the 20 granular designation approach and goes back to when there were only six designations. She stated that the Ad Hoc Group evaluated the guidance and proposed a new approach, based on whether there are three or more designations. She stated that the Ad Hoc Group also discussed incorporating the designation change concept for ABS and non-bond debt securities. Under current guidance, those standards require an individual assessment and allocation of interest factors to IMR and non-interest factors to the AVR, and practical expedients are used for those allocations. She stated that the Ad Hoc Group believes it would be cleaner if all debt securities followed the same NAIC designation change approach, which is the proposal that will be included in the forthcoming IMR issue paper.

8. Received Notice of a Potential Macroprudential (E) Working Group Referral

Gann stated that the Macroprudential (E) Working Group is considering a financial asset backed note (FABN) disclosure. She stated that if adopted, the Macroprudential (E) Working Group will sponsor a referral to the Statutory Accounting Principles (E) Working Group to consider the incorporation of the disclosure. She stated that, if this does occur, NAIC staff will draft an agenda item for an e-vote as soon as possible.

9. Discussed Printed Copies of the AP&P Manual

Gann stated that the NAIC stopped maintaining inventory of publications several years ago. She stated that NAIC staff and the Working Group members have been receiving printed copies of the AP&P manual and that the NAIC orders approximately 100 copies per year as that is the minimum amount the vendor will produce. She stated that remaining copies are offered to the states, which is typically about one copy per state. Gann stated that the state insurance regulator requests for those copies have increased. In order to accommodate these requests, NAIC staff propose not printing Volume Two since these are freely available on the NAIC Resource Center page. She stated that this would allow the printing of more copies of Volume One.

10. Discussed a Referral from the Life Risk-Based Capital (E) Working Group

Marcotte stated that the Working Group received a referral from the Life Risk-Based Capital (E) Working Group at the Summer National Meeting. She stated that NAIC staff will work on this in the interim for the next quarter. She stated that the referral is trying to get more background information on some AVR reporting lines (“Other” and “Certain Other”) that result in different RBC charges related to SSAP No. 97 classification of SCA common stock. Marcotte stated that, over time, the distinction between the categories has become unclear and requires some previous guidance. She stated that NAIC staff will likely reach out to interested parties to assist with this effort.

11. Reviewed U.S. GAAP Exposures

Marcotte said there are no U.S. generally accepted accounting principles (GAAP) items currently exposed by the FASB, that NAIC staff will monitor and review future exposures, and that NAIC staff recommend reviewing the final issued ASUs under the SAP maintenance process as detailed in *Appendix F—Policy Statements*.

12. Heard an Update on the IAIS Audit and Accounting Working Group

Gann stated that she and Maggie Chang (NAIC) monitor the International Association of Insurance Supervisors (IAIS) Audit and Accounting Working Group (AAWG) discussions. She stated that the last meeting was Sept. 18–19. Gann stated that although there are AAWG actions to review issuances from international bodies, generally, the items are not relevant to the U.S. She stated that some items that may be of interest include the International Accounting Standards Board’s (IASB’s) potential exposure of targeted improvements to amortized cost measurement expected in *IFRS 9, Financial Instruments*, a discussion on private equity investments in accounting firms and related ethical and independence considerations, and the Insurance Capital Standard (ICS) implementation and revisions to Insurance Core Principle 9, Supervisory Reporting, and ICP 20, Public Disclosure.

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

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2025 fall/minutes and summary/sapwg/1-sapwg minutes 12-9-2025 tpr.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/apptf/2025%20fall/minutes%20and%20summary/sapwg/1-sapwg%20minutes%2012-9-2025%20tpr.docx)

Statutory Accounting Principles (E) Working Group
Virtual Meeting
October 6, 2025

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force met Oct. 6, 2025. The following Working Group members participated: Dale Bruggeman, Chair (OH); Kevin Clark, Vice Chair (IA); Sheila Travis and Richard Russell (AL); Kim Hudson (CA); William Arfanis and Michael Estabrook (CT); Rylynn Brown (DE); Cindy Andersen (IL); Melissa Gibson and Shantell Taylor (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). Also participating was: Gilbert Mendoza (MD).

1. Reviewed Comments Received on Agenda Item 2025-19 (Private Securities)

The Working Group held a public hearing to review comments (Attachment One-A1).

Bruggeman stated that the Working Group exposed agenda item 2025-19 at the Summer National Meeting for a shortened public comment period ending Sept. 19. He stated that the purpose of the shortened exposure was to consider comments and revisions before sponsoring the blanks proposal.

Julie Gann (NAIC) stated that this item was drafted to improve the identification of private placement securities with new investment schedule reporting and an aggregated disclosure. She stated that for impacted investment schedules, the initial exposure proposed a new electronic column that would identify investments as either Rule 144A, Regulation D (Reg D), or a general exemption pursuant to Section 4(a)2 (General Exemption) of the Securities Act of 1933 (1933 Act). She stated the aggregated disclosure would include key information on the different types of securities, including book/adjustment carrying value (BACV), fair value, fair value by level 2 and level 3 categories, aggregate deferred interest, paid-in-kind interest, and the amount of BACV supported by private letter ratings. She stated that interested parties' comments have predominantly been reflected within proposed edits, but NAIC staff wanted to verify that the Working Group supports the suggested changes. After the Working Group directs the edits, NAIC staff recommend two options for a second exposure. The first option would have a shortened public comment period ending Oct. 31, which would allow for adoption consideration at the Fall National Meeting with subsequent sponsorship of a blanks proposal. The second option would provide a longer exposure period with the concurrent sponsorship of a blanks proposal.

Gann provided a summary of the comments received, highlighting the aspects for regulator discussion. She noted that comments proposed to combine the Reg D and General Exemption private placement categories into one reporting category, with edits to change the "not applicable" (NA) category to "other" for items not subject to the 1933 Act. She stated that NAIC staff propose retaining NA as the term "other" implies that other private placements are not captured in other categories. She stated that the intent of the NA category was for investments that are not in scope of the 1933 Act, such as long-term certificates of deposits and bank loans.

Gann stated that the original proposal would have encompassed all investments reported on Schedule BA, Other Long-Term Investments. However, comments suggested limiting the reporting to investments classified as non-bond debt securities and residuals. Gann stated that the majority of items reported on other Schedule BA lines would not be in scope of the 1933 Act, but it could be possible that an investment captured on another reporting line could be subject to the 1933 Act and not captured in this disclosure. She stated that the cost of investment assessment and reporting may not support the benefit if all Schedule BA reporting lines were included.

Gann stated that the interested parties' edits proposed removing references to acquisition and disposal schedules, which would limit the electronic column to year-end reporting only. With this change, if regulators seek

information on whether items acquired or disposed of reflected private placement securities, that data would not be captured.

Gann stated that Schedule D, Part 1A: Quality and Maturity Distribution of All Bonds Owned Dec. 31, currently includes totals for publicly traded and privately placed securities by NAIC designation. She stated that the schedule does not distinguish between different types of private placements, but a footnote provides the total of privately placed securities that reflect Rule 144A securities. She stated that interested parties have proposed eliminating this information, noting that the investment schedule reporting and aggregate disclosure will offer more granular detail. Gann stated that NAIC staff do not oppose this request but want to flag it for regulators to ensure that no one is relying on the existing Schedule D, Part 1A data before it is removed.

Gann stated that revised wording from the interested parties' proposal has been suggested to clarify that if the private placement categories are combined, the resulting private category would include items captured under Reg D, items not registered under the General Exemption, and other items not U.S. Securities and Exchange Commission (SEC)-registered for investments captured under the 1933 Act, excluding Rule 144A. She stated that the only items not captured in this category would be registered public investments, private placements considered Rule 144A, and investments not subject to the 1933 Act, which would fall under the NA category.

Mike Reis (Northwestern Mutual), representing interested parties, stated that the parties' entities often do not know whether a private placement falls under Reg D or a General Exemption. He stated that even when they do, that information is typically buried deep in deal documentation, if documented at all, and that identifying the specific exemption would require significant effort. Reis said the parties he represents do not see much regulatory benefit in segregating the two.

Bruggeman stated that the interested parties' suggestion to collapse private categories, excluding Rule 144A, and following the NAIC staff recommendation to keep the NA category instead of changing it to "other" seems reasonable.

Mendoza expressed concern about insurers potentially lumping items into the NA category and asked what assurance exists to prevent that. Reis said that is what NAIC staff are trying to prevent and that interested parties want to ensure that does not happen. Gann stated that an example of an item that would fall under the NA category in Schedule D, Part 1, Section 1: Issuer Credit Obligations is bank loans, as they are not typically considered securities in the scope of the 1933 Act. She stated that the intent would be for all items subject to the 1933 Act to be captured in the public, Rule 144A, or private placements category.

Bruggeman requested regulator input on whether this reporting should be required on a quarterly basis. Mendoza stated that he would like to see if an insurer is ramping up its exposure to private placement securities throughout the year, especially non-Rule 144A securities, instead of waiting until year-end.

Clark requested interested party feedback on the burden of requiring quarterly reporting in addition to the annual reporting. Reis stated that this is the least concerning of the current issues. He stated it would be an additional burden for seemingly little benefit, but understood the concern and would not be a deal breaker. Gann stated that there will be an electronic-only column on the quarterly acquisition and disposal schedules.

Tip Tipton (Thrivent), representing interested parties, questioned whether quarterly information would only be electronic reporting or if the full disclosure would be required. Mendoza stated he would be fine with the column to identify whether an insurer was ramping up the exposure. He stated that the aggregate disclosure would be great, but he is mindful of the burden on the insurers.

Bruggeman requested clarification on what is being proposed. He noted that there are a couple of considerations. If a data-only feature is added to identify which category an item falls into (public, Rule 144A, or private), then that detail could be captured in the acquisition and disposal schedules. However, he inquired whether regulators also want the aggregate disclosure required in the quarterly financial statements. Mendoza stated that including the disclosure would be consistent with annual reporting.

Tipton stated the concern that some data in the proposed aggregate disclosure can be easily pulled from the annual investment schedules, but may not always be readily available from the quarterly financials. He stated that interested parties would want to consider the request further before providing an official comment.

Bruggeman stated that the goal is to implement the new reporting and disclosure for year-end 2026. He emphasized that while quarterly data points may be available, he prefers not to require a formal quarterly disclosure. If needed, regulators could utilize the investment schedule reporting to address specific concerns rather than mandating quarterly summaries alongside annual reporting.

Gann stated that annual disclosures are generally not required on a quarterly basis. She stated that while some disclosures are required in the quarterly financials, most annual disclosures only need to be included quarterly if there has been a significant change from the prior annual disclosure. She noted that guidelines in the Statutory Accounting Principles Preamble (Preamble) determine whether a disclosure should be included in the quarterly filing, and that the Working Group could reference the Preamble's language to clarify the reporting frequency of the aggregate disclosure. Mendoza and Bruggeman stated that this proposal would be acceptable.

Bruggeman requested clarification on the proposed changes to Schedule D, Part 1A, which is an annual schedule, and whether the changes would also impact Schedule D, Part 1B, which is provided quarterly. Gann clarified that totals for public and privately placed securities are not captured on Schedule D, Part 1B, and are only captured in the annual financial statement within Schedule D, Part 1A.

Walker stated she is comfortable removing the item from Schedule D, Part 1A, provided regulators will receive more granular data through the new proposal. Clark stated that he agreed with Walker. Mendoza stated that he agrees with Walker, provided regulators will be able to identify both Rule 144A and non-Rule 144A private securities in the financial statements.

Bruggeman stated that one option is to expose the revised proposal for a shortened public comment period ending Oct. 31, which would allow the Working Group to discuss comments and consider adoption at the Fall National Meeting. If adopted, a blanks proposal would be sponsored based on the adopted guidance. He stated that the second option is to extend the exposure period and sponsor a concurrent blanks exposure. Bruggeman noted that while a concurrent exposure can be effective, it sometimes leads to confusion. He emphasized that if this option is chosen, the primary responses should be directed to this Working Group for relevant items, such as naming and column conventions, rather than the Blanks (E) Working Group. He expressed flexibility on either approach but stressed the importance of having the disclosure in place for year-end 2026.

Gann stated that the Blanks (E) Working Group must adopt changes by the end of May, and the Statutory Accounting Principles (E) Working Group must adopt the agenda item prior to that. She stated that the Blanks (E) Working Group could consider a chair exposure shortly after the Fall National Meeting, allowing for review of the first exposure at an interim meeting before the 2026 Spring National Meeting. If needed, there would still be time to re-expose the proposal before final adoption in May.

Hudson stated that if feasible, a shortened exposure period would be cleaner. He stated that this approach would help streamline the process and avoid back-and-forth actions between the Blanks (E) Working Group and the Statutory Accounting Principles (E) Working Group. Reis stated that interested parties have no concerns and prefer to avoid dual exposures.

Tipton requested clarification on whether the Statutory Accounting Principles (E) Working Group is leaning toward a public comment period ending Oct. 31 and considering an exposure at the Blanks (E) Working Group's Nov. 5 meeting.

Bruggeman stated that a November blanks exposure would not occur. Instead, the Statutory Accounting Principles (E) Working Group discussion will take place at the Fall National Meeting in December. Following that, a blanks proposal will be sponsored, with a request for exposure to the Blanks (E) Working Group chair.

Hudson made a motion, seconded by Malm, to expose the revised agenda item 2025-19 (Private Securities), including the interested party and Working Group edits discussed during the meeting, for a shortened public comment period ending Oct. 31. The motion passed unanimously.

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

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2025 fall/minutes/sapwg/1a-sapwg minutes 10.06.25.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/apptf/2025%20fall/minutes/sapwg/1a-sapwg%20minutes%2010.06.25.docx)

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September 19, 2025

Mr. Dale Bruggeman, 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 SAPWG Ref #2025; Private Placement Securities (the “Exposure Draft”)

Dear Mr. Bruggeman:

Thank you and the NAIC Statutory Accounting Principles Working Group (the Working Group) for the opportunity to comment on the above-referenced item, which was exposed for comment by the Working Group during the NAIC 2025 Summer National Meeting.

Description of Issue

This agenda item has been prepared in response to interest expressed by regulators to propose new disclosure and reporting requirements to better identify different types of private placement securities. Specifically, although broad information on private placement securities can be identified when a company reports a Private Placement Number (PPN) instead of a CUSIP, the intent is to distinguish between different types of private placements, for example those that reflect unregistered resales compliant with Rule 144A from other private placements. Further, as identifying PPNs from public CUSIPs requires scrutiny of the reported identifier, the revisions intend to make it easier to quickly identify a private placement security in the investment schedules. These revisions are supported due to the increase in private placement securities, the increase in private letter ratings often used for private placements, as well as potential concerns on the increase in, and reliance on, level 3 fair values for private placement securities.

This agenda item proposes new individual investment reporting disclosures, to be satisfied through the investment schedules on classifying private placements, as well as new note disclosures to provide aggregate reporting information on aspects of private placements within the financial statements. These disclosure requirements are proposed to be effective December 31, 2026, for reporting in the year-end 2026 financials.

Interested Parties Comments

Interested parties support additional disclosures that are necessary for regulators to achieve their regulatory objectives but want to ensure they do not provide unnecessary burden on industry if they do not provide necessary information toward achieving those objectives.

Additional SSAP Disclosures

We note that the Exposure Draft lists four SSAPs that require disclosures [SSAP No's 2, 21 (in part), 26, and 43] while the Exposure Draft highlights seven reporting schedules impacted:

1. Schedule DA (SSAP No. 2)
2. Schedule E2 (SSAP No. 2)
3. Schedule D-1-1 (SSAP No. 26)
4. Schedule D-1-2 (SSAP No. 43)
5. Schedule D-2-1 (**SSAP No. 32**)
6. Schedule D-2-2 (**SSAP No. 30**)
7. Schedule BA (SSAP No. 21, in part)

Interested parties note that SSAP No's. 32 and 30 will also need disclosures added to accommodate the data that is desired to be disclosed for schedules D-2-1 and D-2-2, respectively.

Clarity Needed for Disclosures

We understand that the first 6 of these schedules are intended to include disclosures for the totality of the investments on the respective schedules (i.e., if there are \$100 of investments on the respective schedule, the aggregate of the amounts of the disclosure – Public, 144A, Reg D, Section 4(a)2, and N/A – should also equal \$100). We also understand the 7th category is only for two components of schedule BA (i.e., residual tranches and debt securities that do not qualify as bonds). With this understanding, interested parties have three comments:

1. The disclosures and reporting schedules should clarify that for the first 6 schedules, the disclosures should total the totality of the investments on the respective reporting schedule while the disclosures and reporting schedules for the 7th category should only reflect residual tranches and debt securities that do not qualify as bonds.
2. The disclosures should be adjusted, as the population of investments should not be “securities in scope” but investments in scope, as not all investments listed on the schedules are securities. Also, for some investments that are to be included in the disclosures, they are not securities, but are in “substance securities” (e.g., bank loans, other loans issued by insurers that qualify for Schedule D, Bond reporting).
3. For schedule BA, other than for residual tranches and debt securities that do not qualify for bonds, while an absolute statement can never really be given, each of the other BA categories would almost universally not be publicly traded securities. For example, limited partnerships, limited liability corporations, tax credit investments, etc. We agree that these should be excluded from the disclosure requirements for schedule BA for simplicity, usefulness to regulators, and cost benefit efficiencies for insurance companies.

Interested parties have suggested specific changes to the disclosures as an attachment to this letter.

Other Cost benefit Efficiencies

The disclosures require the breakout of Reg D and Section 4(a) 2 exemptions. We do not believe this breakout provides any meaningful information to regulators; however, if adopted, it would significantly increase the burden of the disclosures for insurance companies.

We highlight three important points related to these two different types of exemptions that support this view:

1. The use of Reg D or 4(a)2 accrues primarily for the benefit of the issuer, based on its own unique situation. The buyer of the security is generally agnostic on which exemption the private security falls under, as the exemption classification has no material impact for a security's secondary trading liquidity, reporting transparency, or investment risk. Reg D generally has a 6-to-12 month restriction on trading while 4(a)2 generally has no timing restrictions. However, most insurance companies purchase privately placed investments with an intent to hold them long term (usually to maturity for privately placed debt). It is most often when investment concerns arise that an insurer would consider selling such securities, and these concerns tend to manifest later in an investment's life cycle vs. within the first 12 months after issue. Therefore, despite the temporary trading restrictions for Reg D securities, there is no material difference in the liquidity afforded by these investments for insurers' portfolios. In fact, insurance companies (and the market overall) tend to lump both exemption categories into the same bucket, and label them solely as Private. Likewise, if regulators have liquidity concerns with privately placed securities, we would expect those concerns to be of long-term nature but not in the period right after issuance.
2. While Reg D is primarily, but not always, used for equity type investments and 4(a)2 is primarily, but not always, used for private placement debt investments, the debt/equity distinction, if relevant for regulators, can be determined through reporting on the schedules themselves (e.g., schedule D-2-2 common stock, schedule D-1-1, debt instruments, etc.).
3. The new disclosures as written will require a very meaningful effort by companies to accurately report. While companies generally have this data available, and/or are already required to disclose it, this is something that will have to be "rewired" in internal company systems – which is time intensive and expensive – to provide it in the new format required by the disclosure. Otherwise, it will be extremely manually intensive, subject to error, and extremely burdensome. Most importantly, the biggest burden would be the breakout of the Reg D and 4(a)2 categories, as this distinction is not meaningfully relevant for issuers (for the reasons stated above), nor is the distinction consistently listed on marketing or legal documents for private transactions. Therefore, the Reg D/4(a)(2) distinction is not something tracked internally by most insurers or maintained in investment systems (whether internal or external), as it is not relevant to investment decisions, risk or liquidity. As such, this breakout between the two private placement categories would extensively increase the burden for companies to comply with this disclosure, with little added benefit for regulators (for the reasons stated in 1 and 2 above).

Lastly, to remove the redundancy from the existing data reported for Total Publicly Traded and Total Privately Placed bonds on Schedule D – Part 1A, we recommend that the following items be removed from Schedule D – Part 1A:

- Column 11 – Total Publicly Traded
- Column 12 – Total Privately Placed
- Row 53 – Total Publicly Traded Bonds
- Row 54 – Total Privately Placed Bonds

For the 'Supplemental Schedule of Selected Statutory-Basis Financial Data' in the audited financial statements, consider modifying the following:

From:

- Total Bonds Publicly Traded
- Total Bonds Privately Placed

To:

- Total Bonds – Publicly Traded
- Total Bonds – Rule 144A
- Total Bonds – Private Placement Securities (Reg D and 4(a)2 Exemptions)
- Total Bonds – Other

* * * *

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

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2025 fall/minutes/sapwg/1a1-dkb2437.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/apptf/2025%20fall/minutes/sapwg/1a1-dkb2437.docx)

Agenda Item with Interested Parties' Proposed Revisions

Ref #2025-19

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

Issue: Private Placement Securities

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New Issue or SSAP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Description of Issue: This agenda item has been prepared in response to interest expressed by regulators to propose new disclosure and reporting requirements to better identify different types of private placement securities. Specifically, although broad information on private placement securities can be identified when a company reports a Private Placement Number (PPN) instead of a CUSIP, the intent is to distinguish between different types of private placements, for example those that reflect unregistered resales compliant with Rule 144A from other private placements. Further, as identifying PPNs from public CUSIPs requires scrutiny of the reported identifier, the revisions intend to make it easier to quickly identify a private placement security in the investment schedules. These revisions are supported due to the increase in private placement securities, the increase in private letter ratings often used for private placements, as well as potential concerns on the increase in, and reliance on, level 3 fair values for private placement securities.

This agenda item proposes new individual investment reporting disclosures, to be satisfied through the investment schedules on classifying private placements, as well as new note disclosures to provide aggregate reporting information on aspects of private placements within the financial statements. These disclosure requirements are proposed to be effective December 31, 2026, for reporting in the year-end 2026 financials.

SEC Registration Requirement:

Under the Securities Act of 1933, securities are required to be registered unless they meet a “private placement” exemption. The definition of security pursuant to Section 2(a)(1) of that act is as follows:

“any note, stock, treasury stock, security future, security-based swap, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a “security”, or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.”

Agenda Item with Interested Parties' Proposed Revisions

Ref #2025-19

Information on Private Placement Securities:

- **Rule 144A** – Rule 144A is a U.S. SEC rule that allows qualified institutional buyers (QIBs) to trade restricted unregistered securities privately to other QIBs. This rule permits the *resale* of securities, not initial offerings, among institutional investors that own and invest on a discretionary basis at least \$100 million worth of unaffiliated securities. Resales under Rule 144A are conducted by entities and security issuers are specifically excluded. (There are other less-common exemptions for private resales for asset-backed securities under Section 4(a)7 and Section “4(1½)” that have specific requirements for compliance. For purposes of this agenda item and simplicity, exemptions involving resales that do not involve the issuer, underwriter or dealer will be collectively captured under Rule 144A.)
- **Regulation D** – A private placement under Regulation D is an unregistered securities offering conducted by the securities issuer. It allows companies to issue securities without registering them with the SEC if they satisfy certain requirements. There are two primary rules under Regulation D that determine whether SEC registration is not necessary:
 - **Rule 504**: Allows issuers to offer up to \$10 million in private placements to accredited or non-accredited investors in a 12-month period. Except in limited circumstances, the purchasers of securities offered under Rule 504 cannot sell the securities for a designated period of time without registering them. (The SEC explanation indicates at least 6 months or a year so this may vary based on the circumstances.) (The acquired securities are considered “restricted.”)
 - **Rule 506**: A “safe harbor” under Section 4(a)(2), it allows issuers to directly offer unregistered securities to an unlimited number of accredited investors and up to 35 non-accredited (but “sophisticated”) investors. Public solicitation is permitted as long as all investors are accredited investors. Similar to Rule 504, purchasers of securities under Rule 506 receive “restricted” securities meaning that they cannot be sold for a designated holding period without registering them. (Similar to Rule 504, the SEC explanation indicates at least 6 months or a year.) (Rule 506 is the most common exemption for private placements.)

Note: Insurance companies are accredited investors if they have a total net worth exceeding \$5 million or if all equity owners are accredited investors. (Individuals are accredited investors with net worth over \$1 million, income over \$200,000, or by meeting various professional criteria.)

Companies that issue securities under Regulation D do not have to register their offerings of securities with the SEC, but they must file a “Form D” electronically with the SEC after the first sale of their securities. This is a brief notice that includes the names and addresses of the company’s promoters, executive officers and directors, and some details about the offering, but contains little information on the company. Form D filings can be obtained from the SEC’s Edgar Database.

- **Section 4(a)(2) Exemption**: This Securities Act 1933 exemption allows unregistered securities offerings for issuances that do not involve a “public offering”. The Securities Act does not define “public offering” and unlike the other registration exemptions, Section 4(a)(2) does not expressly define a maximum number of investors, investor suitability or a maximum dollar value. However, case law and SEC rulings have provided guidance which includes the following factors: the number of investors, whether the offer was only made to “sophisticated” investors, whether there was a general solicitation or public advertising,

Agenda Item with Interested Parties' Proposed Revisions

Ref #2025-19

whether the securities are restricted and the information provided to prospective investors. A “sophisticated” investor is determined based on either 1) having sufficient knowledge and experience to evaluate the risks and merits of the investment, or 2) having sufficient financial resources able to bear the economic risk of investing. If the securities are offered to just one person who does not meet the conditions, the entire offering may violate the Securities Act. A key aspect of Section 4(a)(2) is that the issuer must ensure that investors agree not to resell or distribute the securities to the public. Securities offered under Section 4(a)(2) are more likely to be subject to legal issues if the SEC deems the security offering did not comply with the exemption requirements and from investors filing fraud claims based on inadequate disclosures.

Although exempt from SEC registration, private placements (Regulation D and Section 4(a)(2)) are required to provide investors with information about the investment, risks involved and the issuer’s financial situation. These details are often provided via a private placement memorandum (PPM), although a PPM is not specifically required under federal law or regulation. Although private placement issuers are exempt from public disclosure requirements, they must still comply with anti-fraud provisions under securities laws. As such, if the issuer fails to provide adequate and complete information, it can result in legal consequences. Items captured in a PPM typically include an executive summary, risk factors, terms of the offering, use of the proceeds (including an outline of fees), financial projections, as well as information on the management team, business structure and the securities law compliance.

Although the SEC definition of security is broad, there could be limited situations where an instrument is not subject to the registration requirement “security” schedules. The statutory accounting guidance adopts the U.S. GAAP definition for a “security,” but that definition does not match the SEC. As such, certain lending arrangements might not be securities according to the Securities Act (and therefore not require registration.) Also, exceptions exist for certain structures that are captured under *SSAP No. 26—Bonds* that may not reflect securities. For example, bank loans are in scope of SSAP No. 26 and reported on Schedule D-1-1: Issuer Creditor Obligations, and they may not meet the SAP securities definition, nor be required to be registered with the SEC. Schedule BA: Other Invested Assets, includes both security and non-security investments, as such, there could be entire categories of investments that are not subject to the SEC registration requirement.

Existing Authoritative Literature:

SSAP References:

There is no specific SSAP guidance for the reporting of private placement securities. Various guidance addresses private placements, including the following:

- **Various investment SSAPs:** References that private placements are recorded on the funding date and not the trade date.
- **SSAP No. 100—Fair Value:** Paragraphs 44-45 provides guidance on equity securities with contractual sale restrictions, and how those restrictions could impact the fair value of the equity security.
- **SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities:** Securities issued under Rule 144A or debt placed privately are examples that constrain a transferee from pledging or exchanging a financial asset.

Agenda Item with Interested Parties' Proposed Revisions

Ref #2025-19

Annual Statement Reporting that Separates Private Placements / Securities:

- **Annual Audited Financial Reports:** The report divides total bonds between those publicly traded and privately placed.
- **AVR Equity and Other Invested Asset Component – Basic Contribution, Reserve Objective and Maximum Reserve Calculations: Line 2 – Unaffiliated Common Stocks Private:** This category captures the book/adjusted carrying value of all privately held common stocks, including mutual funds, unit investment trusts, closed-end funds, and ETFs reported as common stock, owned in unaffiliated companies.
- **Schedule D – Part 1A – Section 1: Quality and Maturity Distribution of all Bonds Owned December 31 by Major Type and NAIC Designation:** Section 54 (as of 2025) is for total bonds privately placed. Also, Column 12 identifies total privately placed for all categories (Schedule D-1-1 and Schedule D-1-2 reporting lines) except for Section 53 that addresses publicly traded bonds. A footnote to this schedule identifies the total that is freely tradeable under SEC Rule 144 or qualified for resale under Sec Rule 144A. (Column 11 includes publicly traded, with instruction that all short-term investments are considered publicly traded for annual statement purposes.)
- **Supplemental Investment Risks Interrogatories – Line 14 – Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities.** This identifies whether the private placement equities are less than 2.5% of total admitted assets, the aggregate statement value of nonaffiliated privately placed equities, and the largest three investments held per this description.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:
None

Convergence with International Financial Reporting Standards (IFRS): N/A

Staff Recommendation:

NAIC staff recommend the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to incorporate a new disclosure to identify private placement securities in the investment schedules and to incorporate an aggregate disclosure that details key investment information by type security (public and private placement type) as detailed in the agenda item. This item is proposed to be effective December 31, 2026. This item is proposed to have a shortened comment period ending September 19, 2025. After assessing comments from the exposure, the Working Group will consider sponsoring a blanks proposal to incorporate the reporting changes.

The following disclosures are proposed for all investment SSAPs that capture debt and equity securities. It is shown once for brevity, but would be captured in each of the following SSAPs:

- SSAP No. 2—Cash, Cash Equivalents, Drafts and Short-Term Investments, paragraph 18f.
- SSAP No. 21—Other Admitted Assets [\[Debt Securities That Do Not Qualify as Bonds\]](#), paragraph 27m
- SSAP No. 21—Other Admitted Assets [\[Residual Tranches or Interests/Loss Positions\]](#), paragraph 38 (remaining paragraphs to be renumbered)
- [SSAP No. 26—Bonds](#), paragraph 40m.

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- [SSAP No. 30—Unaffiliated Common Stock](#)
- [SSAP No. 32—Preferred Stock](#)
- SSAP No. 43—Asset-Backed Securities, paragraph 44.m. (Remaining paragraph to be renumbered.)

Note: With the move of the residual guidance to SSAP No. 21, specific disclosure requirements were not included. A separate agenda item will either incorporate disclosure requirements or refer to the disclosure requirements in other SSAPs. The placement of paragraph 38 for this disclosure may be revised with those additional changes.

Disclosures

40. The financial statements shall include the following disclosures:

- m. For all ~~securities~~[investments](#) in scope, identify whether each ~~security~~[investment](#) is ~~not subject to SEC security registration,~~ publicly registered, ~~is~~ a private placement under Rule 144A (collectively capturing all exclusions for resales that do not involve the issuer, underwriter or dealer), [private placement securities \(i.e.,](#) Regulation D, or as a general exemption pursuant to Section 4(a)2 of the Securities Act of 1933). (The individual ~~security~~[investment](#) disclosure shall be completed within the investment schedules.) For all securities in scope, the reporting entity must aggregate each type by investment schedule, capturing the total BACV, fair value (with fair values determined by level 2 and level 3 reported), the total amount of aggregate deferred interest and paid-in-kind interest, and the total BACV supported by private letter ratings.

The proposed disclosure is anticipated to be satisfied with Blanks revisions as follows:

- 1) New Electronic column in ~~all~~ investment reporting schedules (held,~~acquired, disposed~~) for Schedule DA, Schedule E – [Part 2](#), Schedule D-1-1, Schedule D-1-2, Schedule D-2-1, Schedule D-2-2, and Schedule BA [\(select categories\)](#):

Identify whether the ~~security~~[investment](#) is ~~not required to be SEC registered,~~ publicly registered, or is a private placement under Rule 144A (collectively capturing all exclusions for resales that do not involve the issuer, underwriter or dealer), [private placement securities \(i.e.,](#) Regulation D (collectively included those under Rule 504 and 506), or as a general exemption pursuant to Section 4(a)2 of the Securities Act of 1933). One of the following codes shall be captured for each reported ~~security~~[investment](#):

- Public
- 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter or dealer.
- ~~Private Placement Securities – Includes~~ 'Reg D – Includes both Exemptions under Rule 504 and 506'[and](#)
- 'Section 4(a)2 – General exemption'
- ~~N/A~~[Other](#) – ~~Security is not required to be registered with the SEC~~[Investments not included in the other categories.](#)

Agenda Item with Interested Parties' Proposed Revisions

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2) The aggregate disclosure is proposed as follows:

	Total BACV	Total FV	FV L2	FV L3	Aggregate Deferred Interest	Aggregate Paid-In-Kind Interest	BACV with PLR as NAIC Designation
Schedule DA							
Public							
144A							
Reg-D Private Placement Securities							
Section 4(a)2							
N/A Other							
Schedule E2							
Public							
144A							
Private Placement Securities Reg-D							
Section 4(a)2							
N/A Other							
Schedule D-1-1							
Public							
144A							
Private Placement Securities Reg-D							
Section 4(a)2							
N/A Other							
Schedule D-1-2							
Public							
144A							
Private Placement Securities Reg-D							
Section 4(a)2							
N/A Other							
Schedule D-2-1							
Public							
144A							

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<u>Private Placement Securities</u> Reg-D							
Section 4(a)2							
N/A <u>Other</u>							
Schedule D-2-2							
Public							
144A							
<u>Private Placement Securities</u> Reg-D							
Section 4(a)2							
N/A <u>Other</u>							
Schedule BA (select categories)							
Public							
144A							
<u>Private Placement Securities</u> Reg-D							
Section 4(a)2							
N/A <u>Other</u>							

Status:

On August 11, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions, as illustrated above, to incorporate a new electronic reporting column to identify private placement securities in the investment schedules and incorporate an aggregate disclosure that details key investment information by type of security (public and private placement type). This item was exposed for a shortened comment period ending September 19, 2025, to allow for comments to be considered prior to sponsoring a blanks proposal.

[https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2025 Fall/minutes/SAPWG/1A1-Private Securities - attachment for dkb2437 - Final.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/APPTF/2025%20Fall/minutes/SAPWG/1A1-Private%20Securities%20attachment%20for%20dkb2437%20-%20Final.docx)

Draft: 9/24/25

Statutory Accounting Principles (E) Working Group
Virtual Meeting
September 10, 2025

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force met Sept. 10, 2025. The following Working Group members participated: Dale Bruggeman, Chair (OH); Kevin Clark, Vice Chair (IA); Richard Russell (AL); Kim Hudson (CA); 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 (VA); and Amy Malm (WI). Also participating were Rachel Hemphill (TX) and William B. Carmello (NY).

1. Heard a Presentation from the ACLI on ALM Derivatives

Bruggeman stated that the American Council of Life Insurers (ACLI) submitted a presentation to discuss two proposed approaches for ALM derivatives (Attachment One-B1). The first proposal outlined a fair value approach (Attachment One-B2), while the second focused on an amortized cost approach (Attachment One-B3).

Thomas Karafin (Prudential), representing the ACLI, stated that last year, there were conversations among various attendees of today's meeting regarding ALM derivatives, which prompted the ACLI's comment letter dated Nov. 20, 2024, regarding this same topic. Karafin stated that at the NAIC Spring National Meeting, a group, including Julie Gann (NAIC), discussed what a proposed statement of statutory accounting principles (SSAP) on this topic could look like. He stated that there are two versions of the draft proposal; in case regulators are not comfortable with one, there would be an alternative to consider.

Karafin said that the proposal aims to enhance the alignment of each company's reported surplus with its actual solvency and liquidation value and seeks to avoid situations where financials contain inappropriate portrayals of surplus and illusory financial strength. ALM derivatives are hedging instruments that hedge the duration difference between designated asset and liability portfolios. This helps in preserving surplus and ensuring that policyholder benefits can be fulfilled. Common duration measures include modified duration, which is the effect that a 100 basis point (1%) change in interest rates will have on the price of an instrument; Macaulay duration, which is the weighted average time until cash flows are received and is measured in years; and DV01, which measures the dollar change in an instrument's price for a one basis point (0.01%) change in rates.

He said that entities hedge the duration difference between assets and liabilities to eliminate deficits in liquidation value and preserve surplus. Asset and liability durations evolve over time with product sales, benefit payments, asset maturities, etc. Hedging strategies need to be dynamic and cannot always be solved by buying and selling investments due to availability, tax costs, bid/ask spreads, etc. ALM derivatives and duration hedging are common in the industry but often do not qualify for hedge accounting under *SSAP No. 86—Derivatives* or *SSAP No. 108—Derivatives Hedging Variable Annuity Guarantees*.

He said that two versions of the SSAP draft proposal are being submitted. The first is the amortized cost method, which is favored by the industry due to its operational simplicity and alignment with hedged items. The second is the mark-and-spread method, which is offered as an alternative option for regulators. Both proposals require multiple hedge effectiveness tests each quarter, and all must be passed to apply either proposal.

The amortized cost method involves assessing hedge effectiveness at least quarterly and requires the hedging relationship to be highly effective in reducing duration differences. All highly effective designated hedging

derivatives are reported in the financial statements at amortized cost. Amortized cost treatment will discontinue in scenarios such as maturities/terminations and de-designation. Deferred assets/liabilities are amortized using a straight-line method into net gain from operations (NGO) over a finite amortization period.

The mark-and-spread method is similar to the amortized cost method but with different measurement/recognition and amortization starting points. All designated highly effective hedging derivatives are reported at fair value. Fair value fluctuations in the hedging instruments attributable to the hedged risk are recognized as deferred assets and deferred liabilities. Deferred assets/liabilities (including those that are unrealized) are amortized using a straight-line method into NGO over a finite amortization period.

He said that the guidance is proposed to be applied on a prospective basis for qualifying programs in place on or after the effective date. This proposal aims to significantly enhance the accuracy of solvency reporting and claims-paying ability, encouraging prudent risk management, which benefits policyholders, insurance companies, and regulators.

In response to Karafin's statement that derivatives with asymmetrical payoff patterns and/or derivative premiums at inception (e.g., options) would not be permitted under the guidance, Carmello stated that options are an effective way to hedge and questioned why options would not be permitted to be used as hedges.

Karafin stated that the ACLI is flexible on that point and that it was more of a concession for regulator feedback to have this be a limited set of derivatives and an attempt to avoid a cycle of paying premiums and deferring.

Hemphill questioned the amortized cost method because Karafin stated that it would match when interest rates and mortality were locked in at issue. She stated that a comparable situation exists with the interest maintenance reserve (IMR), where certain calculations, such as those involving the principle-based reserve (PBR)-modeled reserve or cash flow testing, show that this alignment does not hold, prompting an IMR adjustment. She stated that, in that framework, the question was raised whether similar adjustments are being proposed for the PBR modeled reserve or cash flow testing. She stated that when performing a PBR-modeled reserve, an allocated amount of IMR is essentially removed from the starting assets, since the rationale for establishing it initially does not apply, liabilities are not locked in and are, instead, more responsive. Therefore, locking in assets when liabilities are not locked in would be inconsistent. Hemphill asked whether another adjustment, similar to the current IMR treatment, would be needed for this approach in the PBR modeled reserve, whether deterministic or stochastic, and in the cash flow testing starting asset amount.

Carmello questioned whether the cash flow testing is for the starting assets. He stated that this would have to be treated like IMR, where you would include an adjustment for deferred items (whether positive or negative) in whatever the starting assets were.

Clark stated that this might be a reason why the amortized cost approach would not work because there would not be anything recognized to back out in the cash flow testing.

Gann stated that under the mark-and-spread method, amortization would begin while the derivatives are open; therefore, the derivative could change position in a subsequent quarter, where it could reverse the other way (loss or gain or gain to loss). So, there are a lot of moving parts with the mark-and-spread method.

Karafin stated that one reason the industry favored amortized costs is that the operational complexities are much less than those of the mark-and-spread method.

Gann stated that she believed the proposed guidance would apply to all companies, but life companies would mostly utilize it. She stated that right now there is Schedule DB for derivatives and a separate Schedule DB for SSAP No. 108 and questioned whether this would require a new schedule specific to these programs, or whether they would be folded into an existing Schedule DB. She stated that currently these programs would be detailed in the Schedule DB and presumably, they would fall under the “hedging—other” category, since they would not qualify as accounting effective under SSAP No. 86. Gann questioned whether there should be separate reporting for them or whether they would be commingled with existing reporting components. She stated that for balance sheet reporting, it may be appropriate to incorporate new reporting lines, but adding lines to the balance sheet pages does not occur frequently.

Karafin stated that the industry would be flexible and that support to be as practical as possible. He stated that a reporting entity could have between five and 15 derivative programs, depending on the legal entity, portfolio, or business unit. He stated that the anticipation is to summarize each of those programs and that the industry is flexible on reporting to ensure it is practical for regulator needs. He stated that commingling with other reporting components is not ideal. He stated that it is separate and distinct from SSAP No. 86 and SSAP No. 108, so it should be separate. He stated that the industry used SSAP No. 108 as a template. He agreed that under current reporting, it would default to a write-in on the balance sheet, and that write-in lines are not always ideal. He stated that the industry is flexible on how to report ALM derivatives and the deferred assets/liabilities.

Carmello asked how this would be handled using amortized cost.

Karafin stated that they would be recorded at the initial carry value, which sometimes is zero. Swaps (over the course of their lives) would impact surplus via swap settlements (as swaps mature with a fair value of zero). If a swap (or other derivative type) is terminated or de-designated prior to maturity, deferral/amortization would begin at that time. Other derivative types can also have fair values at maturity (e.g., forwards, futures, etc.), in which case deferral/amortization begins at maturity. In the amortized cost model, fair value would always be disclosed and seen on the balance sheet with a deferral upon termination, maturity, or de-designation.

Carmello questioned whether, if set up so that there are only two-way derivatives, the amortized costs would always be zero.

Karafin stated that most swaps have a face value of zero at inception, as do future forwards, which are really the target and the most likely derivative to be caught up here, and that would have an amortized cost of zero and would only emerge either through swap settlements, termination, maturity, or de-designation.

Carmello stated that the amortized cost approach seems more intuitive and is more consistent with the IMR approach.

Angelica Tamayo-Sanchez (New York Life), representing interested parties, stated that the amortized cost method would mirror SSAP No. 86, but the hedge effectiveness test being used is different. She stated that under SSAP No. 86, the focus is on changes in the fair value of the derivative. For example, to determine the 80 to 120 range. In this case, the test evaluates whether the derivative is doing what it was intended to do. So, if the goal is an extension of duration, the hedge effectiveness test would confirm that as long as the hedge effectiveness test is passed, the accounting would essentially follow the same approach currently used under SSAP No. 86, with the derivative carried at amortized cost. She stated that the value would usually be zero because at inception, it is zero. The only way a deferred asset or liability would arise is through termination or de-designation. Whatever the realized gain or loss is at that point is what goes into the deferral account. Throughout the life of the derivative, it is carried at amortized cost.

Tamayo-Sanchez stated that the reason for this proposal is that there is concern about the current framework, where derivatives are carried at fair value and unrealized gains and losses sit in surplus throughout the life of the derivative. Upon termination or de-designation, that amount is moved to IMR. She stated that the understanding is that regulators are concerned that recording a loss and then increasing surplus by moving it to IMR may be problematic. The proposal to use amortized cost, as long as the hedge effectiveness test under this potential method is met, would avoid that issue. This is the issue regulators are concerned with when derivatives are marked to market in surplus. She stated that under the mark-and-spread method, fair value would still be used as it is today. However, instead of marking to market (fair value) in surplus, deferral accounting would be applied, and amortization would begin immediately. Similar to IMR, as soon as the unrealized gain or loss is moved to the deferral account, amortization begins. She stated that this could add complexity because there could be an unrealized gain in one period and an unrealized loss in the next.

Carmello questioned whether, under the amortized cost method, where the amortized cost is zero, the fair value is recorded somewhere as a notional amount, or how the standing value of those derivatives is known.

Karafin stated it would be similar to SSAP No. 86, where the additional information is in the Schedule DB reporting, but it is analogous to SSAP No. 86, with the difference in effectiveness tests.

Clark stated that the amortized cost method aligns more closely with how IMR works because the assets are not marked to market and are only deferred through IMR once realized. He clarified that he was not yet supporting one approach over the other and had not yet decided which he preferred. He emphasized that the key question is whether the information about the value of derivatives should appear on the balance sheet or be presented off-balance sheet in the disclosures within Schedule DB reporting. Clark stated that there is diversity in practice regarding whether companies have been putting these through IMR to date. What they have generally been doing is marking to market (fair value) through surplus, while the gain or loss is unrealized. Then, if the derivative is terminated, they defer the realized gain or loss into IMR. That is where the concern arises; essentially, reversing the unrealized amount upon termination creates a very strange mismatch.

Bruggeman stated that when those derivatives are in an unrealized loss position, recording at fair value means surplus is reduced. At termination or maturity, instead of surplus remaining at the fair value level, the unrealized amount goes away, so surplus goes back up. That entire amount is then deferred via the IMR as an IMR asset, if that is all they have, and it is not offset with other IMR liabilities. In other words, surplus goes back up after termination because of the IMR asset. He stated this is part of the challenge raised with IMR and was intended to be addressed through either the amortized cost method or the market spread method, so the whipsaw effect does not occur. He stated that companies could simply say, "I want to get a full implementation of the IMR," and terminate the derivative. Just like that, it would have no fluctuation left, whether that was the appropriate action or not. It could, in essence, achieve a better outcome than would normally happen. This is viewed as a way to balance things out, especially when there is no cost up front. When there is no cost up front, there is no impact to surplus until termination, and there is no fair value movement and no unrealized gain or loss either way. Then, in IMR, everything is locked in at maturity and amortized into P&L over five or 10 years, whatever the period is.

He stated that the next question is when there is a cost for these derivatives up front, and what happens to that cost. He stated that if there is a cost that affects this, if cash is reduced and credited, what is being debited? Is the derivative being debited to be amortized at that point, similar to a market spread, or is this fully deferred? He stated that right now, the assumption in these presentations is that a derivative is purchased, but there is no cost until the end.

Karafin stated that the ACLI looks to SSAP No. 86 as precedent for that. Most derivatives do not have a cost at inception, but it is certainly possible that they could. SSAP No. 86 states that a derivative with a cost that enters a hedge accounting relationship would typically, depending on the circumstances, be amortized. For example, if there is a credit to cash and a debit to a derivative asset, and it enters into this type of accounting, the ACLI would refer to SSAP No. 86, which would typically call for amortization during the hedge accounting relationship.

Gann stated that with IMR, there is currently a limit on the extent to which net negative IMR (which can include derivative deferred assets) can be admitted. She stated that there does not appear to be any proposal within the suggested guidance regarding a cap on the extent to which deferred assets would be allowed to be admitted, and she wanted to raise this for the regulators as part of the discussion. While there is no current cap in SSAP No. 108, this issue has been highlighted recently in relation to the IMR discussion.

Bruggeman stated that, on one hand, he does not want to put a company in a position where terminating a derivative is the best answer but produces a bad outcome. On the other hand, not terminating might seem preferable, but termination could result in a better outcome due to an accounting issue. He stated that these are considerations that need to be worked through and understood. Where there is value in a derivative, it is usually because there is an associated asset and liability situation. He stated that after maturity or termination, that becomes the challenge, and this issue needs to be considered from both sides.

Karafin stated that the whipsaw effect was considered. He stated that it was important that, upon maturity or termination, the outcome would be essentially surplus neutral. He stated that it is reflected in the example entries, and it was a key priority to eliminate the whipsaw effect. He stated that another observation is that the assets and liabilities appeared to be admitted in exchange for a short amortization period, typically five to 10 years, while the hedged item could span 20 to 30 years. He stated that it seemed like a fair trade-off.

Bruggeman stated that what Gann was explaining is the potential that a deferred asset could be exceedingly large, and whether a cap should be placed on the asset side. That is the question, and he would hope there is some level of balance, rather than a constant deferred asset being carried. He stated that it also has to be the right approach for the protection of policyholders. At the same time, there is a layer of amortization involved. There are some answers in reporting and other scenarios that can address this, but the overarching issue remains the presentation on the balance sheet. He stated that in the example, the goal is to avoid a whipsaw effect, but also to avoid a situation where surplus is in flux with portions being amortized away over the next five to 10 years.

Clark stated that he struggles with the idea of an admittance cap. He stated that they are talking about interest rate hedging, and placing a cap would essentially mean limiting a highly effective hedging program designed to mitigate interest rate risk, precisely when interest rates move significantly over time. That seems counter to the purpose of the hedge. He stated that he struggles with how a cap would work. Whether it results in an asset balance or a liability balance over time simply depends on what interest rates do. As interest rates go up, they will generally accumulate into an asset balance, and as interest rates go down, they will accumulate into a liability balance, or vice versa. He stated that it is something to consider, but he finds it challenging.

Bruggeman stated that the materials for this meeting were posted on the Working Group's web page and are available for indirect exposure but are not listed under the exposure drafts. He questioned whether the Working Group should proceed with an official exposure of those topics for public comment or take more time to assess before considering exposure at a subsequent meeting.

Gann stated that a good path forward may be to expose the entire package, including the presentation and both drafts, with a request for comments from the industry and regulators regarding their preferred approach or

elements that need further discussion. Based on those comments, the Working Group could decide how to proceed and which method is preferred. She stated that this would technically be an exposure, but not necessarily an exposure of proposed guidance at this time. She suggested that the exposure have a public comment period ending Oct. 31.

Bob Gorney (New York Life) questioned whether the draft exposure could be changed to include Carmello's earlier concerns about including options.

Gann commented on the derivative exclusions, including options, noting that based on the feedback received on the current application of existing derivative guidance, when a company acquires a derivative at a cost and it expires unused, that cost has not been amortized and becomes a realized loss, and could be reflected as a deferred asset. She stated that it has been noted that these deferred assets could accumulate over time, and the amortization period may be much longer than the life of the derivative itself. For example, if a company purchases a three-month derivative that expires unused every three months, the deferred asset balance could continue to grow, while amortization occurs over 10 years. She stated that this is the main concern related to options with an upfront cost. She stated that feedback is welcome on whether there are ways to restrict this, such as preventing the upfront cost from being a deferred asset over time.

Clark stated that, for this exposure, he proposes limiting it to feedback on the two different approaches as drafted by the ACLI, as well as whether to direct NAIC staff to continue work on this item. He stated that once the Working Group decides which of the two options to pursue, NAIC staff can begin working on suggested revisions.

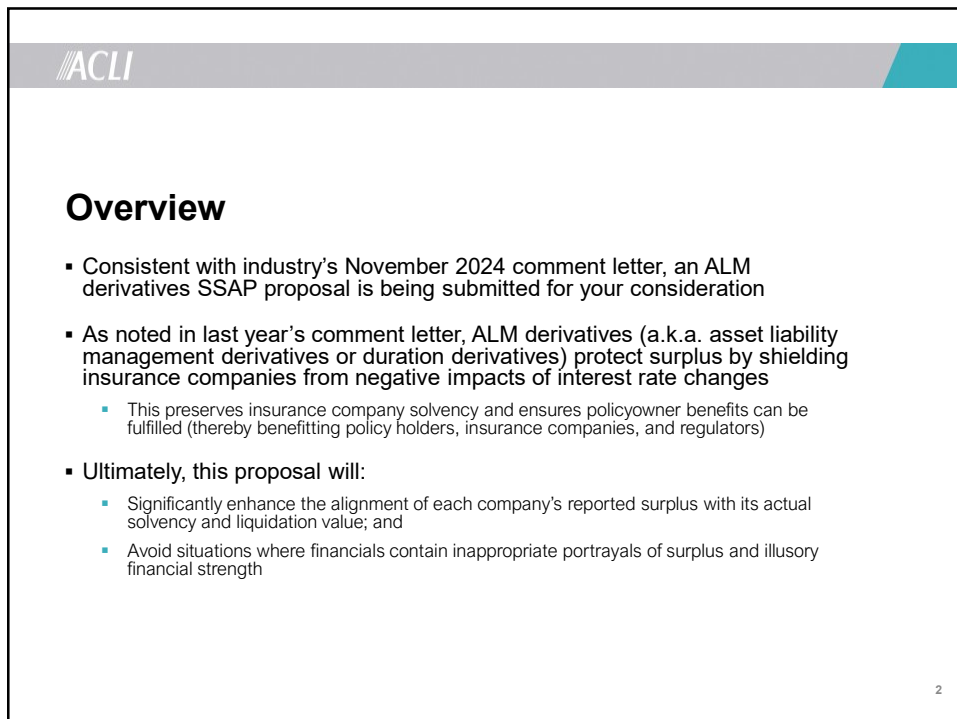
Clark made a motion, seconded by Hynes, to expose the ACLI presentation on ALM derivatives and the two ACLI proposal drafts for a 51-day public comment period ending Oct. 31. The motion passed unanimously.

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

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2025 fall/minutes/sapwg/1b-sapwg minutes 09.10.25.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/apptf/2025%20fall/minutes/sapwg/1b-sapwg%20minutes%2009.10.25.docx)



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Background

- ALM derivatives are hedging instruments (a specified derivative or a portfolio of specified derivatives) that hedge the duration difference of the designated asset and liability portfolios
- Common duration measures include:
 - Modified Duration is the effect that a 100-basis-point (1%) change in interest rates will have on the price of an instrument (e.g., if an instrument has a modified duration of 5, a 1% change in interest rates would be expected to cause a 5% change in the instrument's price in the opposite direction)
 - Macaulay Duration is the weighted average time until cash flows are received and is measured in years
 - DV01 measures the dollar change in an instrument's price for a one basis point (0.01%) change in rates

3

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Background (continued)

- Entities hedge the duration difference between assets and liabilities to eliminate deficits in liquidation value and preserve surplus
 - For example:
 - BOP Fixed Income Assets = \$100 (Modified Duration = 9)
 - BOP Hedged Liabilities = \$100 (Modified Duration = 10)
 - BOP Fixed Income Assets & Liabilities' amortized cost = fair value
 - BOP ALM Derivatives amortized cost & fair value = 0

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

Note: While the above duration difference can be filled with longer term/duration bonds, longer term bonds that match typical product liabilities (e.g., 30+ years) are limited in supply in the market

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Background (continued)

- Asset and liability durations evolve over time with product sales, benefit payments, asset maturities, etc.
- Also, durations can also grow further apart due to convexity (change in duration as interest rates change); for example:
 - An asset or liability has a modified duration of 5
 - If interest rates increase by 1%, the asset/liability price (fair value) is expected to decrease by approximately 5% (based on duration)
 - However (particularly for larger interest rate fluctuations) due to convexity, the actual price change might be slightly more or less than 5% (as the price/rate relationship isn't always perfectly linear for larger rate changes)
- Because of the above, hedging strategies need to be dynamic and cannot always be solved by buying and selling investments due to availability, tax costs, bid/ask spreads, etc.

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Background (continued)

- Due to its importance around surplus preservation, ALM derivatives and duration hedging are common in the industry but often don't qualify for hedge accounting under SSAP86 or 108 (as those SSAP's parameters are different from duration constructs)
- The above results in many derivatives being marked-to-market in surplus, which (for highly effective duration hedges of amortized cost assets/liabilities) results in reported surplus that is not aligned with economics/liquidation value; i.e.
 - Surplus is inappropriately inflated from MTM derivatives in declining interest rate environments
 - Surplus is inappropriately deflated from MTM derivatives in increasing interest rate environments
- Also, an anomaly currently exists with IMR for terminated derivatives (per the INT for companies that had taken deferred gains to IMR historically) in that a derivative unrealized loss (negative to surplus) can be turned into an asset (positive surplus) and vice versa at the timing discretion of the insurance entity via derivative termination
- The above issues are essentially eliminated with the proposal on the subsequent slides

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Proposals

- Two versions of this SSAP draft proposal are being submitted:
 - Amortized Cost Method - favored by industry due to the following:
 - Minimizes operational complexity
 - More closely aligned to the hedged items (i.e., assets often recorded at amortized cost and liabilities typically recorded at "amortized cost" under the valuation manual basis with locked discount rates/mortality assumptions/etc. in most scenarios)
 - Ongoing deferred assets/liabilities are lower (since only includes terminated/matured/de-designated items, less volatility occurs in deferred accounts vs. fair value/mark & spread method where all FV fluctuations are taken to deferred accounts throughout the life)
 - Mark & Spread Method - offered as alternate option for regulators
- Due to the aforementioned dynamic nature of these hedging programs, multiple hedge effectiveness tests are required each quarter, and all must be passed to apply either of the above proposals
- Both proposals increase the accuracy of solvency reporting and claims paying ability, and encourage prudent risk management (therefore are in the best interest of policyholders, insurance companies, and ultimately regulators)

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SSAP Proposal – ALM Derivatives Amortized Cost Method

- Hedged Item:
 - Duration difference between the designated asset portfolio and designated product liability portfolio that are both exposed to interest rate risk (with the ultimate hedged item being the interest rate sensitivity of the liability portfolio that the assets support)
- Hedging Instrument:
 - A specified derivative, or a portfolio of specified derivatives, that hedges the duration difference of the designated asset and liability portfolios.
 - Derivatives with asymmetrical payoff profiles and/or derivative premiums at inception (e.g., options) are not eligible for the accounting in this proposal
- Clearly Defined Hedging Strategy
 - Required to be documented at inception and include specific risks being hedged (including hedge coverage, e.g., percentage of interest rate sensitivity being hedged), hedging objectives, material risks that are not hedged, instruments used to hedge the risks, metrics/criteria/frequency for measuring effectiveness, etc.
- Separate and distinct from SSAP86 & SSAP108

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Amortized Cost Method Assessing Hedge Effectiveness

- Hedge effectiveness must be assessed at least quarterly (e.g., at the beginning and end of each quarter)
- The hedging relationship must be highly effective in reducing duration differences and requires use of one of the following methods
 - Modified Duration example: if an asset portfolio has a Modified Duration of 9 and a liability portfolio has a Modified Duration of 10, a highly effective derivative portfolio hedging this difference would place the Modified Duration of the assets with derivatives at between 9.8 and 10.25 (80%-125% of the modified duration difference)
 - Macauley Duration example: if an asset portfolio has a Macauley Duration of 9 years and a liability portfolio has a Macauley Duration of 10 years, a highly effective derivative portfolio hedging this difference would place the Macauley Duration of the assets with derivatives at between 9.8 years and 10.25 years (80%-125% of the Macauley Duration difference)
 - DV01 example: if an asset portfolio has a DV01 of \$9M and a liability portfolio has a DV01 of \$10M, a highly effective derivative portfolio hedging this difference would place the DV01 of the assets with derivatives at between \$9.8M and \$10.25M (80%-125% of the DV01 difference)

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Amortized Cost Method Assessing Hedge Effectiveness (*continued*)

- Partial Hedge Example - if asset portfolio modified duration is 9 and a liability modified duration is 11, an entity can elect to hedge only half the difference (in which case, a duration of the assets with derivatives of between 9.8 and 10.25 would be highly effective)
- Entities must assess hedge effectiveness at inception and on an ongoing basis (i.e., beginning and end of each quarter, since asset/derivative/liability amounts may change during the normal course of business with the dynamic hedge strategy needing to remain highly effective)

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Amortized Cost Method Measurement/Recognition

- All designated highly effective hedging derivatives are reported in the financial statements at amortized cost
- Amortized cost treatment will discontinue in the following scenarios:
 - Maturities/Terminations - Derivatives that mature or are terminated (with a fair value) will be recognized as deferred assets (admitted) and deferred liabilities (i.e., derivative maturity/termination fair value would initially be surplus neutral with the deferred asset/liability offset by cash received/paid at maturity/termination)
 - De-Designation – For derivatives de-designated from a previous highly effective hedging relationship due to ineffectiveness or by election, the derivative fair value will be recognized as an asset/liability offset by a deferred asset (admitted) and deferred liability (i.e., fair value recognition is initially surplus neutral).
 - All prospective (post de-designation) derivative fair value changes are recognized as unrealized gains/losses without deferral unless included as part of a subsequent highly effective hedge.
 - Note – a deferred asset/liability can only be recognized for the fair value change up to the last measurement date indicating high effectiveness

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Amortized Cost Method Measurement/Recognition (*continued*)

- As these are essentially quarterly hedges inside a clearly pre-defined program (with effectiveness tests each quarter), programs that fail effectiveness could only apply this guidance in subsequent quarters that effectiveness is achieved (if program parameters don't change materially)
 - If program parameters change materially, then that would represent a new program requiring new documentation, approvals, etc.
- Deferred assets/liabilities are amortized using a straight-line method into Net Gain from Operations ("NGO") over a finite amortization period
 - Amortization timeframe equals the weighted average life (WAL) of the hedged liability portfolio (not to exceed 10 years)
 - Amortization of deferred assets/liabilities for previously highly effective hedging strategies that are no longer highly effective are also over the liability WAL (not to exceed 5 years)
 - Entities may elect to terminate use of this accounting provision at any time, in which case, all deferred assets/liabilities shall be amortized to NGO over the remaining amortization timeframe, not to exceed 5 years

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ACLI

Amortized Cost Method Example Entries

Example Entries				
Change in Value				
	N/A			
Derivative Maturity/Termination (if applicable)				
	DR-CR: Cash		} surplus neutral	
	DR-CR: Deferred Asset/Liab			
Amortization (subsequent quarters for maturities/terminations, as applicable)				
	DR-CR: Deferred Asset/Liab		} surplus impact over amort period	
	DR-CR: Net Investment Income			
De-Designation Example Entries, if applicable:				
De-designation				
	DR-CR: Derivative Asset/Liab		} current value (surplus neutral)	
	DR-CR: Deferred Asset/Liab			
	Start amortizing			
Subsequent Accounting (MTM)				
	DR-CR: Derivative Asset/Liab		} (prospective MTM in URGL)	
	DR-CR: URGL (Surplus)			

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ACLI			
SSAP Proposal – ALM Derivatives Mark & Spread Method			
<ul style="list-style-type: none"> Similar in nature and background as amortized cost method (i.e., same hedged item, hedging instrument, clearly defined hedging strategy, effectiveness test, etc.), but with different measurement/recognition and amortization starting point Under this method, all designated highly effective hedging derivatives are reported in the financial statements at fair value <ul style="list-style-type: none"> Fair value fluctuations in the hedging instruments (clean value plus accrued income) attributable to the hedged risk are recognized as deferred assets (admitted) and deferred liabilities (i.e., derivative fair value changes would initially be surplus neutral with the derivative asset/liability fair value offset by the deferral account) Note – a deferred asset/liability can only be recognized for the fair value change up to the last measurement date indicating high effectiveness as defined by this proposal 			

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Mark & Spread Method *(continued)*

- Deferred assets/liabilities are amortized using a straight-line method into NGO over a finite amortization period
 - Amortization for a quarter's derivative fair value change will begin in the following quarter regardless if the derivative fair value change is realized or unrealized
 - Derivative income is included in the fair value change amortization amounts
 - Amortization timeframe equals the weighted average life of the hedged liability portfolio (not to exceed 10 years)
 - Other 5-year amortization period limit scenarios noted previously in the amortized cost method section also apply

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Mark & Spread Method Example Entries

Example Entries:		
Change in Value		
DR-CR: Derivative Asset/Liab		} <i>surplus neutral</i>
DR-CR: Deferred Asset/Liab		
Amortization (subsequent quarter)		
DR-CR: Deferred Asset/Liab		} <i>surplus impact</i> <i>over amort period</i>
DR-CR: Net Investment Income		
Termination Example Entries:		
Termination		
DR-CR: Cash		} <i>surplus neutral</i>
DR-CR: Derivative Asset/Liab		
De-Designation Example Entries (if applicable):		
De-designation		
No entry or surplus impact (deferral already booked; amort. already occurring)		
Subsequent Accounting (MTM)		
DR-CR: Derivative Asset/Liab		} <i>(prospective MTM in URGL)</i>
DR-CR: URGL (Surplus)		

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Transition

- Guidance noted herein is proposed to be applied on a prospective basis for qualifying programs in place on or after the effective date
- Derivative gains/losses deferred in IMR prior to the effective date continue to be amortized over the remaining amortization period from their original amortization schedule
- Unrealized gains/losses recognized prior to the effective date from derivatives that qualify for the treatment in this proposal on the effective date remain in unrealized g/l and amortize into NGO (surplus neutral) over the WAL of the liabilities they support (subject to limits noted previously).

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[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2025 fall/minutes/sapwg/1b1-acli_almdderivatives_ppt_082125 tk.pdf](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/apptf/2025%20fall/minutes/sapwg/1b1-acli_almdderivatives_ppt_082125_tk.pdf)

Statement of Statutory Accounting Principles No. 109 Draft-6/5/25 Mark & Spread Method

Asset Liability Management (ALM) Derivatives

STATUS

Type of Issue Common Area
Issued..... xxx xx, 202x
Effective Date January 1, 2026
Affects No other pronouncements
Affected by No other pronouncements
Interpreted by No other pronouncements
Relevant Appendix A Guidance..... None

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SCOPE OF STATEMENT

1. Current statutory accounting guidance for derivatives qualifying for hedging effectiveness is in *SSAP No. 86—Derivatives* and *SSAP No. 108-Derivatives Hedging Variable Annuity Guarantees*. This statement allows special accounting treatment for limited derivatives hedging asset/liability duration differences subject to fluctuations as a result of interest rate sensitivity [a.k.a. asset liability management (ALM) derivatives]. The provisions within this statement are separate and distinct from the guidance in *SSAP No. 86* and *SSAP No. 108*, as the items subject to the scope of this guidance, and the provisions within, would not qualify for hedge effectiveness under *SSAP No. 86* or *SSAP No. 108*. The provisions provided within this statement are only permitted if all of the components of the statement are met and shall not be inferred as an acceptable statutory accounting approach for derivative transactions that do not meet the stated qualifications or that are not specifically addressed within this guidance.

SUMMARY CONCLUSION

2. This statement establishes statutory accounting principles to address derivative transactions hedging asset/liability duration differences subject to fluctuations as a result of interest rate sensitivity.

The statutory accounting guidance within this statement is considered a special accounting provision, only permitted if all the components in the standard are met and shall not be inferred as an acceptable statutory accounting approach for situations that do not meet the stated qualifications or that are not specifically addressed within this guidance.

Terms/Concepts (for purposes of this statement)

3. The following terms reflect concepts specific to this statement. This listing only details the key concepts. Specific guidelines are reflected throughout the guidance.
 - a. **Derivative Instrument:** An agreement, instrument or series or combination thereof: (1) To make or take delivery of, or assume or relinquish, a specified amount of one or more underlying interests, or to make a cash settlement in lieu thereof; or (2) That has a price, performance, value, or cash flow based primarily upon the actual or expected price, level, performance, value, or cash flow of one or more underlying interests. Note: derivatives with asymmetrical payoff profiles and/or derivative premiums (e.g., options) are not eligible for the accounting provisions in this standard (i.e., swaps, forwards, and futures are typically eligible for the accounting treatment in this standard if they don't contain the aforementioned).
 - b. **Dynamic Hedging Approach:** A dynamic hedging strategy allows for the portfolio of derivatives comprising the hedging instrument to be rebalanced in accordance with changes to the hedged item in order to adhere to the specified, documented hedging strategy.
 - c. **Hedged Item:** The hedged item is the duration difference between the designated asset portfolio and designated product liability portfolio that are both exposed to interest rate risk (with the ultimate hedged item being the interest rate sensitivity of the liability portfolio that the assets support). The hedged item may relate to the duration of an open or flexible portfolio (e.g., group of contracts with different characteristics and liability durations) that allows for addition of newly issued contracts, subtraction of surrenders and fluctuations in balances. The portfolio of product liabilities may consist of an entire book of business or declared components thereof¹.
 - d. **Hedging Instrument:** The hedging instrument shall reflect a specified derivative, or a portfolio of specified derivatives, that hedges the duration difference of the designated asset and liability portfolios. The hedging instrument may reflect a dynamic hedging strategy in which a portfolio of derivatives comprising the hedging instrument is rebalanced in accordance with changes to the hedged item.

Special Accounting Provision

4. The special accounting provision within this statement permits reporting entities to utilize a form of “macro-hedging” in which a portfolio of derivatives hedges the duration difference between an asset portfolio and a portfolio of product liabilities (i.e., an ALM Hedge²), which could include the entire book of business or subsections thereof, pursuant to a Clearly Defined Hedging Strategy (throughout this issue paper also referred to as “CDHS” or “hedging strategy”). This is considered a macro-hedge, as the designated hedged item is attached to a portfolio of product liability contracts with different characteristics and liability durations. Under this special accounting provision, the portfolio of contracts giving rise to the hedged item is not required to be static but can be revised to remove assets/derivatives/policies and/or include new assets/derivatives/policies to allow for continuous risk management (hedging) of the product liabilities in accordance with the specific risks being hedged and the hedge objectives of the specified, documented hedging strategy. In designating the hedged item, reporting entities are permitted to exclude specific components of the asset, derivative, and/or liability portfolios, but such exclusions must be documented at the hedge inception.

¹ Product liability contracts (e.g., PRT's) that have been signed/executed are eligible as the hedged item if highly probable of closing in the near term, include disincentives for non-performance, and have historically closed at a near 100% success rate. For example, on January 1 the company signs a PRT contract that it will assume a client's portfolio assets and pension liabilities on March 31. The agreed upon portfolio assets have a different duration than the liabilities, so the company proceeds with hedging the difference on January 1. If the company meets the aforementioned probable criteria, the hedge can qualify for the treatment in this SSAP if it meets the other criteria in this SSAP, although the portfolio will not be assumed until March 31.

² As detailed in paragraph 10, these hedges are required to be highly effective in achieving the elimination of the duration mismatch

5. This special accounting provision permits reporting entities to utilize a specified derivative, or a portfolio of specified derivatives, as the hedging instrument within an ALM Hedge to hedge the interest rate sensitivity, or a specific percentage³ of the interest rate sensitivity, of the designated hedged item. Hedged items include various interest rate sensitive products where duration can be reliably measured using one of the metrics in paragraph 11. The hedging instrument may reflect a dynamic hedging strategy in which a portfolio of derivatives comprising the hedging instrument is rebalanced in accordance with changes to the hedged item in order to adhere to the specified, documented hedging strategy. Fair value fluctuations not attributed to the hedged risk, including fair value changes from excluded open components, shall be recognized as unrealized gains or losses.

6. With the provisions in this standard to allow for flexibility in the hedged item coupled with a dynamic hedging approach (rebalancing of derivative hedging instruments), there is a greater risk of misrepresentation of successful risk management and achievement of a highly effective hedging relationship. Although this risk cannot be eliminated, the following provisions intend to ensure governance of the program and provide sufficient tools to allow for regulator review:

- a. Prior to implementing a hedging program for application within scope of this standard, the reporting entity must obtain explicit approval from the domiciliary state commissioner allowing use of this special accounting provision. The domiciliary state commissioner may subsequently disallow use of this special accounting provision at their discretion. Although this guidance does not restrict the state domiciliary commissioner on when to prohibit future use, disallowance should be considered upon finding that the reporting entity's documentation, controls, measurement, prior execution of strategy or historical results are not adequate to support future use.
- b. Certification by a financial officer of the company (CFO, treasurer, CIO, or designated person with authority over the actual trading of assets and derivatives) that the hedging strategy meets the definition of a Clearly Defined Hedging Strategy 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. This provision does not require reporting entities to use the special accounting provision within this standard.

³ In identifying the hedged risk, reporting entities must identify whether they are hedging the full, or a portion of (e.g., 40%), the interest rate sensitivity.

7. Eligibility for the special accounting provision within this standard is strictly limited to highly effective ALM derivatives that follow a Clearly Defined Hedging Strategy, meeting all the required provisions of this SSAP allowing the reporting entity to reduce the duration differences between the designated asset and liability portfolios. In order to qualify as a Clearly Defined Hedging Strategy (which may be dynamic, static, or a combination thereof), the strategy shall at a minimum, identify:

- a. The specific risks being hedged (including a measure of hedge coverage, e.g., percentage of interest rate sensitivity being hedged),
- b. The hedging objectives,
- c. The material risks that are not hedged,
- d. The financial instruments used to hedge the risks,
- e. The hedging strategy's trading rules, including permitted tolerances from hedging objectives,
- f. The metrics, criteria, and frequency for measuring effectiveness,
- g. The conditions under which hedging will not take place, and for how long the lack of hedging can persist,
- h. The group or area, including whether internal or external, responsible for implementing the hedging strategy,
- i. Areas where basis, gap, or assumption risk related to the hedging strategy have been identified, and
- j. The circumstances under which hedging strategy will not be effective in hedging the risks.

8. While an initially documented hedging strategy may subsequently change, any change in hedging strategy, which includes a change in hedge target, shall be documented, with notification to the domiciliary state commissioner and include an effective date of the change in strategy. Reporting entities that elect to change a documented hedging strategy prior to the end of the three-month minimum timeframe shall identify the hedging strategy, and all hedging instruments executed under the strategy, as ineffective. The three-month timeframe begins with the stated effective date of the hedging strategy. Changes in a documented hedging strategy that occur after a three-month timeframe do not necessitate an ineffective determination as long as hedged items and hedging instruments under the revised/new strategy continue to meet the requirements of a highly effective ALM hedge. Reporting entities are permitted to have more than one hedging strategy implemented, but all implemented strategies must qualify as a component of a Clearly Defined Hedging Strategy pursuant to paragraph 7.

Assessing Hedge Effectiveness

9. The provisions within this standard require the entity to use a specific method, as detailed in paragraph 10, to assess hedge effectiveness at least quarterly (e.g., at the beginning and end of each quarter) with on-going assessment consistent with the originally documented risk management strategy.

10. Both at inception, and on an ongoing basis, the hedging relationship must be highly effective in reducing duration differences between designated asset and liability portfolios during the period that the hedge is designated. Reporting entities electing to use this special accounting provision must calculate the duration of the hedged item (liability portfolio) and compare it to the duration of the designated supporting asset portfolio with and without the designated hedging derivatives at inception and on an ongoing basis (i.e., at the beginning and end of each quarter since asset/derivative/liability amounts may change during the normal course of business with the dynamic hedge strategy needing to remain highly effective). Only if the designated hedging derivatives are highly effective at reducing the duration difference between the asset and liability portfolios at the beginning and end of each quarter, then this special accounting provision can be utilized. This comparison is specific to the designated hedged risks and exposures; therefore, if only a portion of the duration/interest rate risk is hedged or if the designated hedge only includes specific components of the hedged liabilities, for determining hedge effectiveness, the effectiveness comparisons are limited to those designated items. If an entity's defined risk management strategy for a particular hedging relationship excludes specific components of the hedging derivative from the assessment of hedge effectiveness, the excluded open components shall be reported at fair value with gains or losses recognized as unrealized gains or losses.

11. The term "highly effective" describes a reduction of the duration difference between the asset and liability portfolios that is accomplished by the hedging derivatives with between an 80%-125% effective rate. For example:

- a. Modified Duration is the effect that a 100-basis-point (1%) change in interest rates will have on the price of an instrument (e.g., if an instrument has a modified duration of 5, a 1% change in interest rates would be expected to cause a 5% change in the instrument's price in the opposite direction); so if an asset portfolio has a Modified Duration of 9 and a liability portfolio has a Modified Duration of 10, a highly effective derivative portfolio hedging this difference would place the Modified Duration of the assets with derivatives at between 9.8 and 10.25 (80%-125% of the modified duration difference). Alternatively, if asset portfolio duration is 9 and a liability duration is 11, an entity can elect to hedge only half the difference (in which case, a duration of the assets with derivatives of between 9.8 and 10.25 would be highly effective).
- b. Macaulay Duration is the weighted average time until cash flows are received and is measured in years; so if an asset portfolio has a Macaulay Duration of 9 years and a liability portfolio has a Macaulay Duration of 10 years, a highly effective derivative portfolio hedging this difference would place the Macaulay Duration of the assets with derivatives at between 9.8 years and 10.25 years (80%-125% of the Macaulay Duration difference).
- c. DV01 measures the dollar change in an instrument's price for a one basis point (0.01%) change in rates; so if an asset portfolio has a DV01 of \$9M and a liability portfolio has a DV01 of \$10M, a highly effective derivative portfolio hedging this difference would place the DV01 of the assets with derivatives at between \$9.8M and \$10.25M (80%-125% of the DV01 difference).

Measurement/Recognition of Gains and Losses of Derivative Instruments

12. All designated hedging instruments (all derivatives, including those reflected in portfolios) shall be reported in the financial statements at fair value.

13. Fair value fluctuations in the measurement of all designated derivatives within a highly effective hedging strategy shall be reflected as follows:

- a. Fair value fluctuations in the hedging instruments (clean value plus accrued income) attributable to the hedged risk shall be recognized as deferred assets (admitted) and deferred liabilities (i.e., derivative fair value changes would initially be surplus neutral with the derivative asset/liability fair value offset by the deferral account). The ability to recognize a deferred asset and deferred liability is limited to only the portion of the hedging instruments that are attributed to the hedged risk. Note – a deferred asset/liability can only be recognized for the fair value change up to the last measurement date indicating high effectiveness as defined by this SSAP.
- b. An amount equal to the net deferred asset and deferred liability (net amount from all hedging strategies/programs captured within this guidance) shall be allocated from unassigned funds to special surplus.
- c. As detailed previously, portions of hedging instruments that are not attributable to the hedged risk, shall be recognized as unrealized gains or unrealized losses. Also, as these are essentially quarterly hedges inside a clearly pre-defined program (with effectiveness tests at the beginning and end of each quarter), programs that fail effectiveness could only apply the provisions of this SSAP within the subsequent quarters that effectiveness is achieved (if program parameters did not change materially). If program parameters change materially, then this represents a new program requiring new documentation, approvals, etc.

14. Deferred assets and deferred liabilities recognized under paragraph 13 shall be amortized using a straight-line method into NGO over a finite amortization period. The amortization timeframe shall equal the weighted average life of the hedged liability portfolio but shall not exceed a period of 10 years. Amortization for a quarter's derivative fair value change will begin in the following quarter regardless if the derivative fair value change is realized or unrealized.

- a. Reporting entities are required to separately track, with a schedule to show the initial deferred amount and amortization schedule, of the deferred assets and deferred liabilities recognized and outstanding at each reporting date.
- b. The amount reported on the financial statement at each reporting date shall reflect the net amount (net as either a deferred asset or deferred liability) for each hedging strategy captured within scope of this guidance. (Reporting entities that have more than one hedging strategy could have both deferred assets and deferred liabilities in the financial statements based on the net position of the separate hedging strategies.)

- c. Reporting entities are permitted to amortize a greater portion of the deferred assets and/or deferred liabilities into NGO at any time in advance of the scheduled amortization period.
 - i. If electing to accelerate amortization, reporting entities are required to accelerate amortization equally between deferred assets and deferred liabilities within a single hedging strategy. For example, a reporting entity is not permitted to accelerate amortization of the deferred liabilities (recognizing the gains from fair value changes) and not accelerate amortization of the deferred assets (continuing to defer losses from fair value changes). If a reporting entity only has a single hedging strategy which only reflects deferred assets or deferred liabilities, the reporting entity is permitted to accelerate amortization without restrictions.
 - ii. If a reporting entity has more than one hedging strategy, and the strategies have offsetting net positions (both deferred assets and deferred liabilities are recognized in the financial statements), a reporting entity's election to accelerate amortization must be applied equally to programs with offsetting net positions. (For example, a decision to accelerate amortization of a program with a net deferred liability must be applied equally to a program with a deferred asset that best corresponds to the deferred liability⁴.) In these situations, the guidance in paragraph 14.c.i. is also applicable, whereas the accelerated amortization must also apply equally to the deferred assets and deferred liabilities within each individual hedging program. If a reporting entity with more than one hedging strategy only has net deferred assets or net deferred liabilities recognized, the reporting entity is permitted to accelerate amortization to a single program in a manner consistent with the guidelines in paragraphs 14.c.i.

⁴ The intent of this guidance is to ensure that the ability to accelerate amortization does not result with elections that simply result in favorable financial statement presentation.

15. For outstanding (non-expired) derivative instruments that were removed from a highly effective hedging strategy (rebalanced), subsequent gains and losses from fair value fluctuations shall not impact the previously recognized deferred assets or deferred liabilities. The deferred assets and deferred liabilities for these derivative instruments shall be “locked” and amortized under the remaining schedule unless the reporting entity elects to terminate or accelerate amortization. Subsequent to the removal from a highly effective strategy, all fair value fluctuations from the outstanding derivative instruments would be subject to the guidance in SSAP No. 86 and recognized as unrealized gains and/or unrealized losses. If the derivative is re-designated as part of a highly effective hedging strategy qualifying under this standard, subsequent fair value fluctuations (after the re-designation) may be accounted for under the special accounting provision detailed in this statement.

16. For a hedging strategy that no longer qualifies within scope of this standard or is no longer a highly effective hedge, any non-amortized deferred assets or deferred liabilities shall be amortized to NGO over the remaining amortization timeframe, not to exceed five-years. Reallocating assets/derivatives/liabilities in ALM hedging relationships does not indicate no longer qualifying within scope or no longer highly effective (as long as a significant amount of the assets/derivatives/liabilities are included in the hedging relationships before and after reallocation (and the relationship is highly effective before and after reallocation)). If the deferred assets/deferred liabilities have a remaining amortization period that is less than the shortened timeframe, amortization shall continue over the remaining period. If the remaining amortization period is greater than 5-years at the time of the program no longer qualifies, or is no longer highly effective, the amortization schedule shall be revised to require full amortization within the shortened 5-year timeframe. If elected by the reporting entity, deferred assets and deferred liabilities may be immediately recognized in NGO or have accelerated amortization (less than 5-years). (An election to immediately eliminate or accelerate amortization must follow the provisions in paragraph 14.c.) All future fair value fluctuations for these derivative instruments would be subject to the guidance in SSAP No. 86 and shall be recognized as unrealized gains or unrealized losses unless the instrument is subsequently designated as part of a highly effective hedging strategy within scope of this statement. If the derivative is re-designated as part of a highly effective hedging strategy qualifying under this standard, subsequent fair value fluctuations (after the re-designation) may be accounted for under the special accounting provision detailed in this statement.

17. Reporting entities may elect to terminate use of this special accounting provision at any time. In those instances, all deferred assets and deferred liabilities shall be amortized to NGO over the remaining amortization timeframe, not to exceed five-years. If the deferred assets/deferred liabilities have an amortization period that is less than the shortened 5-year timeframe, amortization shall continue over the established period. If the remaining amortization period is greater than 5-years at the time of termination, the amortization schedule shall be revised to require full amortization within the shortened 5-year timeframe. If elected by the reporting entity, deferred assets and deferred liabilities may be immediately eliminated or have accelerated amortization (less than 5-years) with recognition in NGO. (An election to immediate eliminate or accelerate amortization must follow the provisions in paragraph 14.c.) Once the special accounting provision is terminated, unless re-designated by the reporting entity, subsequent accounting of the derivatives in a hedging strategy that would be captured within this statement shall follow the fair value accounting approach in SSAP No. 86⁵.

⁵ Macro-hedges and the ability to rebalance hedging instruments are not provisions permitted within “effective” hedges in scope of SSAP No. 86. As such, hedging strategies with these components accounted for under SSAP No. 86 shall follow the fair value accounting approach detailed in that standard.

Measurement/Recognition of Realized Gains or Losses of Expired Derivatives

18. With the aforementioned model of amortizing fair value changes (whether unrealized or realized, which prevents manipulation), this guidance allows for individual derivative instruments to expire and/or be removed from the portfolio of the hedging instrument (as effectiveness is tested each quarter and hedges and hedged items changing each quarter as part of dynamic hedging strategies).

19. Pursuant to the provisions in paragraph 14.c., reporting entities are permitted to amortize a greater portion of the deferred assets and/or deferred liabilities from expired derivatives into NGO in advance of the scheduled amortization period.

20. Consistent with the guidance in paragraph 17, reporting entities may elect to terminate use of this special accounting provision at any time. In those instances, all deferred assets and deferred liabilities shall be amortized to NGO over the remaining amortization timeframe, not to exceed 5-years. If the deferred assets/deferred liabilities had an amortization period that was less than the shortened timeframe, amortization shall continue over the established period. If the amortization period was greater than 5-years at the time of termination, the amortization schedule would be revised to require full amortization within the shortened timeframe. If elected by the reporting entity, the deferred assets and deferred liabilities may be immediately eliminated, or have accelerated amortization, with recognition in NGO. An election to immediate eliminate or accelerate amortization (less than 5 years) must follow the provisions in paragraph 14.c.)

Derivative Income

21. Derivative income under this accounting provision is included the fair value change amortization amounts.

22. Pursuant to the documented hedging strategy as an ALM Hedge, derivative income shall be considered as part of the overall hedging strategy and included in the assessments on whether the strategy is highly effective.

Disclosures

23. A reporting entity that has any derivatives accounted for under this special accounting provision, or that has unamortized deferred assets and/or deferred liabilities (representing previously unrecognized qualifying fair value fluctuations) under the special accounting provision shall disclose the following within the financial statements:

- a. For each hedge program under this SSAP, discussion of hedged item, including information on the liabilities' duration sensitivity to interest rate risk, along with similar information on the assets supporting these liabilities and the designated hedging instruments being used to hedge the duration risk. Discussion of the hedging instruments shall identify whether a hedging instrument is a single instrument or portfolio, as well as information on the hedging strategy

(including whether there have been changes in strategy from the prior reporting period, along with detailed information on the changes), and assessment of hedging effectiveness (e.g., beginning and end of quarter asset duration without derivatives, asset duration with derivatives, liability duration, percentage of difference hedged, etc.) and compliance with the “Clearly Defined Hedging Strategy”. Identification shall occur on whether the hedged item is intended to be fully hedged under the hedging strategy, or if the strategy is only focused on a portion of the asset/liability duration difference. Hedging strategies shall be identified as highly effective or not highly effective. If the strategy for a particular hedging relationship excludes a specific component of the gain or loss, or related cash flows, from the assessment of hedge effectiveness, details on the excluded components shall be disclosed.

- b. Aggregate disclosure of the original cost and fair value of hedging instruments (including all instruments within a portfolio), including fair value changes during the reporting period. Additionally, disclose the fair value of the hedged item, the change in fair value from the prior reporting period, and the portion of the fair value change attributed to the hedged risk.
- c. Schedule showing the aggregate fair value change from the prior reporting period for the designated components for all hedging instruments, with identification of the fair value change reflected in deferred assets, and deferred liabilities. This schedule shall also show the current period amortization, including any accelerated amortization elected by the reporting entity, and the future scheduled amortization of the deferred assets and deferred liabilities. This schedule shall identify the fair value of the excluded components of the hedging instruments, and the fair value change for those components reflected in unrealized gain and unrealized loss.
- d. For hedging strategies no longer identified as highly effective previously captured within scope of this standard, information on the determination of ineffectiveness, including variations from prior assessments resulting in the change from classification as a highly effective hedge. This disclosure shall also include:
 - i. Identification of outstanding hedging instruments previously captured within scope of this standard and subsequently identified as no longer part of a highly effective hedging strategy. This disclosure shall identify the date in which the domiciliary state was notified that the hedging strategy had been identified by the reporting entity as no longer highly effective.
 - ii. Deferred assets and deferred liabilities previously recognized when the program was highly effective, with a schedule that shows the amortization that would have occurred if the program had remained highly effective, the amount of original amortization as well as a schedule that details the amortization that will occur as the program is no longer highly effective (maximum five-year timeframe).
 - iii. Disclosure on whether the reporting entity is electing to accelerate amortization (in advance of the remaining scheduled amortization or the maximum five-year timeframe), along with amounts immediately recognized to unrealized gains/losses, and how the election impacts the scheduled amortization.
- e. For situations in which the reporting entity has elected to terminate the hedging strategy and/or discontinue the special accounting provisions permitted within this SSAP, the reporting entity shall disclose the key elements in the reporting entity’s decision to terminate, identifying changes in the reporting entity’s objectives or perspectives from initial application. This disclosure shall also include:

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- i. Identification of outstanding hedging instruments previously captured within scope of this standard and the accounting impact as a result of the termination/discontinuation. (Open derivative transactions no longer captured within the special accounting provision would be subject to the accounting and reporting guidance within SSAP No. 86.) This disclosure shall identify the date in which the domiciliary state was notified that the hedging strategy or the election to use the special accounting provision in this SSAP had been terminated.
- ii. Deferred assets and deferred liabilities previously recognized under the hedging strategy and/or program, with a schedule that shows the amortization that would have occurred if the strategy and/or program had remained highly effective, as well as a schedule that details the amortization that will occur with the termination of the strategy and/or program (maximum five-year timeframe).
- iii. Disclosure on whether the reporting entity is electing to accelerate amortization (in advance of the remaining scheduled amortization or the maximum five-year timeframe), along with amounts immediately recognized to unrealized gains/losses, and the resulting impact to the scheduled amortization.

Effective Date and Transition

24. This statement is effective January 1, 2026. The guidance in this SSAP is required to be applied on a prospective basis for qualifying hedge programs in place on or after the effective date. This prospective application prohibits deferred asset and deferred liability recognition from fair value fluctuations previously recognized as unrealized gains or losses that occurred prior to the effective date of the guidance.

25. Derivative gains/losses deferred in IMR prior to the effective date of this guidance shall continue to be amortized over the remaining amortization period from their original amortization schedule. Unrealized gains/losses recognized prior to the effective date of this SSAP from derivatives that utilize/qualify for the SSAP's accounting treatment on the above effective date shall remain in unrealized gains/losses and amortize into NGO (i.e., surplus neutral) over the weighted average life of the liabilities they support (subject to the limits noted in previously in this SSAP). Reporting entities that have previously received permitted or prescribed practices for qualifying hedge programs, resulting with the recognition of deferred assets/deferred liabilities from unrecognized fair value fluctuations, shall work with their domiciliary state regulator to determine the appropriate method in transitioning from previously approved permitted practices. The reporting entity shall include disclosure of the transition approach approved by the domiciliary state in their financial statements in the first year of application. The approved transition approach is not considered a permitted practice as long as the reporting entity is fully compliant with the provisions of this statement after implementation. After the effective date of this statement, domiciliary state provisions that differ from this statement must be disclosed as a permitted or prescribed practice pursuant to *SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures*.

REFERENCES

RELEVANT ISSUE PAPERS

- *Issue Paper No. 159—Special Accounting Treatment for Limited Derivatives*

EXHIBIT A – EXAMPLE

Under the accounting provisions within this SSAP, all designated highly effective hedging instruments shall initially be reported in the financial statements at fair value. Fair value fluctuations in the hedging instruments attributable to the hedged risk shall be recognized as deferred assets (admitted) and deferred liabilities (i.e., derivative fair value changes would be initially surplus neutral with the derivative asset/liability fair value offset by the deferral account, which is to be amortized per paragraph 14). The aforementioned treatment will discontinue upon de-designation due to ineffectiveness or election; at which time, all future fair value fluctuations for these derivatives would be subject to SSAP No. 86 and recognized as unrealized gains/losses. Note: for derivatives de-designated due to ineffectiveness, the treatment from this SSAP can only be applied to fair value changes up to the date the derivatives met the highly effective criteria (after which, all prospective changes in fair value should be record in unrealized gains/losses).

Under this SSAP, the ability to recognize derivative fair value changes as a deferred asset/liability is limited to only the portion of the fair value fluctuation in the hedging instruments that is attributed to the hedged risk and meets the highly effective criteria. As detailed in this standard, the hedged risk may be designated as a specific component of the hedged item. For example, an entity may designate the duration difference between a portfolio of fixed income investments and a group of future annuity payments in a pension risk transfer (PRT) and/or structured settlements block of liabilities.

Unless a different method has been approved by the domiciliary state commissioner, reporting entities shall utilize the calculations detailed in paragraph 11 to determine if the hedging relationship meets the highly effective criteria. For example:

- Clearly Defined Hedging Strategy (CDHS) characteristics:
 - Hedged item – Structured settlement liability net cash flows
 - Hedged risk – Duration difference between hedged item and designated fixed income asset portfolio supporting the hedged item
- On July 1, 202x, the company's documented/defined hedged liability item had a Modified Duration of 10 (i.e., a 1% change in interest rates will cause a 10% change in fair value in the opposite direction), while the documented/defined supporting asset portfolio had a Modified Duration of 9.
 - The company designates a portfolio of derivatives to eliminate 100% of this duration difference (i.e., a highly effective derivative portfolio hedging this difference would place the Modified Duration of the fixed income assets with derivatives at between 9.8 and 10.25, which is 80%-125% of the modified duration difference). The company measures the effectiveness on July 1, 202x, and determines the hedge is highly effective (Modified Duration of supporting fixed income asset portfolio with derivatives = 10; Modified Duration of hedged liability = 10).
- On September 30, 202x, the company measures the effectiveness of the hedge program. Note: throughout the 3-month period, the company may have added various supporting fixed income assets, derivatives, and liability cash flows to this hedging relationship (all of which were clearly identified and classified as part of this linked portfolio at each inception). The hedge effectiveness is determined to be highly effective (e.g., Modified Duration of supporting fixed income asset portfolio with derivatives = 10; Modified Duration of hedged liability = 10).
- Example journal entries related to the above are as follows:

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SSAP109 Example			
Mark & Spread (MTM and defer each quarter, begin amortization the following quarter regardless of termination)			
July 1, 202x:	Fixed Income Assets = \$100 (Modified Duration = 9)		
	Hedged Liabilities = \$100 (Modified Duration = 10)		
	Fixed Income Assets Modified Duration w/derivatives = 10		
	FI Assets & Liabilities' amortized cost = fair value		
	Derivatives amortized cost & fair value = 0		
Sept. 30, 202x:			
Example Entries:			
Change in Value			
	DR-CR: Derivative Asset/Liab	}	surplus neutral
	DR-CR: Deferred Asset/Liab		
	Change in value includes entire fair value of derivative instrument (clean value plus accrued income)		
Amortization (subsequent quarter)			
	DR-CR: Deferred Asset/Liab	}	surplus impact over amort period
	DR-CR: Net Investment Income		
	derivative is remeasured each reporting period, with any chg in value amortized starting in the subsequent qtr (regardless of termination)		
Termination Example Entries:			
Termination			
	DR-CR: Cash	}	surplus neutral
	DR-CR: Derivative Asset/Liab		
Amortization (subsequent quarter)			
	N/A (already occurring)		
Notes-amortization is independent of termination, so discretionary surplus changes eliminated			
At termination, any change in value (realized gain/loss) would continue to be recognized in the Deferred Asset/Liab account and amortized			
Liquidation Value Check (amounts rounded for simplicity)			
Liquidation Value (fair value realization via asset sales, derivative settlement, reinsurance):			
	Assets	Liabilities	
BOP	100	100	
Value Change (ex derivatives)	(9)	(10)	int. rates Increase 1%
Subtotal EOP	91	90	
Derivative Value Change	(1)		
Liquidation Value	90	90	flat
Balance Sheet Value			
BOP	100	100	flat
EOP (amort cost-ex derivatives)	100	100	
EOP (derivatives pre-amort)	1	1	per above journal entry; (DR-CR: Derivative Asset/Liab; DR-CR: Deferred)
EOP Balance Sheet Total	101	101	flat (reflects highly effective hedge); deferral of asset/liab brings balance sheet surplus equal to liquidation value
De-Designation Example Entries (if applicable):			
De-designation			
	No entry or surplus impact (deferral already booked; amort. already occurring)		
Subsequent Accounting (MTM)			
	DR-CR: Derivative Asset/Liab	}	(prospective MTM in URGL)
	DR-CR: URGL (Surplus)		

Statement of Statutory Accounting Principles No. 109 **Draft-6/5/25 Amortized Cost Method**

Asset Liability Management (ALM) Derivatives

STATUS

Type of Issue Common Area
Issued..... xxx xx, 202x
Effective Date January 1, 2026
Affects No other pronouncements
Affected by No other pronouncements
Interpreted by No other pronouncements
Relevant Appendix A Guidance..... None

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SCOPE OF STATEMENT

1. Current statutory accounting guidance for derivatives qualifying for hedging effectiveness is in *SSAP No. 86—Derivatives* and *SSAP No. 108-Derivatives Hedging Variable Annuity Guarantees*. This statement allows special accounting treatment for limited derivatives hedging asset/liability duration differences subject to fluctuations as a result of interest rate sensitivity [a.k.a. asset liability management (ALM) derivatives]. The provisions within this statement are separate and distinct from the guidance in *SSAP No. 86* and *SSAP No. 108*, as the items subject to the scope of this guidance, and the provisions within, would not qualify for hedge effectiveness under *SSAP No. 86* or *SSAP No. 108*. The provisions provided within this statement are only permitted if all of the components of the statement are met and shall not be inferred as an acceptable statutory accounting approach for derivative transactions that do not meet the stated qualifications or that are not specifically addressed within this guidance.

SUMMARY CONCLUSION

2. This statement establishes statutory accounting principles to address derivative transactions hedging asset/liability duration differences subject to fluctuations as a result of interest rate sensitivity.

The statutory accounting guidance within this statement is considered a special accounting provision, only permitted if all the components in the standard are met and shall not be inferred as an acceptable statutory accounting approach for situations that do not meet the stated qualifications or that are not specifically addressed within this guidance.

Terms/Concepts (for purposes of this statement)

3. The following terms reflect concepts specific to this statement. This listing only details the key concepts. Specific guidelines are reflected throughout the guidance.
- a. **Derivative Instrument:** An agreement, instrument or series or combination thereof: (1) To make or take delivery of, or assume or relinquish, a specified amount of one or more underlying interests, or to make a cash settlement in lieu thereof; or (2) That has a price, performance, value, or cash flow based primarily upon the actual or expected price, level, performance, value, or cash flow of one or more underlying interests. Note: derivatives with asymmetrical payoff profiles and/or derivative premiums at inception (e.g., options) are not eligible for the accounting provisions in this standard (i.e., swaps, forwards, and futures are typically eligible for the accounting treatment in this standard if they don't contain the aforementioned).
 - b. **Dynamic Hedging Approach:** A dynamic hedging strategy allows for the portfolio of derivatives comprising the hedging instrument to be rebalanced in accordance with changes to the hedged item in order to adhere to the specified, documented hedging strategy.
 - c. **Hedged Item:** The hedged item is the duration difference between the designated asset portfolio and designated product liability portfolio that are both exposed to interest rate risk (with the ultimate hedged item being the interest rate sensitivity of the liability portfolio that the assets support). The hedged item may relate to the duration of an open or flexible portfolio (e.g., group of contracts with different characteristics and liability durations) that allows for addition of newly issued contracts, subtraction of surrenders and fluctuations in balances. The portfolio of product liabilities may consist of an entire book of business or declared components thereof¹.
 - d. **Hedging Instrument:** The hedging instrument shall reflect a specified derivative, or a portfolio of specified derivatives, that hedges the duration difference of the designated asset and liability portfolios. The hedging instrument may reflect a dynamic hedging strategy in which a portfolio of derivatives comprising the hedging instrument is rebalanced in accordance with changes to the hedged item.

Special Accounting Provision

4. The special accounting provision within this statement permits reporting entities to utilize a form of “macro-hedging” in which a portfolio of derivatives hedges the duration difference between an asset portfolio and a portfolio of product liabilities (i.e., an ALM Hedge²), which could include the entire book of business or subsections thereof, pursuant to a Clearly Defined Hedging Strategy (throughout this issue paper also referred to as “CDHS” or “hedging strategy”). This is considered a macro-hedge, as the designated hedged item is attached to a portfolio of product liability contracts with different characteristics and liability durations. Under this special accounting provision, the portfolio of contracts giving rise to the hedged item is not required to be static but can be revised to remove assets/derivatives/policies and/or include new assets/derivatives/policies to allow for continuous risk management (hedging) of the product liabilities in accordance with the specific risks being hedged and the hedge objectives of the specified, documented hedging strategy. In designating the hedged item, reporting entities are permitted to exclude specific components of the asset, derivative, and/or liability portfolios, but such exclusions must be documented at the hedge inception.

¹ Product liability contracts (e.g., PRT's) that have been signed/executed are eligible as the hedged item if highly probable of closing in the near term, include disincentives for non-performance and have historically closed at a near 100% success rate. For example, on January 1, the company signs a PRT contract that it will assume a client's portfolio assets and pension liabilities on March 31. The agreed upon portfolio assets have a different duration than the liabilities, so the company proceeds with hedging the difference on January 1. If the transaction meets the aforementioned probable criteria, the hedge can qualify for the treatment in this SSAP if it meets the other criteria in this SSAP, although the portfolio will not be assumed until March 31.

² As detailed in paragraph 10, these hedges are required to be highly effective in achieving the elimination of the duration mismatch between the designated asset and liability portfolios during documented hedge period.

5. This special accounting provision permits reporting entities to utilize a specified derivative, or a portfolio of specified derivatives, as the hedging instrument within an ALM Hedge to hedge the interest rate sensitivity, or a specific percentage³ of the interest rate sensitivity, of the designated hedged item. Hedged items include various interest rate sensitive products where duration can be reliably measured using one of the metrics in paragraph 11. The hedging instrument may reflect a dynamic hedging strategy in which a portfolio of derivatives comprising the hedging instrument is rebalanced in accordance with changes to the hedged item in order to adhere to the specified, documented hedging strategy. Fair value fluctuations not attributed to the hedged risk, including fair value changes from excluded open components, shall be recognized as unrealized gains or losses.

6. With the provisions in this standard to allow for flexibility in the hedged item coupled with a dynamic hedging approach (rebalancing of derivative hedging instruments), there is a greater risk of misrepresentation of successful risk management and achievement of a highly effective hedging relationship. Although this risk cannot be eliminated, the following provisions intend to ensure governance of the program and provide sufficient tools to allow for regulator review:

- a. Prior to implementing a hedging program for application within scope of this standard, the reporting entity must obtain explicit approval from the domiciliary state commissioner allowing use of this special accounting provision. The domiciliary state commissioner may subsequently disallow use of this special accounting provision at their discretion. Although this guidance does not restrict the state domiciliary commissioner on when to prohibit future use, disallowance should be considered upon finding that the reporting entity's documentation, controls, measurement, prior execution of strategy or historical results are not adequate to support future use.
- b. Certification by a financial officer of the company (CFO, treasurer, CIO, or designated person with authority over the actual trading of assets and derivatives) that the hedging strategy meets the definition of a Clearly Defined Hedging Strategy 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. This provision does not require reporting entities to use the special accounting provision within this standard.

³ In identifying the hedged risk, reporting entities must identify whether they are hedging the full, or a portion of (e.g., 40%), the interest rate sensitivity.

7. Eligibility for the special accounting provision within this standard is strictly limited to highly effective ALM derivatives that follow a Clearly Defined Hedging Strategy, meeting all the required provisions of this SSAP allowing the reporting entity to reduce the duration differences between the designated asset and liability portfolios. In order to qualify as a Clearly Defined Hedging Strategy (which may be dynamic, static, or a combination thereof), the strategy shall at a minimum, identify:

- a. The specific risks being hedged (including a measure of hedge coverage, e.g., percentage of interest rate sensitivity being hedged),
- b. The hedging objectives,
- c. The material risks that are not hedged,
- d. The financial instruments used to hedge the risks,
- e. The hedging strategy's trading rules, including permitted tolerances from hedging objectives,
- f. The metrics, criteria, and frequency for measuring effectiveness,
- g. The conditions under which hedging will not take place, and for how long the lack of hedging can persist,
- h. The group or area, including whether internal or external, responsible for implementing the hedging strategy,
- i. Areas where basis, gap, or assumption risk related to the hedging strategy have been identified, and
- j. The circumstances under which hedging strategy will not be effective in hedging the risks.

8. While an initially documented hedging strategy may subsequently change, any change in hedging strategy, which includes a change in hedge target, shall be documented, with notification to the domiciliary state commissioner and include an effective date of the change in strategy. Reporting entities that elect to change a documented hedging strategy prior to the end of the three-month minimum timeframe shall identify the hedging strategy, and all hedging instruments executed under the strategy, as ineffective. The three-month timeframe begins with the stated effective date of the hedging strategy. Changes in a documented hedging strategy that occur after a three-month timeframe do not necessitate an ineffective determination as long as hedged items and hedging instruments under the revised/new strategy continue to meet the requirements of a highly effective ALM hedge. Reporting entities are permitted to have more than one hedging strategy implemented, but all implemented strategies must qualify as a component of a Clearly Defined Hedging Strategy pursuant to paragraph 7.

Assessing Hedge Effectiveness

9. The provisions within this standard require the entity to use a specific method, as detailed in paragraph 10, to assess hedge effectiveness at least quarterly (e.g., at the beginning and end of each quarter) with on-going assessment consistent with the originally documented risk management strategy.

10. Both at inception, and on an ongoing basis, the hedging relationship must be highly effective in reducing duration differences between designated asset and liability portfolios during the period that the hedge is designated. Reporting entities electing to use this special accounting provision must calculate the duration of the hedged item (liability portfolio) and compare it to the duration of the designated supporting asset portfolio with and without the designated hedging derivatives at inception and on an ongoing basis (i.e., at the beginning and end of each quarter, since asset/derivative/liability amounts may change during the normal course of business with the dynamic hedge strategy needing to remain highly effective). Only if the designated hedging derivatives are highly effective at reducing the duration difference between the asset and liability portfolios at the beginning and end of each quarter, then this special accounting provision can be utilized. This comparison is specific to the designated hedged risks and exposures; therefore, if only a portion of the duration/interest rate risk is hedged or if the designated hedge only includes specific components of the hedged liabilities, for determining hedge effectiveness, the effectiveness comparisons are limited to those designated items. If an entity's defined risk management strategy for a particular hedging relationship excludes specific components of the hedging derivative from the assessment of hedge effectiveness, the excluded open components shall be reported at fair value with gains or losses recognized as unrealized gains or losses.

11. The term "highly effective" describes a reduction of the duration difference between the asset and liability portfolios that is accomplished by the hedging derivatives with between an 80%-125% effective rate. For example:

- a. Modified Duration is the effect that a 100-basis-point (1%) change in interest rates will have on the price of an instrument (e.g., if an instrument has a modified duration of 5, a 1% change in interest rates would be expected to cause a 5% change in the instrument's price in the opposite direction); so if an asset portfolio has a Modified Duration of 9 and a liability portfolio has a Modified Duration of 10, a highly effective derivative portfolio hedging this difference would place the Modified Duration of the assets with derivatives at between 9.8 and 10.25 (80%-125% of the modified duration difference). Alternatively, if asset portfolio duration is 9 and a liability duration is 11, an entity can elect to hedge only half the difference (in which case, a duration of the assets with derivatives of between 9.8 and 10.25 would be highly effective).
- b. Macaulay Duration is the weighted average time until cash flows are received and is measured in years; so if an asset portfolio has a Macaulay Duration of 9 years and a liability portfolio has a Macaulay Duration of 10 years, a highly effective derivative portfolio hedging this difference would place the Macaulay Duration of the assets with derivatives at between 9.8 years and 10.25 years (80%-125% of the Macaulay Duration difference).
- c. DV01 measures the dollar change in an instrument's price for a one basis point (0.01%) change in rates; so if an asset portfolio has a DV01 of \$9M and a liability portfolio has a DV01 of \$10M, a highly effective derivative portfolio hedging this difference would place the DV01 of the assets with derivatives at between \$9.8M and \$10.25M (80%-125% of the DV01 difference).

Measurement/Recognition of Gains and Losses of Derivative Instruments

12. All designated highly effective hedging instruments (all derivatives, including those reflected in portfolios) shall be reported in the financial statements at amortized cost.

13. Amortized cost treatment will discontinue in the following scenarios:
- a. Maturities/Terminations - Derivatives that mature or are terminated with a fair value will be recognized as deferred assets (admitted) and deferred liabilities (i.e., derivative maturity/termination fair value would initially be surplus neutral with the deferred asset/liability offset by cash received/paid at maturity/termination).
 - b. De-Designation – For derivatives de-designated from a previous highly effective hedging relationship due to ineffectiveness or by election, the derivative fair value will be recognized as an asset/liability offset by a deferred asset (admitted) and deferred liability (i.e., fair value recognition is initially surplus neutral). All prospective (post de-designation) derivative fair value changes are recognized as unrealized gains/losses without deferral unless included as part of a subsequent highly effective hedge (see 13.c below). Note – a deferred asset/liability can only be recognized for the fair value change up to the last measurement date indicating high effectiveness as defined by this SSAP.
 - c. Note - An amount equal to the net deferred asset and deferred liability (net amount from all hedging strategies/programs captured within this guidance) shall be allocated from unassigned funds to special surplus. Also, as detailed previously, portions of hedging instruments that are not attributable to the hedged risk, shall be recognized as unrealized gains or unrealized losses. The ability to recognize a deferred asset/liability is limited to only the portion of the hedging instruments that are attributed to the hedged risk. Lastly, as these are essentially quarterly hedges inside a clearly pre-defined program (with effectiveness tests at the beginning and end of each quarter), programs that fail effectiveness could only apply the provisions of this SSAP within the subsequent quarters that effectiveness is achieved (if program parameters did not change materially). If program parameters change materially, then this represents a new program requiring new documentation, approvals, etc.
14. Deferred assets and deferred liabilities recognized under paragraph 13 shall be amortized using a straight-line method into NGO over a finite amortization period. The amortization timeframe shall equal the weighted average life of the hedged liability portfolio but shall not exceed a period of 10 years. Amortization for a quarter's derivative fair value recognition will begin in the following quarter regardless if the derivative fair value recognition is realized or unrealized.
- a. Reporting entities are required to separately track, with a schedule to show the initial deferred amount and amortization schedule, of the deferred assets and deferred liabilities recognized and outstanding at each reporting date.
 - b. The amount reported on the financial statement at each reporting date shall reflect the net amount (net as either a deferred asset or deferred liability) for each hedging strategy captured within scope of this guidance. (Reporting entities that have more than one hedging strategy could have both deferred assets and deferred liabilities in the financial statements based on the net position of the separate hedging strategies.)
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- c. Reporting entities are permitted to amortize a greater portion of the deferred assets and/or deferred liabilities into NGO at any time in advance of the scheduled amortization period.
 - i. If electing to accelerate amortization, reporting entities are required to accelerate amortization equally between deferred assets and deferred liabilities within a single hedging strategy. For example, a reporting entity is not permitted to accelerate amortization of the deferred liabilities (recognizing the gains from fair value changes) and not accelerate amortization of the deferred assets (continuing to defer losses from fair value changes). If a reporting entity only has a single hedging strategy which only reflects deferred assets or deferred liabilities, the reporting entity is permitted to accelerate amortization without restrictions.
 - ii. If a reporting entity has more than one hedging strategy, and the strategies have offsetting net positions (both deferred assets and deferred liabilities are recognized in the financial statements), a reporting entity's election to accelerate amortization must be applied equally to programs with offsetting net positions. (For example, a decision to accelerate amortization of a program with a net deferred liability must be applied equally to a program with a deferred asset that best corresponds to the deferred liability⁴.) In these situations, the guidance in paragraph 14.c.i. is also applicable, whereas the accelerated amortization must also apply equally to the deferred assets and deferred liabilities within each individual hedging program. If a reporting entity with more than one hedging strategy only has net deferred assets or net deferred liabilities recognized, the reporting entity is permitted to accelerate amortization to a single program in a manner consistent with the guidelines in paragraphs 14.c.i.

⁴ The intent of this guidance is to ensure that the ability to accelerate amortization does not result with elections that simply result in favorable financial statement presentation.

15. For outstanding (non-expired) derivative instruments that were removed from a highly effective hedging strategy (rebalanced), subsequent gains and losses from fair value fluctuations shall not impact previously recognized deferred assets or deferred liabilities. The deferred assets and deferred liabilities shall be “locked” and amortized under the remaining schedule unless the reporting entity elects to terminate or accelerate amortization. Subsequent to the removal from a highly effective strategy, all fair value fluctuations from the outstanding derivative instruments would be subject to the guidance in SSAP No. 86 and recognized as unrealized gains and/or unrealized losses. If the derivative is re-designated as part of a highly effective hedging strategy qualifying under this standard, subsequent fair value fluctuations (after the re-designation) may be accounted for under the special accounting provision detailed in this statement.

16. For a hedging strategy that no longer qualifies within scope of this standard or is no longer a highly effective hedge, any non-amortized deferred assets or deferred liabilities shall be amortized to NGO over the remaining amortization timeframe, not to exceed five-years. Reallocating assets/derivatives/liabilities in ALM hedging relationships does not indicate no longer qualifying within scope or no longer highly effective (as long as a significant amount of the assets/derivatives/liabilities are included in the hedging relationships before and after reallocation; and the relationship is highly effective before and after reallocation). If the deferred assets/deferred liabilities have a remaining amortization period that is less than the shortened timeframe, amortization shall continue over the remaining period. If the remaining amortization period is greater than 5-years at the time of the program no longer qualifies, or is no longer highly effective, the amortization schedule shall be revised to require full amortization within the shortened 5-year timeframe. If elected by the reporting entity, deferred assets and deferred liabilities may be immediately recognized in NGO or have accelerated amortization (less than 5-years). (An election to immediately eliminate or accelerate amortization must follow the provisions in paragraph 14.c.) All future fair value fluctuations for these derivative instruments would be subject to the guidance in SSAP No. 86 and shall be recognized as unrealized gains or unrealized losses unless the instrument is subsequently designated as part of a highly effective hedging strategy within scope of this statement. If the derivative is re-designated as part of a highly effective hedging strategy qualifying under this standard, subsequent fair value fluctuations (after the re-designation) may be accounted for under the special accounting provision detailed in this statement.

17. Reporting entities may elect to terminate use of this special accounting provision at any time. In those instances, all deferred assets and deferred liabilities shall be amortized to NGO over the remaining amortization timeframe, not to exceed five-years. If the deferred assets/deferred liabilities have an amortization period that is less than the shortened 5-year timeframe, amortization shall continue over the established period. If the remaining amortization period is greater than 5-years at the time of termination, the amortization schedule shall be revised to require full amortization within the shortened 5-year timeframe. If elected by the reporting entity, deferred assets and deferred liabilities may be immediately eliminated or have accelerated amortization (less than 5-years) with recognition in NGO. (An election to immediately eliminate or accelerate amortization must follow the provisions in paragraph 14.c.) Once the special accounting provision is terminated, unless re-designated by the reporting entity, subsequent accounting of the derivatives in a hedging strategy that would be captured within this statement shall follow the fair value accounting approach in SSAP No. 86⁵.

⁵ Macro-hedges and the ability to rebalance hedging instruments are not provisions permitted within “effective” hedges in scope of SSAP No. 86. As such, hedging strategies with these components accounted for under SSAP No. 86 shall follow the fair value accounting approach detailed in that standard.

Measurement/Recognition of Realized Gains or Losses of Expired Derivatives

18. This guidance allows for individual derivative instruments to expire and/or be removed from the portfolio of the hedging instrument (as effectiveness is tested each quarter and hedges and hedged items changing each quarter as part of dynamic hedging strategies).

19. Pursuant to the provisions in paragraph 14.c., reporting entities are permitted to amortize a greater portion of the deferred assets and/or deferred liabilities from expired derivatives into NGO in advance of the scheduled amortization period.

20. Consistent with the guidance in paragraph 17, reporting entities may elect to terminate use of this special accounting provision at any time. In those instances, all deferred assets and deferred liabilities shall be amortized to NGO over the remaining amortization timeframe, not to exceed 5-years. If the deferred assets/deferred liabilities had an amortization period that was less than the shortened timeframe, amortization shall continue over the established period. If the amortization period was greater than 5-years at the time of termination, the amortization schedule would be revised to require full amortization within the shortened timeframe. If elected by the reporting entity, the deferred assets and deferred liabilities may be immediately eliminated, or have accelerated amortization, with recognition in NGO. An election to immediately eliminate or accelerate amortization (less than 5 years) must follow the provisions in paragraph 14.c.)

Derivative Income

21. Derivative income under this accounting provision is included in NGO pursuant to SSAP86.

22. Pursuant to the documented hedging strategy as an ALM Hedge, derivative income shall be considered as part of the overall hedging strategy and included in the assessments on whether the strategy is highly effective.

Disclosures

23. A reporting entity that has any derivatives accounted for under this special accounting provision, or that has unamortized deferred assets and/or deferred liabilities (representing previously unrecognized qualifying fair value fluctuations) under the special accounting provision shall disclose the following within the financial statements:

- a. For each hedge program under this SSAP, discussion of hedged item, including information on the liabilities' duration sensitivity to interest rate risk, along with similar information on the assets supporting these liabilities and the designated hedging instruments being used to hedge the duration risk. Discussion of the hedging instruments shall identify whether a hedging instrument is a single instrument or portfolio, as well as information on the hedging strategy
-

(including whether there have been changes in strategy from the prior reporting period, along with detailed information on the changes), and assessment of hedging effectiveness (e.g., beginning and end of quarter asset duration without derivatives, asset duration with derivatives, liability duration, percentage of difference hedged, etc.) and compliance with the “Clearly Defined Hedging Strategy”. Identification shall occur on whether the hedged item is intended to be fully hedged under the hedging strategy, or if the strategy is only focused on a portion of the asset/liability duration difference. Hedging strategies shall be identified as highly effective or not highly effective. If the strategy for a particular hedging relationship excludes a specific component of the gain or loss, or related cash flows, from the assessment of hedge effectiveness, details on the excluded components shall be disclosed.

- b. Aggregate disclosure of the original cost and fair value of hedging instruments (including all instruments within a portfolio), including fair value changes during the reporting period. Additionally, disclose the fair value of the hedged item, the change in fair value from the prior reporting period, and the portion of the fair value change attributed to the hedged risk.
- c. Schedule showing the aggregate fair value change from the prior reporting period for the designated components for all hedging instruments, with identification of the fair value change reflected in deferred assets, and deferred liabilities. This schedule shall also show the current period amortization, including any accelerated amortization elected by the reporting entity, and the future scheduled amortization of the deferred assets and deferred liabilities. This schedule shall identify the fair value of the excluded components of the hedging instruments, and the fair value change for those components reflected in unrealized gain and unrealized loss.
- d. For hedging strategies no longer identified as highly effective previously captured within scope of this standard, information on the determination of ineffectiveness, including variations from prior assessments resulting in the change from classification as a highly effective hedge. This disclosure shall also include:
 - i. Identification of outstanding hedging instruments previously captured within scope of this standard and subsequently identified as no longer part of a highly effective hedging strategy. This disclosure shall identify the date in which the domiciliary state was notified that the hedging strategy had been identified by the reporting entity as no longer highly effective.
 - ii. Deferred assets and deferred liabilities previously recognized when the program was highly effective, with a schedule that shows the amortization that would have occurred if the program had remained highly effective, the amount of original amortization as well as a schedule that details the amortization that will occur as the program is no longer highly effective (maximum five-year timeframe).
 - iii. Disclosure on whether the reporting entity is electing to accelerate amortization (in advance of the remaining scheduled amortization or the maximum five-year timeframe), along with amounts immediately recognized to unrealized gains/losses, and how the election impacts the scheduled amortization.
- e. For situations in which the reporting entity has elected to terminate the hedging strategy and/or discontinue the special accounting provisions permitted within this SSAP, the reporting entity shall disclose the key elements in the reporting entity’s decision to terminate, identifying changes in the reporting entity’s objectives or perspectives from initial application. This disclosure shall also include:

Derivatives Hedging Variable Annuity Guarantees

SSAP No. 109

- i. Identification of outstanding hedging instruments previously captured within scope of this standard and the accounting impact as a result of the termination/discontinuation. (Open derivative transactions no longer captured within the special accounting provision would be subject to the accounting and reporting guidance within SSAP No. 86.) This disclosure shall identify the date in which the domiciliary state was notified that the hedging strategy or the election to use the special accounting provision in this SSAP had been terminated.
- ii. Deferred assets and deferred liabilities previously recognized under the hedging strategy and/or program, with a schedule that shows the amortization that would have occurred if the strategy and/or program had remained highly effective, as well as a schedule that details the amortization that will occur with the termination of the strategy and/or program (maximum five-year timeframe).
- iii. Disclosure on whether the reporting entity is electing to accelerate amortization (in advance of the remaining scheduled amortization or the maximum five-year timeframe), along with amounts immediately recognized to unrealized gains/losses, and the resulting impact to the scheduled amortization.

Effective Date and Transition

24. This statement is effective January 1, 2026. The guidance in this SSAP is required to be applied on a prospective basis for qualifying hedge programs in place on or after the effective date. This prospective application prohibits deferred asset and deferred liability recognition from fair value fluctuations previously recognized as unrealized gains or losses that occurred prior to the effective date of the guidance.

25. Derivative gains/losses deferred in IMR prior to the effective date of this guidance shall continue to be amortized over the remaining amortization period from their original amortization schedule. Unrealized gains/losses recognized prior to the effective date of this SSAP from derivatives that utilize/qualify for the SSAP's accounting treatment on the above effective date shall remain in unrealized gains/losses and amortize into NGO (i.e., surplus neutral) over the weighted average life of the liabilities they support (subject to the limits noted in previously in this SSAP). Reporting entities that have previously received permitted or prescribed practices for qualifying hedge programs, resulting with the recognition of deferred assets/deferred liabilities from unrecognized fair value fluctuations, shall work with their domiciliary state regulator to determine the appropriate method in transitioning from previously approved permitted practices. The reporting entity shall include disclosure of the transition approach approved by the domiciliary state in their financial statements in the first year of application. The approved transition approach is not considered a permitted practice as long as the reporting entity is fully compliant with the provisions of this statement after implementation. After the effective date of this statement, domiciliary state provisions that differ from this statement must be disclosed as a permitted or prescribed practice pursuant to *SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures*.

REFERENCES

RELEVANT ISSUE PAPERS

- *Issue Paper No. 159—Special Accounting Treatment for Limited Derivatives*

EXHIBIT A - EXAMPLE

Under the accounting provisions within this SSAP, all designated highly effective hedging instruments shall initially be reported in the financial statements at amortized cost. Amortized cost treatment will discontinue upon derivative maturity/termination (or de-designation due to ineffectiveness or election); at which time, the derivative fair value will be recognized as an asset or liability offset by a deferred asset (admitted) or deferred liability (i.e., fair value recognition is initially surplus neutral). Note: for derivatives de-designated due to ineffectiveness, amortized cost/deferral treatment can only be applied to fair value changes up to the date the derivatives met the highly effective criteria (after which, all prospective changes in fair value should be recorded in surplus-unrealized gains/losses).

Under this SSAP, the ability to recognize a derivative at amortized cost or as a deferred asset/liability is limited to only the portion of the fair value fluctuation in the hedging instruments that is attributed to the hedged risk and meets the highly effective criteria. As detailed in this standard, the hedged risk may be designated as a specific component of the hedged item. For example, an entity may designate the duration difference between a portfolio of fixed income investments and a group of future annuity payments in a pension risk transfer (PRT) and/or structured settlements block of liabilities.

Unless a different method has been approved by the domiciliary state commissioner, reporting entities shall utilize the calculations detailed in paragraph 11 to determine if the hedging relationship meets the highly effective criteria. For example:

- Clearly Defined Hedging Strategy (CDHS) characteristics:
 - Hedged item – Structured settlement liability net cash flows
 - Hedged risk – Duration difference between hedged item and designated fixed income asset portfolio supporting the hedged item
- On July 1, 202x, the company's documented/defined hedged liability item had a Modified Duration of 10 (i.e., a 1% change in interest rates will cause a 10% change in fair value in the opposite direction), while the documented/defined supporting asset portfolio had a Modified Duration of 9.
 - The company designates a portfolio of derivatives to eliminate 100% of this duration difference (i.e., a highly effective derivative portfolio hedging this difference would place the Modified Duration of the fixed income assets with derivatives at between 9.8 and 10.25, which is 80%-125% of the modified duration difference). The company measures the effectiveness on July 1, 202x, and determines the hedge is highly effective (Modified Duration of supporting fixed income asset portfolio with derivatives = 10; Modified Duration of hedged liability = 10).
- On September 30, 202x, the company measures the effectiveness of the hedge program. Note: throughout the 3-month period, the company may have added various supporting fixed income assets, derivatives, and liability cash flows to this hedging relationship (all of which were clearly identified and classified as part of this linked portfolio at each inception). The hedge effectiveness is determined to be highly effective (e.g., Modified Duration of supporting fixed income asset portfolio with derivatives = 10; Modified Duration of hedged liability = 10).
- Example journal entries related to the above are as follows:

SSAP109 Example Amortized Cost Method				
July 1, 202x:	Fixed Income Assets = \$100 (Modified Duration = 9)			
	Hedged Liabilities = \$100 (Modified Duration = 10)			
	Fixed Income Assets Modified Duration w/derivatives = 10			
	FI Assets & Liabilities' amortized cost = fair value			
	Derivatives amortized cost & fair value = 0			
Sept. 30, 202x:				
Example Entries				
Change in Value				
	N/A			
Derivative Maturity/Termination (if applicable)				
	DR-CR: Cash	}	surplus neutral	
	DR-CR: Deferred Asset/Liab			
Amortization (subsequent quarters for maturities/terminations, as applicable)				
	DR-CR: Deferred Asset/Liab	}	surplus impact over amort period	
	DR-CR: Net Investment Income			
Liquidation Value Check (amounts rounded for simplicity)				
Liquidation Value (fair value realization via asset sales, derivative settlement, reinsurance) :				
		Assets	Liabilities	
BOP		100	100	
Value Change (ex derivatives)		(9)	(10)	int. rates Increase 1%
Subtotal EOP		91	90	
Derivative Value Change		(1)		assume all maturities
Liquidation Value		90	90	flat
Balance Sheet Value				
BOP		100	100	flat
EOP (amort cost-ex derivatives)		100	100	
EOP (derivative maturities)		1	1	per above journal entry (DR-CR: Cash; DR-CR: Deferred)
EOP Balance Sheet Total		101	101	flat (reflects highly effective hedge); deferral of asset/ liab brings balance sheet surplus equal to liquidation value
De-Designation Example Entries, if applicable (using SSAP No. 86 as a guide):				
De-designation				
	DR-CR: Derivative Asset/Liab	}	current value (surplus neutral)	
	DR-CR: Deferred Asset/Liab			
	Start amortizing			
Subsequent Accounting (MTM)				
	DR-CR: Derivative Asset/Liab	}	(prospective MTM in URGL)	
	DR-CR: URGL (Surplus)			

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

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October 15, 2025

NAIC Statutory Accounting Principles Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106

Re: Comments on Exposure Draft 2025-01 – SSAP No. 22 (Leases)

Dear Mr. Bruggeman,

I am writing in response to Exposure Draft 2025-01 regarding proposed revisions to SSAP No. 22 – *Leases*. We appreciate the NAIC's continued efforts to enhance clarity and consistency in statutory accounting standards.

In reviewing the proposed changes, we have not yet determined if they will apply to us. However, if they do, we believe it would be more appropriate for the Working Group to ensure that any modifications adopted be applied prospectively, not retroactively.

Applying these changes retroactively could have significant unintended consequences for entities that have already entered into sale-leaseback arrangements under the current guidance. These transactions were structured in good faith based on existing interpretations, and retroactive application could materially alter financial reporting outcomes and regulatory positions in a way that is neither equitable nor reflective of the original economic substance of the agreements.

A prospective application would preserve the integrity of past transactions while allowing the industry to move forward in compliance with any new requirements. This approach aligns with principles of fairness and minimizes disruption to ongoing operations and financial planning. We appreciate your consideration of this request and are available to provide any additional insight or clarification that may assist you.

Sincerely,



Matthew G. Hirschy, CPA
Senior Vice President & Treasurer



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December 15, 2025

Chair Dale Bruggeman

Statutory Accounting Principles Working Group

RE: Ref #2025-01: Sale Leaseback Clarification

Via Email: Jake Stultz and Robin Marcotte, jstultz@naic.org, rmarcotte@naic.org

Dear Mr. Bruggeman,

Thank you for the opportunity to comment on Proposal Ref# 2025-01: Sale Leaseback Clarification. The following is submitted on behalf of the member companies of the National Association of Mutual Insurance Companies (NAMIC) and the American Property Casualty Insurance Association (APCIA), collectively, “the Trades.”

NAMIC has more than 1,500-member companies representing 40 percent of the total U.S. property/casualty insurance market and write more than \$383 billion in annual premiums. Through NAMIC’s advocacy programs, it promotes public policy solutions that benefit NAMIC member companies and the policyholders they serve and fosters greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies.

APCIA is the primary national trade association for home, auto, and business insurers. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA members represent all sizes, structures, and regions – protecting families, communities, and businesses in the U.S. and across the globe.

The Trades appreciate the work that the NAIC staff has done on this issue to make it clear what type of transaction should fall under SSAP No. 22 – *Leases*. We support the continued use of sale-leaseback accounting as a viable accounting practice when the transaction meets all necessary conditions.

To make it clear that this edit does not overrule the guidance found in SSAP No 4. – Assets and Nonadmitted Assets and INT 01-31, regarding collateral pledged for their performance under a contract and for easier flow of reading, the Trades suggest the below edits. First, change the lead in sentence to say, “meets the following criteria”. This edit makes it clear to the reader that this type of transaction does not fall under the sale-leaseback accounting method. The second edit suggestion is a rewording of the first sentence in (c), clarifying that if the cash or assets received by the seller have access restrictions and do not meet the definitions found in SSAP No.4, the restricted cash and assets are nonadmitted. Our edits underscore that is that total restriction on access to cash or assets, not the mere presence of a restriction, that renders the transaction incompatible with sale accounting.

34. Sale-leaseback accounting shall be used by a seller-lessee only if a sale-leaseback transaction ~~meets~~ ~~includes all of~~ the following ~~criteria~~:

- a. A normal leaseback is a lessee-lessor relationship that involves active use of the property by the seller-lessee in consideration for payment of rent, including contingent rentals that are based on future operations of the seller-lessee. The phrase active use of the property by the seller-lessee refers to use of the property during the lease term in the seller-lessee's trade or business, provided that subleasing of the leased property is minor.
- b. Admitted assets, if the buyer-lessor is a related party, or either admitted or nonadmitted assets if the buyer-lessor is not a related party. For purposes of this paragraph, related parties include those identified in SSAP No. 25 and entities created for the purpose of buying and leasing nonadmitted assets for the reporting entity and/or its affiliates.
- c. When cash or assets received by the seller cannot be accessed until the end of the contract and/or such cash or assets will be lost in whole or in part if the seller terminates the contract, and the cash or assets ~~have restrictions as to the use of the cash or sale of the assets -do not meet definition of admitted assets.~~ the restricted cash and assets received are not considered available to meet policyholder obligations and are nonadmitted ~~in accordance with SSAP No. 4 – Assets and Nonadmitted Assets.~~ Such transactions ~~A sale where the cash received by the seller has access restrictions does~~ do not meet the definition of a sale for sale-leaseback accounting and shall be recorded as a financing arrangement as described in paragraph 39.

We believe the above edits support the goal of the proposed changes to SSAP No. 22 and make it clear that there is no intent to open or change other guidance regarding assets pledged as collateral found in SSAP No.4. and INT-01-31.

We encourage the working group to consider the real-world reliance many companies place on the current accounting interpretation. A rigid application of revised guidance without adequate flexibility could lead to unintended consequences. We urge the working group to consider transition options, such as grandfathering existing transactions that would no longer qualify under the new guidance to continue under the old accounting until maturity, or existing transactions must be reevaluated and restated as financing as of 12/31/2026. This would provide regulators and insurers with the ability to apply reasonable judgment and avoid unnecessary disruption. Finally, we recommend the effective date of the new guidance to be set for 1/1/2026. This provides sufficient time for companies to evaluate their existing arrangements, make operational or reporting changes as needed, and coordinate with regulators.

Thank you for your consideration and do not hesitate to reach out to us with any questions.



Colleen Scheele
Senior Vice Policy President and Counsel, Tax and Fiscal Policy
National Association of Mutual Insurance Companies



Jay Muska, Vice President Accounting and Financial Issues
American Property and Casualty Insurance Association

cc: Julie Gann
Wil Oden
Jason Farr

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2025 fall/minutes and summary/sapwg/1c-comments/02-joint trades comment letter on 2025-01 lease clarification.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/apptf/2025%20fall/minutes%20and%20summary/sapwg/1c-comments/02-joint%20trades%20comment%20letter%20on%202025-01%20lease%20clarification.docx)

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October 22, 2025

Mr. Dale Bruggeman, 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 October 16th

Dear Mr. Bruggeman:

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 2025 Summer National Meeting.

Ref #2025-12EP: Editorial and Maintenance Update

On March 24, 2025, the Working Group exposed editorial revisions to the Preamble which revises the footnotes to Preamble paragraphs 42 - 43 for the statutory hierarchy to further clarify treatment of issue papers in Level 5 and references SEC rules and interpretations as sources of authoritative U.S. GAAP for SEC registrants.

Interested parties agree with the edits that were made to the Statutory Hierarchy in the Preamble. As a very minor comment, the reference in the third line of the New FN to “issues papers” should be “issue papers”.

Ref #2024-21: Investment Subsidiary Classification

The Working Group exposed revisions described in the August 2025 exposed changes to eliminate the investment subsidiary concept from the annual statement instructions, effective December 31, 2026, and directed NAIC staff to sponsor a corresponding Blanks proposal. The [b](#)intent to send a referral to the Life Risk-Based Capital (E) Working Group upon adoption of the agenda item, along with suggested RBC instruction changes, was also exposed.

Interested parties have no comments on this item.

Ref #2025-01: Sale-Leaseback Clarification

The Working Group exposed revisions to *SSAP No. 22—Leases*, as illustrated in the Summer 2025 Updated Staff Recommendation, to further clarify that sale-leasebacks with restrictions on access to the cash received from the sale do not qualify for sale-leaseback accounting and must be accounted for by the seller using the financing method. With this exposure, comments are specifically requested on transition guidance for companies that currently have arrangements that will no longer qualify for sale-leaseback treatment.

Interested parties discussed this item and no concerns were raised. We refer the Working Group to a joint letter that is being submitted by the American Property Casualty Insurance Association (APCIA) and National Association of Mutual Insurance Companies (NAMIC) on this proposal.

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

The 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 in Schedule B – Mortgages. This updated draft, as shown in the 2025 Summer National Meeting Staff Recommendation, reflects changes made by NAIC staff based on further research as well as discussions with interested parties.

Interested parties appreciate SAPWG staff's willingness to address our comments and questions. We agree with the changes made to the most recent proposal. We have a few additional comments as follows:

1. Under the Exposure Draft, look-through reporting would not be allowed if foreclosed real estate is owned by a wholly-owned LLC of the statutory trust. A fundamental characteristic of these trusts is the separation of legal and beneficial ownership. Therefore, the trustee holds legal title to the trust assets, while the trust beneficiaries are entitled to receive the benefit of the assets. The bank trustees are comfortable holding legal title to the mortgage loans and being the lender of record because that is their primary vocation. However, some bank trustees are not comfortable holding legal title to foreclosed real estate because of the potential for liability to the bank arising from property-related issues. For that reason, we understand that it can be common for the trustee to transfer title to such mortgage loans to a single member LLC that is 100% owned by the trust prior to foreclosure. Therefore, we kindly ask that the Working Group reconsider allowing the trust to create a 100% trust-owned single member LLC to hold any foreclosed real estate to address this circumstance.
2. We suggest the following edits to the revised footnote 6 for clarity:

“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 2b.ii. the trust agreement must explicitly provide that the liabilities of each series

~~are enforceable only against the assets of that series for the limitation of liabilities of each 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.

3. It is not clear from the most recent exposure whether Schedule B will require individual loan reporting. The most recent exposure states that “the underlying loans held within a qualifying statutory trust must be disaggregated by group (loan standing), as shown below”. We are not sure if this means that each individual loan is reported under subgroups of “good standing”, “restructured”, “overdue interest over 90 days not in the process of foreclosure” and “in the process of foreclosure” or whether we are aggregating the book value of all the loans within each category and reporting under each category in total. Also, we are not sure what “as shown below” refers to.
4. Regarding effective date, interested parties suggest for a 1/1/27 effective date, but kindly ask for early adoption to be allowed since these trusts already exist and it would be preferable to report the loans on Schedule B to avoid changes in reporting schedules in the future. We understand that some of the new codes will not be available for 2025 year-end reporting, but key information about each loan will be provided on Schedule B for those who adopt early.

Ref #2025-18: Simplifying Income Taxes

The Working Group exposed revisions to SSAP No. 101, to adopt with modification *ASU 2019-12 Simplifying the Accounting for Income Taxes*.

Interested parties agree with the proposed revisions in this item.

Ref #2025-20: Debt Securities & Residual Interests Disclosure

The Working Group exposed revisions to improve utilization of existing disclosures, clarify guidance, and incorporate consistent locations and frequency for specific debt security disclosures. As detailed in the draft, the exposure also includes disclosures for residuals to identify the company's measurement method, whether the company is transitioning from the practical expedient to the allowable earned yield (AEY) method, and for those following the AEY method, information comparable to SSAP No. 43 for impaired securities. With exposure, the Working Group directed staff to sponsor a blanks proposal with the intent for the disclosure revisions to be in effect for December 31, 2026

Interested parties have no comments at this time but are continuing to evaluate the data that would be required. Any further comments, if any, will be made during the blanks exposure.

Ref #2025-21: Retirement Plan Assets Held at NAV

The Working Group exposed revisions to clarify that retirement plan assets can be held at net asset value (NAV) and shall be included in the required fair value disclosure, as illustrated in the draft.

Interested parties agree with the recommended accounting conclusion in 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

https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member_meetings/e_cmte/apptf/2025_fall/minutes_and_summary/sapwg/1c-comments/03-dkb2439r.docx

October 22, 2025

Submitted Electronically

Mr. Dale Bruggeman
Chair, Statutory Accounting Principles (E) Working Group
National Association of Insurance Commissioners
110 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Re: Request for Comments on ALM Derivatives of the Statutory Accounting Principles (E) Working Group

Dear Mr. Bruggeman:

The ACLI appreciates the opportunity to comment on the exposure referred to above that was released for comment by SAPWG on September 10, 2025.

- We strongly support the development of statutory accounting guidance for interest-rate hedging derivatives used for asset-liability management (ALM), also referred to as “ALM Derivatives.”
- ACLI is very appreciative of the on-going dialogue with SAPWG and offers the following additional comments on this topic:
 - While we support both of the exposure drafts, the amortized cost method is favored by industry due to its operational advantages and alignment with the reporting of the hedged items.
 - Regarding the exclusion of derivatives with asymmetrical payoffs and/or premiums at inception in the Terms/Concepts section of both drafts (section 3a), we remain flexible on this issue and could see (and be supportive of) an adjustment stating that derivative instruments meeting the definitions noted in “(1)” and “(2)” of section 3a are eligible for the accounting provisions of this statement, and any premiums are required to be amortized over the shorter of the option period or the weighted average liability of hedged liability portfolio (subject to the limits on the latter noted throughout this draft guidance).
 - The drafts currently note an effective date of January 1, 2026. As these drafts were initially written a few months ago, this date is no longer feasible; we suggest an updated implementation date of January 1, 2027.

American Council of Life Insurers | 300 New Jersey Avenue NW, 10th Floor | Washington, DC 20001-2133

¹The 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 280 member companies represent 94 percent of industry assets in the United States.

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,

A handwritten signature in black ink that reads "Shannon Jones". The signature is written in a cursive, flowing style.

Shannon Jones
Senior Director – Financial Reporting Policy
shannonjones@acli.com
202-624-2029

Cc: Julie Gann, Assistant Director - Solvency Policy, Robin Marcotte, Senior Manager II, Accounting Policy, Jake Stultz, Manager II – Accounting Policy, Jason Farr Senior SCA Valuation and Accounting Policy Advisor, and Wil Oden, Senior Technical Accounting Policy Advisor

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2025 fall/minutes and summary/sapwg/1c-comments/04-acli - sapwg alm derivatives_final_10222025.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/apptf/2025%20fall/minutes%20and%20summary/sapwg/1c-comments/04-acli%20-%20sapwg%20alm%20derivatives_final_10222025.docx)

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October 31, 2025

Mr. Dale Bruggeman, 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 Ref #2025-19; Private Placement Securities

Dear Mr. Bruggeman:

Thank you and the NAIC Statutory Accounting Principles Working Group (the Working Group) for the opportunity to comment on the above-referenced item.

Description of the issue

This agenda item has been prepared in response to interest expressed by regulators to propose new disclosure and reporting requirements to better identify different types of private placement securities. Specifically, although broad information on private placement securities can be identified when a company reports a Private Placement Number (PPN) instead of a CUSIP, the intent is to distinguish between different types of private placements, for example those that reflect unregistered resales compliant with Rule 144A from other private placements. Further, as identifying PPNs from public CUSIPs requires scrutiny of the reported identifier, the revisions intend to make it easier to quickly identify a private placement security in the investment schedules. These revisions are supported due to the increase in private placement securities, the increase in private letter ratings often used for private placements, as well as potential concerns on the increase in, and reliance on, level 3 fair values for private placement securities.

This agenda item proposes new individual investment reporting disclosures, to be satisfied through the investment schedules on classifying private placements, as well as new note disclosures to provide aggregate reporting information on aspects of private placements within the financial statements. These disclosure requirements are proposed to be effective December 31, 2026, for reporting in the year-end 2026 financials.

Interested Parties Comments

Interested parties appreciate the exposure reflects many of our prior comments. We support the substance of the proposed exposure with the following two proposed editorial revisions:

1. Paragraph 40 m. i. includes the following:

(This individual investment disclosure shall be completed with the applicable investment schedules for quarterly acquisitions and disposals as well as for annual investment schedule reporting.

2. Paragraph 40 m. ii. includes the following:

(This disclosure is required annually, with quarterly inclusion pursuant to paragraph 65 of the Preamble)

The above language appears to be editorial and/or related to the annual statement instructions/disclosures. As the above disclosures are specifically related to the annual audited financial statements, the above captions are not appropriate and should not be in the SSAPs. Rather, they should be addressed in the annual statement instructions only.

* * * *

Thank you for considering interested parties' comments. We look forward to working with you and the Working Group on this item as it gets finalized.

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

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2025 fall/minutes and summary/sapwg/1c-comments/05-interested parties; 2025-19; private placement securities.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/apptf/2025%20fall/minutes%20and%20summary/sapwg/1c-comments/05-interested%20parties;2025-19;private%20placement%20securities.docx)

**NAIC Accounting Practices and Procedures Manual
Editorial and Maintenance Update
March 24, 2025**

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

SSAP/Appendix	Description/Revision
Preamble	Incorporate and revise footnotes to Preamble paragraphs 42-43 for the statutory hierarchy to further clarify treatment of issue papers in Level 5 and reference SEC rules and interpretations as sources of authoritative U.S. GAAP for SEC registrants.

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.

Preamble – Footnotes to Paragraphs 42 & 43

V. Statutory Hierarchy

42. The following Hierarchy is not intended to preempt state legislative and regulatory authority.

Level 1

- SSAPs, including U.S. GAAP reference material to the extent adopted by the NAIC from the FASB Accounting Standards Codification¹ (FASB Codification or GAAP guidance)

Level 2

- Consensus positions of the Emerging Accounting Issues (E) Working Group as adopted by the NAIC (INTs adopted before 2016)
- Interpretations of existing SSAPs as adopted by the Statutory Accounting Principles (E) Working Group (INTs adopted in 2016 or beyond)

Level 3

- NAIC Annual Statement Instructions
- Purposes and Procedures Manual of the NAIC Investment Analysis Office

¹ Effective September 15, 2009, the FASB [Accounting Standards Codificationtm](#) (FASB Codification) is the source of authoritative U.S. generally accepted accounting principles (U.S. GAAP). [Rules and interpretive releases of the Securities and Exchange Commission \(SEC\) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants.](#) As of that date, the FASB Codification superseded all then-existing non-SEC accounting and reporting standards. All other nongrandfathered, non-SEC accounting literature not included in the FASB Codification is nonauthoritative. As of September 15, 2009, AICPA Statements of Position are no longer reviewed as part of the statutory maintenance process as they are no longer considered authoritative GAAP literature. If the AICPA were to address an issue that affects the FASB Codification, an accounting standard update (ASU) would be issued and reviewed for applicability to statutory accounting.

Level 4

- Statutory Accounting Principles Preamble and Statement of Concepts²

Level 5

- Statutory Accounting Issue Papers³
- Sources of nonauthoritative GAAP accounting guidance and literature, including: (a) practices that are widely recognized and prevalent either generally or in the industry, (b) FASB Concept Statements, (c) AICPA guidance not included in FASB Codification, (d) International Financial Reporting Standards, (e) Pronouncements of professional associations or regulatory agencies, (f) Technical Information Service Inquiries and Replies included in the AICPA Technical Practice Aids, and (g) Accounting textbooks, handbooks and articles

43. If the accounting treatment of a transaction or event is not specified by the SSAPs, preparers, regulators and auditors of statutory financial statements should consider whether the accounting treatment is specified by another source of established statutory accounting principles. If an established statutory accounting principle from one or more sources in Level 2 or 3 is relevant to the circumstances, the preparer, regulator or auditor should apply such principle. If there is a conflict between statutory accounting principles from one or more sources in Level 2 or 3, the preparer, regulator or auditor should follow the treatment specified by the source in the higher level—that is, follow Level 2 treatment over Level 3 ^{FN}. Revisions to guidance in accordance with additions or revisions to the NAIC statutory hierarchy should be accounted for as a change in accounting principle in accordance with *SSAP No. 3—Accounting Changes and Corrections of Errors*.

New FN: With the inclusion of issue papers in Level 5, issue papers shall only be used and applied as authoritative guidance if they do not conflict with other sources of statutory guidance. Please also note that guidance or portions of guidance in issue papers may have been superseded by more current guidance in SSAPs.

Status:

On March 24, 2025, the Statutory Accounting Principles (E) Working Group exposed editorial revisions to the Preamble which revises footnotes to Preamble paragraphs 42-43 for the statutory hierarchy to further clarify treatment of issue papers in Level 5 and reference SEC rules and interpretations as sources of authoritative U.S. GAAP for SEC registrants.

On December 9, 2025, the Statutory Accounting Principles (E) Working Group adopted editorial revisions to the Preamble which revises footnotes to paragraphs 42-43 to further clarify treatment of issue papers in Level 5 of the statutory hierarchy and to reference SEC rules and interpretations as sources of authoritative U.S. GAAP for SEC registrants.

[https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2025 Fall/minutes and summary/SAPWG/1D-25-12EP Spring 2025.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/APPTF/2025%20Fall/minutes%20and%20summary/SAPWG/1D-25-12EP%20Spring%202025.docx)

² The Statutory Accounting Principles Statement of Concepts incorporates by reference FASB Concepts Statements Five and Eight to the extent they do not conflict with the concepts outlined in the statement. However, for purposes of applying this hierarchy the FASB Concepts Statements shall be included in Level 5 and only those concepts unique to statutory accounting as stated in the statement are included in Level 4.

³ With inclusion of Level 5, issue papers shall only be used and applied as authoritative guidance if they do not conflict with other sources of statutory guidance.

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

Issue: Investment Subsidiary Classification

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New Issue or SSAP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Description of Issue: This agenda item has been prepared as questions have been received on the classification of investments as “investment subsidiaries” in schedule D-6-1: Valuation of Shares of Subsidiary, Controlled or Affiliated Companies and in the Life RBC formula on pages LR042, LR043 and LR044.

For background, the concept of an investment subsidiary was reflected in *SSAP No. 46—Investments in Subsidiary, Controlled and Affiliated Entities* as “investments in noninsurance subsidiary, controlled or affiliated (SCA) entities that have no significant ongoing operations other than to hold assets that are primarily for the direct or indirect benefit or use of the reporting entity or its affiliates.” For these SCAs, the guidance in SSAP No. 46 required an equity measurement method adjusted to the statutory basis of accounting. With this adjustment to the statutory basis of accounting, the measurement of the SCA under SSAP No. 46 was intended to be consistent to the accumulated measurement of the underlying assets if they had been held directly. SSAP No. 46 was superseded by SSAP No. 88 as of Jan. 1, 2005, and the concept of an “investment subsidiary” (or a subsidiary designed to hold assets for the entity) was eliminated from statutory accounting guidance. The investment subsidiary guidance in the annual statement instructions was not deleted when the concept was eliminated from statutory accounting guidance. This is presumably because of the different charge that RBC applies to such entities if they meet specific criteria. SSAP No. 88 was later superseded by SSAP No. 97 as of Dec. 31, 2007, and is the current authoritative guidance for SCAs. Similar to SSAP No. 88, the concept of an “investment subsidiary” (or an SCA designed just to hold assets for the benefit of the reporting entity and its affiliates) is not in SSAP No. 97.

Under current guidance in SSAP No. 97, the concept of an SCA that simply holds assets is not reflected. Unless the SCA is an insurance subsidiary or engages in specific transactions on behalf of the entity or meets the revenue test, the SCA will be captured under paragraph 8.b.iii in SSAP No. 97 and reported based on the audited US GAAP equity value. Admittance is permitted if the parameters of the SSAP are met, which includes an audited financial statement supporting the US GAAP equity value. It is noted that the concept of an investment sub is still reflected in *SSAP No. 25—Affiliates and Other Related Parties*. The example of an entity only holding assets for the benefit of the insurer is an example of a non-economic transaction, where the assets are transferred/recognized at fair value, but any gain from the transfer is deferred until permanence can be verified.

From questions received and a review of financial statement reporting, the following list identifies issues:

- Situations have been identified in which companies have reported Schedule BA items (in scope of SSAP No. 48) as “investment subs” for RBC look through although those investments should not be captured within the classification. The concept for an “investment subsidiary” is for items reported as SCAs in scope of SSAP No. 97 with common and/or preferred stock ownership.

- Questions have been raised on whether companies can utilize the concept of an “investment sub” to avoid statutory accounting provisions for underlying assets but receive favorable RBC impact as if the SSAP criteria had been met. (For example, whether a company utilizes the bond RBC factors for a debt security held within an investment subsidiary without verifying that the debt security would qualify as a bond under SSAP No. 26 or uses CRP ratings to determine RBC when the asset may have required an SVO-assigned designation if held directly.)
- Questions have been received on how companies comply with Life RBC LR044 instruction for Affiliate Type 4 *“The risk-based capital charge for the ownership of an investment subsidiary is based on the risk-based capital of the underlying assets, pro-rated for the degree of ownership. The basis for this calculation is the assumption that the charge should be the same as it would be if the life insurer held the assets directly.”* Specifically, the measurement method for the SCA pursuant to SSAP No. 97—*Investments in Subsidiary, Controlled and Affiliated Entities* (audited U.S. GAAP equity) would not be consistent with the measurement of the assets if the assets were held directly (statutory basis). Questions arise whether the underlying assets within the investment subsidiary are converted to statutory basis of accounting prior to computation of RBC charge. In addition, there were questions as to how the RBC after covariance for the underlying assets owned is calculated for investment subsidiaries.
- According to Annual Statement instructions, investment subsidiaries also need to apply a “look-through” approach in Asset Valuation Reserve (AVR) calculation. However, diversity in practice has been observed and for companies that utilize Lines 5 – 14 of the AVR Equity and Other Invested Asset Component table to calculate AVR, the computation is not transparent.
- Questions have been raised on the current annual statement instructions for D-6-1 regarding the “imputed value on a statutory basis” and the direction for nonadmittance of the excess or reclassification in the “all other affiliates” category. Schedule D-6-1 does not determine the amount reported on balance sheet, as that amount is pulled from *Schedule D-2-2, Common Stocks*. Further, the A/S instructions for D-6-1 would not override the SSAP guidance that prescribes the measurement and admittance requirement as that is governed by SSAP No. 97, which is higher in the statutory hierarchy. These A/S instructions regarding the “imputed statutory value” appear to come from historical RBC guidance, and it is assumed that the calculation of the “imputed statutory value” was intended to be a pre-requisite for classifying as an investment sub. However, as the A/S guidance does not override SSAP, and what is captured would seemingly create a disconnect from what is reported on balance sheet, it seems to be causing confusion on application, as companies are not consistently reporting “investment subsidiaries” throughout the schedule, AVR and the RBC formula.
- From a review of the financial statements, the amounts reported for “investment subsidiaries” vary between D-6-1, AVR and RBC. From the 2023 filing, the amount reported in the RBC formula (which allows company RBC calculation based on the underlying assets) is significantly greater than the amount reported on D-6-1 and what is reported through the equity component of AVR.

The RBC background was noted from the 1995 “Raising the Safety Net” publication for RBC for P/C Insurance Companies is included as follows:

The general principle in determining the RBC of ... investment affiliates is to do so as if the affiliate were fully consolidated with the insurer. The committee recognizes that there is not necessarily any legal obligation for a parent to assist a subsidiary nor maintain adequate capital in the subsidiary; vice versa, a parent which wishes to remove excess capital from a subsidiary might sometimes face barriers in doing so. Nonetheless, the committee believes that the consolidation approach is the best way to measure the RBC of the parent, particularly when both the parent and the affiliate are going concerns. One particular advantage of this approach is that where there is a choice of whether to have ownership of an asset or placement of particular insurance business in either the parent or the subsidiary, the RBC calculation for the parent remains the same whichever choice is made. The committee believes that this makes the RBC calculation less manipulable with respect to affiliate transactions.

- D. Investment Affiliates - Investment affiliates are investment conduits whose function it is to hold and invest assets of the insurance company.* Note that money management subsidiaries are not investment affiliates for this purpose. The RBC for an investment conduit is determined on a consolidated or "see through" basis by applying the appropriate asset factors to the assets owned by the affiliate.

* An affiliate qualifies as an investment conduit if the following criteria are met:

- i. 95 percent or more of the affiliate's assets would qualify as admitted assets if directly owned by the insurer.
- ii. 95 percent or more of the affiliate's liabilities are paid-in capital, retained earnings or debt.
- iii. Combining the prorata ownership share of the asset so fall the investment conduit affiliates with the owning insurer's assets does not violate any state requirements concerning diversification of investments or limitations on investments in a single entity.
- iv. The investment conduit's statement value does not exceed the imputed value of the investment conduit using statutory accounting methodology admit the excess or move the affiliate to the "All Other Affiliated Common Stock" category.

Although the RBC calculation is within the purview of the Capital Adequacy (E) Task Force and its related RBC Working Groups, with the questions received for “investment subsidiaries,” as well as the current lack of detail on the underlying assets used to determine RBC, this agenda item proposes the following potential actions:

- 1) Revisions to SSAP No. 97 to incorporate statutory accounting guidance for SCAs that hold assets on behalf of the reporting entity and affiliate (investment subsidiaries). By incorporating in SSAP, consideration can be given as to prescribing the measurement method and potential nonadmittance thresholds if the assets within the investment subsidiary would be nonadmitted if held directly. (As detailed within, the existing reference to measurement and nonadmittance in the instructions for D-6-1 would not overrule the guidance in SSAP No. 97. If the revisions to SSAP No. 97 are not supported, then the Working Group could consider sponsoring a blanks proposal to clarify the instructions in D-6-1 to prescribe allocation of the underlying investments in a manner that coincides with the SCA measurement and admittance under SSAP No. 97. (For example, if the equity measurement reported on balance sheet per SSAP No. 97 is \$100,

but the imputed statutory value would be lower at \$80 (or higher at \$120), what should be reported on D-6-1 and how should that flow to RBC?)

- 2) Sponsor blanks proposals to capture new investment schedules, or perhaps expansions to existing investment schedules, to detail the underlying assets held within an investment subsidiary. As the RBC and AVR calculations require reporting entities to calculate RBC and AVR based on the underlying assets, this information should be readily available. If revisions are not incorporated into SSAP No. 97, these proposals can also clarify requirements for reporting as an investment subsidiary.
- 3) Referrals to the Capital Adequacy (E) Task Force and related RBC Working Groups to incorporate details that allow regulators to verify the RBC calculation for the underlying assets in investment subsidiaries. If blanks reporting revisions are incorporated that provide this detail, then the RBC formula can likely pull from those sources. If reporting revisions are not incorporated, then additional schedules or reporting lines would be necessary within the RBC formula.

Existing Authoritative Literature:

**SSAP No. 46—Investments in Subsidiary, Controlled and Affiliated Entities –
Superseded by SSAP No. 88 as of Jan. 1, 2005.**

7.b.ii Investments in noninsurance SCA entities that have no significant ongoing operations other than to hold assets that are primarily for the direct or indirect benefit or use of the reporting entity or its affiliates, shall be recorded based on the underlying equity of the respective entity's financial statements adjusted to a statutory basis of accounting and the resultant proportionate share of the subsidiary's adjusted surplus, adjusted for unamortized goodwill as provided for in SSAP No. 68. Examples include but are not limited to: (i) an insurer and a SCA entity that leases autos, furniture, office equipment, or computer equipment to the insurer; (ii) an insurer and a SCA entity that owns real estate property that is leased to the insurer for office space; and (iii) an insurer and an SCA entity that holds investments that an insurer could acquire directly (i.e., "look through" investment subsidiary);

SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities –

The current guidance requirement prescribes measurement based on the market value approach (8a) or an equity method (8b). The following guidance is divided as follows: 8bi: insurance subsidiaries, 8.b.ii: non-insurance subsidiaries that meet the activity and revenue test, 8bii: non-insurance subsidiaries not captured in 8a or 8bii, and 8biv: foreign insurance subsidiaries. There is no current guidance for an "investment subsidiary" and those SCAs would be captured under 8.b.iii and measured at the audited US GAAP equity.

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. In order to use the market valuation approach for SCA entities, the following requirements apply:
 - i. The subsidiary must be traded on one of the following major exchanges: (1) the New York Stock Exchange, (2) the NASDAQ, or (3) the Japan Exchange Group;
 - ii. The reporting entity must submit subsidiary information to the NAIC SCA analysts for calculation of the subsidiary's market value. Such calculation could result in further discounts in market value above the established base discounts based on ownership percentages detailed below;

- iii. Ownership percentages for determining the discount rate shall be measured at the holding company level;
 - iv. If an investment in a SCA results in an ownership percentage between 10% and 50%, a base discount percentage between 0% and 20% on a sliding scale basis is required;
 - v. If an investment in a SCA results in an ownership percentage greater than 50% up to and including 80%, a base discount percentage between 20% and 30% on a sliding scale basis is required;
 - vi. If an investment in a SCA results in an ownership percentage greater than 80% up to and including 85%, a minimum base discount percentage of 30% is required.
 - vii. Further, the SCA must have at least two million shares outstanding, with a total market value of at least \$50 million in the public's control; and
 - viii. Any ownership percentages exceeding 85% will result in the SCA being recorded on an equity method.
- b. If an 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 Goodwill¹ 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*

¹ 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.

- (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*
- (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;

- iii. Investments in both U.S. and foreign noninsurance SCA entities that do not qualify under paragraph 8.b.ii., shall be recorded based on the audited U.S. GAAP equity of the investee. Foreign SCA entities are defined as those entities incorporated or otherwise legally formed under the laws of a foreign country. Additional guidance on investments in downstream holding companies is included in paragraphs 22-27. Additional guidance on the use of audited foreign GAAP basis financial statements for the U.S. GAAP equity valuation amount is included in paragraph 23.b.
- iv. Investments in foreign insurance SCA entities shall be recorded based on the underlying U.S. GAAP equity from the audited U.S. GAAP basis financial statements, adjusted to a limited statutory basis of accounting in accordance with paragraph 9, if available. If the audited U.S. GAAP basis financial statements are not available, the investment can be recorded on the audited foreign statutory basis financial statements of the respective entity adjusted to a limited statutory basis of accounting in accordance with paragraph 9 and adjusted for reserves of the foreign insurance SCA with respect to the business it assumes directly and indirectly from a U.S. insurer using the statutory accounting principles promulgated by the NAIC in the *Accounting Practices and Procedures Manual*. The audited foreign statutory basis financial statements must include an audited footnote that reconciles net income and equity on the foreign statutory basis of accounting to the U.S. GAAP basis. Foreign insurance SCA entities are defined as alien insurers formed according to the legal requirements of a foreign country.

2024 Annual Statement Instructions – Schedule D-6-1

If a reporting entity has any common stock or preferred stock reported for any of the following required categories or subcategories, it shall report the subtotal amount of the corresponding category or subcategory, with the specified subtotal line number appearing in the same manner and location as the pre-printed total or grand total line and number:

Category	Line Number
Preferred Stocks:	
Parent.....	0199999
U.S. Property & Casualty Insurer.....	0299999
U.S. Life Insurer	0399999
U.S. Health Entity #.....	0499999
Alien Insurer	0599999
Non-Insurer Which Controls Insurer	0699999
*Investment Subsidiary	0799999
Other Affiliates	0899999
Subtotals – Preferred Stocks	0999999
Common Stocks:	
Parent	1099999
U.S. Property & Casualty Insurer.....	1199999
U.S. Life Insurer	1299999
U.S. Health Entity #.....	1399999
Alien Insurer	1499999
Non-Insurer Which Controls Insurer	1599999
*Investment Subsidiary	1699999
Other Affiliates	1799999
Subtotals – Common Stocks	1899999
Totals – Preferred and Common Stocks	1999999

*NOTE: Investment Subsidiary shall mean any subsidiary, other than a holding company, engaged or organized primarily in the ownership and management of investments for the reporting entity. An investment subsidiary shall not include any broker dealer or a money management fund managing funds other than those of the parent company. The following criteria are applicable:

1. 95% or more of the investment subsidiary's assets would qualify as admitted assets;
2. The investment subsidiary's total liabilities are 5% or less of total assets;
3. Combining the pro-rata ownership shares of the assets of all the investment subsidiaries with the owning reporting entity's assets does not violate any state requirements concerning diversification of investments or limitations on investments in a single entity; and
4. **The investment subsidiary's book/adjusted carrying value does not exceed the imputed value on a statutory accounting basis. If the book/adjusted carrying value does exceed the imputed statutory value, the reporting entity may either nonadmit the excess or categorize such subsidiary in the "All Other Affiliates" category.**

2023 RBC Forecasting and Instructions:

AFFILIATED/SUBSIDIARY STOCKS – LR042, LR043, and LR044

(Only key excerpts included – bolded for emphasis.)

Affiliated/Subsidiary investments fall into two broad categories: (A) Insurance Affiliates/Subsidiaries that are Subject to risk-based capital; and (B) Affiliates/Subsidiaries that are Not Subject to risk-based capital. The risk-based capital for these two

broad groups differs. **Investment subsidiaries are a subset of category A in that they are subject to a risk-based capital charge that includes the life RBC risk factors applied only to the investments held by the investment subsidiary for its parent insurer.** Publicly traded insurance affiliates/subsidiaries held at market value have characteristics of both broader categories. As a result, there is a two-part RBC calculation. The general treatment for each is explained below.

4. Investment Subsidiaries

An investment subsidiary is a subsidiary that exists only to invest the funds of the parent company. The term “investment subsidiary” is defined in the NAIC’s Annual Statement Instructions as any subsidiary, other than a holding company, engaged or organized primarily to engage in the ownership and management of investments for the insurer. An investment subsidiary shall not include any broker-dealer or a money management fund managing funds other than those of the parent company. **The risk-based capital charge for the ownership of an investment subsidiary is based on the risk-based capital of the underlying assets, pro-rated for the degree of ownership. The basis for this calculation is the assumption that the charge should be the same as it would be if the life insurer held the assets directly.** Report information regarding any investment subsidiaries. Subsidiaries reported in this section will be assigned an affiliate code of “4” for investment subsidiaries. The amount of reported common stock should be the same as Schedule D, Part 6, Section 1, Line 1699999. Preferred stock information should be the same as Schedule D, Part 6, Section 1, Line 0799999.

Investments of Insurers Model Act (Model 280)

<https://content.naic.org/sites/default/files/model-law-280.pdf>

Section 2. Definitions For purposes of this Act:

TT. “Investment subsidiary” means a subsidiary of an insurer engaged or organized to engage exclusively in the ownership and management of assets authorized as investments for the insurer if each subsidiary agrees to limit its investment in any asset so that its investments will not cause the amount of the total investment of the insurer to exceed any of the investment limitations or avoid any other provisions of this Act applicable to the insurer. As used in this subsection, the total investment of the insurer shall include: (1) Direct investment by the insurer in an asset; and (2) The insurer’s proportionate share of an investment in an asset by an investment subsidiary of the insurer, which shall be calculated by multiplying the amount of the subsidiary’s investment by the percentage of the insurer’s ownership interest in the subsidiary

Note that the act contains multiple references to investment subsidiaries on limitations and diversification etc.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:
None

Convergence with International Financial Reporting Standards (IFRS): N/A

Staff Recommendation – 2024 Fall National Meeting:

NAIC staff recommend that the Working Group move this item to the active listing and expose this agenda item with a request for comments on the options offered to clarify statutory accounting guidelines (and resulting reporting impacts) for investment subsidiaries. As noted, with the exception of possible revisions to SSAP No. 97, the other possible actions are to sponsor blanks proposals or send referrals to the Capital Adequacy (E) Task Force and related RBC groups with a request for revisions. (Determination on whether this is a SAP classification or a new SAP concept will be based on the action directed.)

Potential Actions:

- 1) **Revisions to SSAP No. 97 to incorporate statutory accounting guidance for SCAs that hold assets on behalf of the reporting entity and affiliate (investment subsidiaries).** By incorporating in SSAP, consideration can be given as to prescribing the measurement method and potential nonadmittance thresholds if the assets within the investment subsidiary would be nonadmitted if held directly. (As detailed within, the existing reference to measurement and nonadmittance in the instructions for D-6-1 would not overrule the guidance in SSAP No. 97. If the revisions to SSAP No. 97 are not supported, then the Working Group could consider sponsoring a blanks proposal to clarify the instructions in D-6-1 to prescribe allocation of the underlying investments in a manner that coincides with the SCA measurement and admittance under SSAP No. 97.)
- 2) **Sponsor blanks proposals to capture new investment schedules, or perhaps expansions to existing investment schedules, to detail the underlying assets held within an investment subsidiary.** As the RBC and AVR calculations require reporting entities to calculate RBC and AVR based on the underlying assets, this information should be readily available. If revisions are not incorporated into SSAP No. 97, these proposals can also clarify requirements for reporting as an investment subsidiary.
- 3) **Referrals to the Capital Adequacy (E) Task Force and related RBC Working Groups to incorporate details that allow regulators to verify the RBC calculation for the underlying assets in investment subsidiaries.** If blanks reporting revisions are incorporated that provide this detail, then the RBC formula can likely pull from those sources. If reporting revisions are not incorporated, then additional schedules or reporting lines would be necessary within the RBC formula.

Staff Review Completed by: Julie Gann, NAIC Staff—November 2024

Status:

On November 17, 2024, the Statutory Accounting Principles (E) Working Group moved this item to the active listing and exposed this concept agenda item requesting comments on options to clarify accounting guidelines and resulting reporting impacts for investment subsidiaries.

On March 24, 2025, the Statutory Accounting Principles (E) Working Group deferred agenda item for investment subsidiaries and directed NAIC staff to develop an agenda item for consideration of Delaware Statutory Trusts (DSTs) holding residential mortgage loans.

Staff Recommendation – 2025 Summer National Meeting:

Based on discussions with regulators, NAIC staff recommend revisions to eliminate the investment subsidiary concept from the instructions, effective December 31, 2026. As such, NAIC staff recommend exposure of proposed edits to D-6-1 and AVR along with Working Group direction to sponsor a corresponding Blanks proposal. These edits do not result in SSAP revisions as the concept of an investment subsidiary does not exist in SSAP No. 97. Upon adoption of the proposed blanks changes, NAIC staff recommends a referral to the Life Risk-Based Capital (E) Working Group to eliminate the corresponding RBC instructions. The edits that would be proposed in this referral are also illustrated below. NAIC staff also requests additional industry comments on any other investment classes currently reported as investment subsidiaries that may warrant separate consideration. At present, residential mortgage loans held within statutory trusts, as outlined in agenda item 2025-13, are under discussion for potential inclusion in *SSAP No. 37—Mortgage Loans*.

It is important to note that this change does not prohibit insurers from owning investment subsidiaries. As discussed, the Investments of Insurers Model Act (Model 280; see Authoritative Literature section) permits insurers to hold investments through such subsidiaries. However, Model 280 only authorizes the structure and does not provide accounting or reporting guidance. Accounting and reporting guidance is primarily established by the SSAPs and, secondarily per the statutory hierarchy, the Annual Statement Instructions.

The SSAPs previously contained specified guidance for investment subsidiaries but it was ultimately removed due to persistent challenges in distinguishing investment subsidiaries from operating subsidiaries. Although a dual test based on revenue and activity was originally used for making this determination, regulators observed that the dual test was being creatively interpreted to gain favorable RBC treatment. The current issue stems from the fact that while SSAP No. 97 guidance for investment subsidiaries was eliminated, the corresponding Annual Statement Instructions for Schedule D-6-1 and AVR regarding investment subsidiaries were not updated accordingly. As a result, insurers have continued to be able to report investment subsidiaries under that framework, which effectively allows look-through RBC treatment to be circumvented for investments held in investment subsidiaries. Because investment subsidiaries are no longer recognized under SSAPs, there is no applicable statutory accounting or measurement guidance for investments held through them. This also means there are no mechanisms to ensure compliance with SSAP requirements, state investment limitations, or the RBC calculation. Reporting of the imputed SAP valuation for RBC relies solely on company-provided records. Furthermore, Schedule D-6-1's instruction requires reporting entities to measure investment subsidiaries using "imputed statutory value" which is an undefined term and conflicts with SSAP No. 97 which requires measurement based on audited U.S. GAAP. It is anticipated that SCAs previously reported as investment subsidiaries would be subject to the guidance stipulated for *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*, paragraphs 8.b.ii or 8.b.iii depending on whether the investment meets the activity test.

The removal of investment subsidiaries from the Annual Statement Instructions aligns with their prior elimination from the SSAPs. While reintroducing the investment subsidiary concept under SSAP No. 97 was considered, ongoing concerns remain regarding the difficulty in distinguishing operating subsidiaries from investment subsidiaries, as well as concerns over the complexity of changes which would be required to clarify look-through accounting treatment, RBC validation, and transparency of reporting.

August 2025 Exposed changes to Annual Statement Instructions – For a SAPWG Sponsored Blanks Proposal:

2024 Annual Statement Instructions – Schedule D-6-1

If a reporting entity has any common stock or preferred stock reported for any of the following required categories or subcategories, it shall report the subtotal amount of the corresponding category or subcategory, with the specified subtotal line number appearing in the same manner and location as the pre-printed total or grand total line and number:

Category	Line Number
Preferred Stocks:	
Parent.....	0199999
U.S. Property & Casualty Insurer.....	0299999
U.S. Life Insurer	0399999
U.S. Health Entity #.....	0499999
Alien Insurer	0599999
Non-Insurer Which Controls Insurer	0699999
*Investment Subsidiary	0799999
Other Affiliates	08999990799999

Subtotals – Preferred Stocks	0999999 <u>0899999</u>
Common Stocks:	
Parent	1099999
U.S. Property & Casualty Insurer.....	1199999
U.S. Life Insurer	1299999
U.S. Health Entity #.....	1399999
Alien Insurer	1499999
Non-Insurer Which Controls Insurer	1599999
*Investment Subsidiary	1699999
Other Affiliates	1799999 <u>1699999</u>
Subtotals – Common Stocks	1899999 <u>1799999</u>
Totals – Preferred and Common Stocks	1999999 <u>1899999</u>

~~*NOTE: Investment Subsidiary shall mean any subsidiary, other than a holding company, engaged or organized primarily in the ownership and management of investments for the reporting entity. An investment subsidiary shall not include any broker-dealer or a money management fund managing funds other than those of the parent company. The following criteria are applicable:~~

- ~~1. 95% or more of the investment subsidiary's assets would qualify as admitted assets;~~
- ~~2. The investment subsidiary's total liabilities are 5% or less of total assets;~~
- ~~3. Combining the pro-rata ownership shares of the assets of all the investment subsidiaries with the owning reporting entity's assets does not violate any state requirements concerning diversification of investments or limitations on investments in a single entity; and~~
- ~~4. The investment subsidiary's book/adjusted carrying value does not exceed the imputed value on a statutory accounting basis. If the book/adjusted carrying value does exceed the imputed statutory value, the reporting entity may either nonadmit the excess or categorize such subsidiary in the "All Other Affiliates" category.~~

Proposed changes to RBC/AVR Instructions – To be Referred to LRBCWG:

2024 RBC Instructions:

AFFILIATED/SUBSIDIARY STOCKS – LR042, LR043, and LR044

(Only key excerpts included – bolded for emphasis.)

Affiliated/Subsidiary investments fall into two broad categories: (A) Insurance Affiliates/Subsidiaries that are Subject to risk-based capital; and (B) Affiliates/Subsidiaries that are Not Subject to risk-based capital. The risk-based capital for these two broad groups differs. ~~Investment subsidiaries are a subset of category A in that they are subject to a risk-based capital charge that includes the life RBC risk factors applied only to the investments held by the investment subsidiary for its parent insurer.~~ Publicly traded insurance affiliates/subsidiaries held at market value have characteristics of both broader categories. As a result, there is a two-part RBC calculation. The general treatment for each is explained below.

4. Investment Subsidiaries

~~An investment subsidiary is a subsidiary that exists only to invest the funds of the parent company. The term "investment subsidiary" is defined in the NAIC's Annual Statement Instructions as any subsidiary, other than a holding company, engaged or organized primarily to engage in the ownership and management of investments for the insurer. An investment subsidiary shall not include any broker-dealer or a money management fund managing funds other than those of the parent company.~~

~~The risk-based capital charge for the ownership of an investment subsidiary is based on the risk-based capital of the underlying assets, pro-rated for the degree of ownership. The basis for this calculation is the assumption that the charge should be the same as it would be if the life insurer held the assets directly.~~ Report information regarding any investment subsidiaries. Subsidiaries reported in this section will be assigned an affiliate code of "4" for investment subsidiaries. The amount of reported common stock should be the same as Schedule D, Part 6, Section 1, Line 1699999. Preferred stock information should be the same as Schedule D, Part 6, Section 1, Line 0799999.

2024 AVR Instructions:

~~Lines 5~~

~~through 14 ——— Subsidiary, Controlled or Affiliated Common Stock — Investment Subsidiaries~~

~~Report the book/adjusted carrying value of all common stocks owned in an investment subsidiary or that portion of the book/adjusted carrying value of holding company subsidiaries that represents investments in investment subsidiaries in Column 1, any related party encumbrances on these common stocks in Column 2, and any third party encumbrances on these common stocks in Column 3. If a portion of the book/adjusted carrying value of a holding company subsidiary is reflected in Column 1, the debt of that holding company subsidiary should be reflected in Columns 2 and 3. However, the total holding company debt to be reflected in Columns 2 and 3 should not exceed the aggregate book/adjusted carrying value of any investment subsidiaries on the holding company subsidiary books. (An investment subsidiary is any subsidiary, other than a holding company subsidiary, engaged or organized to engage primarily in the ownership and management of investments authorized as investments for the reporting entity. A broker-dealer or money management firm that manages outside funds is not an investment subsidiary. This definition is intended to be identical to the investment subsidiary definition for Risk-Based Capital (RBC) purposes and will be amended if the RBC definition is changed.) Allocate the common stock value in Column 1 and the encumbrances in Columns 2 and 3 among Lines 5 through 14 based on the nature of the underlying investment held by the investment subsidiary. Follow the Securities Valuation Office guidelines and categorize these assets as if the SVO had assigned a NAIC designation of 1 through 6, P1 through P6, or RP1 through RP6. Report the sum of Columns 1, 2, and 3 in Column 4.~~

~~For Lines 5 through 11, multiply the amount in Column 4 by the appropriate bond, preferred stock, or other fixed income instrument (excluding mortgage loans) reserve factors (as listed in Columns 5, 7 and 9 of the various sections of the Equity Component schedule) and report the products in Columns 6, 8 and 10, respectively.~~

~~For Line 12, multiply the amount in Column 4 by the reserve factors calculated for Columns 5, 7 and 9 (see instructions for Line 1 of this schedule) and report the products in Columns 6, 8 and 10, respectively.~~

~~For Line 13, 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.~~

~~For Line 14, multiply the amounts included in Column 4 by the reserve factors and breakdowns used for directly owned real estate and report the products in Columns 6, 8 and 10, respectively.~~

On August 11, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions described in the August 2025 exposed changes to eliminate the investment subsidiary concept from the annual statement instructions, effective December 31, 2026, and directed NAIC staff to sponsor a corresponding Blanks proposal. The intent to send a referral to the Life Risk-Based Capital (E) Working Group upon adoption of the agenda item, along with suggested RBC instruction changes, was also exposed.

On December 9, 2025, the Statutory Accounting Principles (E) Working Group adopted this agenda item supporting revisions to eliminate the investment subsidiary concept from the annual statement instructions, effective December 31, 2026, and directed a referral to the Capital Adequacy (E) Task Force with the recommended RBC instruction changes. This agenda item did not result in SSAP revisions.

[https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2025 Fall/minutes and summary/SAPWG/1E-24-21 - Investment Subsidiaries.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/APPTF/2025%20Fall/minutes%20and%20summary/SAPWG/1E-24-21%20-%20Investment%20Subsidiaries.docx)

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

Issue: ASU 2019-12, Simplifying the Accounting for Income Taxes

Check (applicable entity):

	P/C	Life	Health
Modification of existing SSAP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New Issue or SSAP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Description of Issue: In December 2019, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2019-12, Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes* (the ASU) to reduce complexity in income tax accounting standards. The ASU removes several exceptions to calculating and assessing income taxes and tax deferrals. The ASU also simplifies the guidance for franchise (non-income based) taxes, goodwill tax basis step-ups, allocation of deferred tax to subsidiaries, reflection of changes to tax law in the interim period calculation of the effective tax rate, and other minor improvements.

NAIC staff noted that only the revisions to ASC 740-270-25-5 need to be considered for incorporation as the guidance in this ASC was originally sourced from Accounting Principles Board (APB) Opinion No. 28, Interim Financial Reporting, paragraph 20 which was adopted by reference within *SSAP No. 101—Income Taxes*.

ASC 740-270-25-5 as amended by ASU 2019-12:

The tax effect of a change in tax laws or rates on taxes currently payable or refundable for the current year shall be reflected ~~after the effective dates prescribed in the statutes~~ in the computation of the annual effective tax rate beginning ~~no earlier than~~ in the first interim period that includes the enactment date of the new legislation. The effect of a change in tax laws or rates on a deferred tax liability or asset shall not be apportioned among interim periods through an adjustment of the annual effective tax rate. The tax effect of a change in tax laws or rates on taxes payable or refundable for a prior year shall be recognized as of the enactment date of the change as tax expense (benefit) for the current year.

Existing Authoritative Literature:

SSAP No. 101—Income Taxes:

Current Income Taxes

4. State taxes (including premium, income and franchise taxes) shall be computed in accordance with SSAP No. 5 and shall be limited to (a) taxes due as a result of the current year's taxable basis calculated in accordance with state laws and regulations and (b) amounts incurred or received during the current year relating to prior periods, to the extent not previously provided as such amounts are deemed to be changes in accounting estimates. Property and casualty insurance companies shall report state taxes as other underwriting expenses under the caption "Taxes, licenses, and fees." Life and accident and health insurance companies shall report such amounts as general expenses under the caption "Insurance taxes, licenses, and fees, excluding federal income taxes." Other health entities shall report such amounts as general administration expenses under the caption "Taxes, licenses, and fees." State tax recoverables that are reasonably expected to be recovered in a subsequent accounting period are admitted assets. State taxes are reasonably expected to be recovered if the refund is attributable to overpayment of estimated tax

payments, errors, carrybacks, or items for which the reporting entity has authority to recover under a state regulation or statute.

Interim Periods

20. Income taxes incurred in interim periods shall be computed using an estimated annual effective current tax rate for the annual period in accordance with the methodology described in paragraphs 19 and 20 of *Accounting Principles Board Opinion No. 28, Interim Financial Reporting*. Estimates of the annual effective tax rate at the end of interim periods are, of necessity, based on estimates and are subject to subsequent refinement or revision. If a reliable estimate cannot be made, the actual effective tax rate for the year-to-date may be the best estimate of the annual effective tax rate. If a reporting entity is unable to estimate a part of its “ordinary” income (or loss) or the related tax (or benefit) but is otherwise able to make a reliable estimate, the tax (or benefit) applicable to the item that cannot be estimated shall be reported in the interim period in which the item is reported.

APB Opinion No. 28, Interim Financial Reporting – (The guidance now shown within ASC 740-270-25-5 is underlined for easier reference)

Income Tax Provisions

19. In reporting interim financial information, income tax provisions should be determined under the procedures set forth in APB Opinion No. 23 and FASB Statement No. 109, Accounting for Income Taxes. At the end of each interim period the company should make its best estimate of the effective tax rate expected to be applicable for the full fiscal year. The rate so determined should be used in providing for income taxes on a current year-to-date basis. The effective tax rate should reflect anticipated investment tax credits, foreign tax rates, percentage depletion, capital gains rates, and other available tax planning alternatives. However, in arriving at this effective tax rate no effect should be included for the tax related to significant unusual or extraordinary items that will be separately reported or reported net of their related tax effect in reports for the interim period or for the fiscal year.
20. The tax effects of losses that arise in the early portion of a fiscal year should be recognized only when the tax benefits are expected to be (a) realized during the year or (b) recognizable as a deferred tax asset at the end of the year in accordance with the provisions of Statement 109. An established seasonal pattern of loss in early interim periods offset by income in later interim periods should constitute evidence that realization is more likely than not, unless other evidence indicates the established seasonal pattern will not prevail. The tax effects of losses incurred in early interim periods may be recognized in a later interim period of a fiscal year if their realization, although initially uncertain, later becomes more likely than not. When the tax effects of losses that arise in the early portions of a fiscal year are not recognized in that interim period, no tax provision should be made for income that arises in later interim periods until the tax effects of the previous interim losses are utilized. iii3 The tax effect of a valuation allowance expected to be necessary for a deferred tax asset at the end of the year for originating deductible temporary differences and carryforwards during the year should be included in the effective tax rate. The effect of a change in the beginning-of-the-year balance of a valuation allowance as a result of a change in judgment about the realizability of the related deferred tax asset in future years shall not be apportioned among interim periods through an adjustment of the effective tax rate but shall be recognized in the interim period in which the change occurs. The effects of new tax legislation shall not be recognized prior to enactment. The tax effect of a change in tax laws or rates on taxes currently payable or refundable for the current year shall be reflected after the effective dates prescribed in the statutes in the computation of the annual effective tax rate beginning no earlier than the first interim period that includes the enactment date of the new legislation. The effect of a change in tax laws or rates

on a deferred tax liability or asset shall not be apportioned among interim periods through an adjustment of the annual effective tax rate. The tax effect of a change in tax laws or rates on taxes payable or refundable for a prior year shall be recognized as of the enactment date of the change as tax expense (benefit) for the current year.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups):

None.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:

None.

Convergence with International Financial Reporting Standards (IFRS):

None.

Staff Recommendation:

NAIC staff recommend that the Working Group move this item to the active listing of the maintenance agenda categorized as a SAP clarification and expose revisions, to adopt with modification ASU 2019-12, *Simplifying the Accounting for Income Taxes in SSAP No. 101—Income Taxes*. NAIC staff noted that paragraphs 19 and 20 of APB No. 28 were included in SSAP No. 101 by reference rather than through direct incorporation. For clarity and ease of use, NAIC staff also recommend fully incorporating existing guidance in APB 28, paragraph 19 and prior APB paragraph 20 as modified by the ASU 2019-12 into SSAP No. 101.

NAIC staff noted that most of the ASU provides clarification on topics not applicable to statutory accounting. For example, statutory accounting does not have a consolidation concept as all insurers report individually and state taxes (which would include franchise taxes) are not deferred within statutory accounting. Additionally, the example problems revised by the ASU are not part of SSAP No. 101.

The only ASU revisions recommended for adoption are those to ASC 740-270-25-5. This paragraph was created in the Codification by carrying over *Accounting Principles Board Opinion (APB) No. 28, Interim Financial Reporting*, paragraph 20, which was previously adopted for statutory accounting purposes into SSAP No. 101.

Staff Review Completed by:

NAIC Staff – William Oden, May 2025

Recommended Revisions:

SSAP No. 101—Income Taxes:

Interim Periods

20. Estimates of the annual effective tax rate at the end of interim periods are, of necessity, based on estimates and are subject to subsequent refinement or revision. If a reliable estimate cannot be made, the actual effective tax rate for the year-to-date may be the best estimate of the annual effective tax rate. If a reporting entity is unable to estimate a part of its “ordinary” income (or loss) or the related tax (or benefit) but is otherwise able to make a reliable estimate, the tax (or benefit) applicable to the item that cannot be estimated shall be reported in the interim period in which the item is reported. Income taxes incurred in interim periods shall be computed using an estimated annual effective current tax rate for the annual period in accordance with the methodology described ~~below in paragraphs 19 and 20 of Accounting Principles Board Opinion No. 28, Interim~~

Financial Reporting. Estimates of the annual effective tax rate at the end of interim periods are, of necessity, based on estimates and are subject to subsequent refinement or revision. If a reliable estimate cannot be made, the actual effective tax rate for the year-to-date may be the best estimate of the annual effective tax rate. If a reporting entity is unable to estimate a part of its “ordinary” income (or loss) or the related tax (or benefit) but is otherwise able to make a reliable estimate, the tax (or benefit) applicable to the item that cannot be estimated shall be reported in the interim period in which the item is reported.

[DRAFTING NOTE: The following (paragraphs 20a-b and footnotes 1 & 2) are from APB No. 28, paragraph 19 and 20, previously adopted by reference.]

- a. In reporting interim financial information, income tax provisions should be determined under the procedures set forth in Accounting Principles Board Opinion (APB) Opinion No. 23 and FAS 109 as modified and adopted for statutory accounting purposes. At the end of each interim period, the company should make its best estimate of the effective tax rate expected to be applicable for the full fiscal year. The rate so determined should be used in providing for income taxes on a current year-to-date basis. The effective tax rate should reflect anticipated investment tax credits, foreign tax rates, percentage depletion, capital gains rates, and other available tax planning alternatives. However, in arriving at this effective tax rate, no effect should be included for the tax related to significant unusual or extraordinary items that will be separately reported or reported net of their related tax effect in reports for the interim period or for the fiscal year.¹
- b. The tax effects of losses that arise in the early portion of a fiscal year should be recognized only when the tax benefits are expected to be: a) realized during the year; or b) recognizable as a deferred tax asset at the end of the year in accordance with the provisions of FAS 109. An established seasonal pattern of loss in early interim periods offset by income in later interim periods should constitute evidence that realization is more likely than not unless other evidence indicates the established seasonal pattern will not prevail. The tax effects of losses incurred in early interim periods may be recognized in a later interim period of a fiscal year if their realization, although initially uncertain, later becomes more likely than not. When the tax effects of losses that arise in the early portions of a fiscal year are not recognized in that interim period, no tax provision should be made for income that arises in later interim periods until the tax effects of the previous interim losses are utilized.² The tax effect of a valuation allowance expected to be necessary for a deferred tax asset at the end of the year for originating deductible temporary differences and carryforwards during the year should be included in the effective tax rate. The effect of a change in the beginning-of-the-year balance of a valuation allowance as a result of a change in judgment about the realizability of the related deferred tax asset in future years shall not be apportioned among interim periods through an adjustment of the effective tax rate but shall be recognized in the interim period in which the change occurs. The effects of new tax legislation shall not be recognized prior to enactment. The tax effect of a change in tax laws or rates on taxes currently payable or refundable for the current year shall be reflected in the computation of the annual effective tax rate beginning in the first interim period that includes the

¹ Disclosure should be made of the reasons for significant variations in the customary relationship between income tax expense and pretax accounting income, if they are not otherwise apparent from the financial statements or from the nature of the entity's business (refer to FAS 109, paragraph 47).

² The tax benefits of interim losses accounted for in this manner would not be reported as extraordinary items in the results of operations of the interim period.

enactment date of the new legislation. The effect of a change in tax laws or rates on a deferred tax liability or asset shall not be apportioned among interim periods through an adjustment of the annual effective tax rate. The tax effect of a change in tax laws or rates on taxes payable or refundable for a prior year shall be recognized as of the enactment date of the change as tax expense (benefit) for the current year.

33. The following lists Accounting Principles Board Opinions that are adopted or rejected by this statement:
- a. *Accounting Principles Board Opinion No. 2, Accounting for the "Investment Credit,"* paragraphs 9-15 are adopted with modification to utilize the cost reduction method only and rejects all other paragraphs;
 - b. *Accounting Principles Board Opinion No. 4 (Amending No. 2), Accounting for the "Investment Credit,"* is rejected in its entirety;
 - c. *Accounting Principles Board Opinion No. 10, Omnibus Opinion—1966,* paragraph 6 is adopted;
 - d. *Accounting Principles Board Opinion No. 23, Accounting for Income Taxes—Special Areas,* paragraphs 1-3, 5-9, 12-13, and 15-18 are adopted, and paragraphs 19-25, and 31-33 are rejected;
 - e. *Accounting Principles Board Opinion No. 28, Interim Financial Reporting,* paragraphs 19 and 20 are adopted and all other paragraphs rejected. *In xxx, 2025, APB No. 28, paragraph 19, was fully incorporated into the statement, and paragraph 20 was incorporated into the statement with the amendments from ASU 2019-12 Simplifying the Accounting for Income Taxes.*
 - e.f. *ASU 2019-12, Simplifying the Accounting for Income Taxes* modifications which relate to APB No. 28, paragraph 20 (shown in ASC 740-270-25-5), are adopted. All other paragraphs in ASU 2019-12 are rejected.

SSAP No. 101, Exhibit A – Implementation Questions And Answers

11. Q – How are current and deferred income taxes to be accounted for in interim periods? [Paragraphs 12.d. and 20]

11.1 A – In setting forth the methodology for the computation of current income taxes (income taxes incurred) in interim periods, insurers should refer to paragraphs 20 and 21 which detail the guidance adopted from APB No. 28 into statutory accounting. paragraph 20 states:

~~20.——Income taxes incurred in interim periods shall be computed using an estimated annual effective current tax rate for the annual period in accordance with the methodology described in paragraphs 19 and 20 of *Accounting Principles Board Opinion No. 28, Interim Financial Reporting*. Estimates of the annual effective tax rate at the end of interim periods are, of necessity, based on estimates and are subject to subsequent refinement or revision. If a reliable estimate cannot be made, the actual effective tax rate for the year to date may be the best estimate of the annual effective tax rate. If an insurer is unable to estimate a part of its "ordinary" income (or loss) or the related tax (or benefit) but is otherwise able to make a reliable estimate, the tax (or benefit) applicable to the item that cannot be estimated shall be reported in the interim period in which the item is reported.~~

Status:

On August 11, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions to SSAP No. 101, as illustrated above, to adopt with modification *ASU 2019-12 Simplifying the Accounting for Income Taxes*.

On December 9, 2025, the Statutory Accounting Principles (E) Working Group adopted revisions to SSAP No. 101, as illustrated above, to adopt with modification *ASU 2019-12 Simplifying the Accounting for Income Taxes* and fully incorporate paragraphs 19 and 20 of APB No. 28.

[https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2025 Fall/minutes and summary/SAPWG/1F-25-18 - ASU 2019-12 Simplifying the Accounting for Income Taxes.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/APPTF/2025%20Fall/minutes%20and%20summary/SAPWG/1F-25-18-ASU%202019-12%20Simplifying%20the%20Accounting%20for%20Income%20Taxes.docx)

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

Issue: Debt Security & Residual Interest Disclosures

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New Issue or SSAP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Description of Issue: This agenda item has been prepared to propose consistent disclosures for certain reporting elements between *SSAP No. 26—Bonds*, *SSAP No. 43—Asset-Backed Securities* and for non-bond debt securities and residuals in *SSAP No. 21—Other Admitted Assets*. For example, the existing disclosure requirements for securities in an unrealized loss position and securities with other than-temporary impairments (OTTI) have different reporting requirements within the three standards. This review includes assessment and comparison of the “annual audited only” disclosures (no SAP template/disclosure) for consistency and improved utilization of existing disclosures. Lastly, this agenda item proposes the inclusion of a new general interrogatory to identify whether a company is reporting residuals under the Allowable Earned Yield (AEY) or Practical Expedient (PE) measurement method and if they are transitioning from the PE to AEY approach.

Discussion of key revisions is within, but the following summarizes the primary edits reflected:

- 1) Expansion of the existing annual audited only SSAP No. 26 and SSAP No. 43 disclosure on bond sale proceeds and the resulting realized gain or loss to be a statutory data-captured disclosure. The disclosure has also been revised to include proceeds and realized gain/loss information for maturities and has been added to include bonds in SSAP No. 2 and non-bond debt securities in SSAP No. 21.
- 2) Clarifications to the reporting requirements for the bonds by maturity date disclosure. This bond detail is captured in Schedule D, Part 1A, but a summary presentation by maturity date bucket is required in the annual audit report. Additionally, a comparative summary disclosure was added to SSAP No. 21 for non-bond debt securities. (Schedule D, Part 1A is limited to bonds, therefore the non-bond debt securities are not captured in that detail.)
- 3) The disclosure of impaired securities (when fair value is less than amortized cost) has been revised to be consistently included in the statutory financial statements for all debt securities with a data-captured template. Clarity as to what shall be captured in this disclosure (all impaired securities regardless of measurement method) has also been incorporated. The revisions eliminate the required quarterly disclosure requirement, but regulator comments are requested on whether the interim reporting should be retained. (Prior to these edits, the disclosure was a required interim / annual statutory disclosure for SSAP No. 43 only. The disclosure was annual audited only under SSAP No. 26.)
- 4) In the annual statement instructions and template, the disclosure for bifurcated other-than-temporary impairment has been expanded to include non-bond debt securities as well as residual interests that follow the allowable earned yield method.

- 5) Disclosures have been incorporated for residuals in scope of SSAP No. 21 to be consistent with other invested asset disclosures.
- 6) Within the current debt security SSAPs, some statements refer to disclosure requirements in other SSAPs. To eliminate the potential for missing these disclosure requirements, the disclosure requirements have been fully incorporated into each SSAP.

Discussion of Key Revisions:

1) SSAP No. 26 Disclosure on Sales:

SSAP No. 26, paragraph 40.g. is an existing disclosure for the proceeds of sales of bonds and assets in scope of that statement, and the gross realized gains and losses from those sales. This disclosure was added in 2005 to adopt with modification US GAAP in *SOP 90-11, Disclosure of Certain Information by Financial Institutions about Debt Securities Held as Assets*. Since then, SOP 90-11 was superseded by paragraphs 19-22 of *FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities*. This disclosure is still retained in the FASB codification in ASC 320-10-50-9. (The FASB disclosure only pertains to available-for-sale securities but was adopted for all measurement methods in SAP.) Although this FASB disclosure encompasses all debt securities, it was only explicitly included in SSAP No. 26, with a reference to the SSAP No. 26 disclosure in SSAP No. 43, but no reference exists in SSAP No. 2 or SSAP No. 21. As an annual audited only item, this current disclosure is not captured in the notes to the statutory financial statements and cannot be quantified or compared. This disclosure would only be noted by the domestic regulator as part of their review of the audit report. **With the discussions of IMR, and the focus of fixed-income sales separately from fixed-income maturities, this agenda item proposes to revise and expand this existing disclosure so that it is included within the statutory financial statements. With the revisions, the disclosure will continue to identify sales proceeds and realized gains and losses but has been expanded to also separately capture this information for maturities. Additionally, the disclosure is proposed to be added to SSAP No. 2 and SSAP No. 21 to include all debt securities regardless of reporting location. A disclosure template has been proposed to allow for data-capture within the statutory financial statements. With these revisions, this item has been removed as a distinct component of the annual audit report. (Meaning, it will no longer be identified as “annual audited only.”) With inclusion in the statutory notes the disclosure would be subject to audit. Regulator comments are requested on whether this item is needed as a specific component of the audit report.**

2) Bonds By Maturity Date

SSAP No. 26, paragraph 40.f. is an existing disclosure for bonds by maturity date. This disclosure is also required by reference in SSAP No. 2 and SSAP No. 43. This disclosure is identified to be “annual audited only” but is produced from the details captured within Schedule D, Part 1A. (The reference to “annual audited only is a misnomer when it is also captured in a statutory schedule.) **For this disclosure, clarification is proposed that the totals by maturity bucket are required in the annual audit report, with identification that investment details are captured in Schedule D, Part 1A. Additionally, revisions have been proposed to capture a similar statutory and annual audit disclosure, outside of Schedule D, Part 1A, for non-bond debt securities in scope of SSAP No. 21. This maturity timeframe disclosure is proposed to continue as a specific component of the audit report due to the importance of maturity projections in cash flow testing.**

3) Disclosure on Impaired Securities:

The guidance for non-bond debt securities in SSAP No. 21, issuer credit obligations in SSAP No. 26 and asset-backed securities in SSAP No. 43 all have a similar disclosure for impaired securities. However, the disclosure is explicitly required in a separate and distinct note in all interim and annual financial statements under SSAP No. 43, is required in the annual audited financial statements only under SSAP No. 26, and the location/frequency is not identified for non-bond debt securities in SSAP No. 21. **For consistency purposes, this agenda item proposes to expand the existing requirements to capture the unrealized loss position disclosure in the annual statutory financial statements for all debt securities. This proposal would eliminate inclusion as a required quarterly disclosure, with quarterly inclusion only occurring if required pursuant to the preamble provisions. The disclosure proposes a template that captures all debt securities for ease of review. With inclusion in the statutory notes to the financial statements this item is subject to audit but is not proposed to be a specific component of the annual audit report. (This annual audit reference removal would be a change for SSAP No. 26 only.)** Regulators are requested to provide comments on whether this disclosure should be retained as a required quarterly disclosure. NAIC staff highlights that the fair value disclosure in note 20, including the disclosure of fair value by type of financial instrument, is a required quarterly disclosure. As such, a comparison to the carrying value by investment type reported on the balance sheet to the fair value disclosure may assist regulators that need a comparison to fair value on a quarterly basis for a particular company.

The residual guidance does not have explicit disclosures for unrealized loss positions, and it is proposed that this disclosure be added for residuals accounted for under the AEY method. This disclosure is not needed for residuals under the PE method, as SSAP No. 21 requires OTTI recognition any time fair value is less than amortized cost under the PE method. Hence, for residuals following the PE method for measurement, there should never be instances in which a residual is in an impaired state (fair value is less than amortized cost). **For residuals under the AEY method, the SSAP No. 26 disclosure on information considered in reaching the conclusion that the impairment is not OTTI is also proposed to be included.**

4) Disclosure on OTTI:

The guidance in SSAP No. 43 has the concept of bifurcated impairment, meaning that only the non-interest related decline is recognized as OTTI when the entity does not expect to recover the entire amortized cost basis but they do not intend to sell and they have the intent and ability to hold. For these situations, rather than writing the impaired security down to fair value, the entity recognizes a realized loss for the difference between the amortized cost basis and the present value of the cash flows expected to be collected, discounted at the security's effective interest rate. With the adoption of the non-bond debt security guidance in SSAP No. 21, a reference was made that the reporting entities shall follow the guidance in SSAP No. 43 for calculating amortized cost, for determining and recognizing OTTI, and for allocating unrealized and realized losses between the AVR and IMR. Although the SSAP No. 21 disclosures for non-bond debt securities mirror the disclosures in SSAP No. 43, there is no reference as to the location/frequency of the disclosure and the Annual Statement Instructions only refer to SSAP No. 43. Additionally, the guidance for residuals under the allowable earned yield method follows the same concepts for recognizing OTTI based on the present value of expected cash flows. **For consistency purposes, this agenda item proposes to capture impairment information for non-bond debt securities and residuals under the AEY method in the same location/frequency as the SSAP No. 43 disclosures.**

5) Residual Disclosures

The SSAP No. 21 guidance for residuals does not currently have any explicit disclosures. With the suggestions previously discussed in this agenda item, the disclosure for impaired securities and for OTTI are proposed to be included. In reviewing the other disclosures in SSAP No. 26 and SSAP No. 43, this agenda item also proposes to

capture the disclosures for when it is not practicable to estimate fair value in accordance with *SSAP No. 100—Fair Value*. **Additionally, new general interrogatories are proposed to identify whether the company is following the AEY or PE method, and if they are moving from the PE to AEY method.** Under SSAP No. 21, the company's designated measurement method (AEY or PE) should encompass all residuals, unless the company is moving from the PE to AEY method. If moving to the AEY, the reporting entity is to designate a transition date and only apply the AEY method to residuals acquired after that date. Residuals held prior to the transition date shall continue the PE method until they fully mature/terminate or are unwound. (The guidance only permits companies to move from PE to AEY.)

Existing Authoritative Literature:

Note – The timing requirements for disclosures is not as explicit in SSAP No. 26 as it is in SSAP No. 43. For example, SSAP No. 43 is clear which disclosures need to be captured in the interim and annual financial statements, whereas SSAP No. 26 does not include this specification. However, many of the reporting requirements are similar, as the note location for the satisfaction of the disclosure is a required interim and annual disclosure.

For ease of review, NAIC staff has identified whether the current instruction is to include in “annual audited only” (AAO), “interim and annual” (I&A), or general “financial statements” (FS). (For this general F/S category, they are not required quarterly but could be included if there are significant changes from the annual disclosure.)

Preamble

XI. Financial Statements

A. Annual Financial Statement

62. Each state requires all insurance companies doing business in that state to file an annual financial statement. All states use the annual statement blank promulgated by the NAIC, but each state retains the authority to make changes in those statements. Changes made by states generally require only supplemental information and do not change the basic financial information.

63. To the extent that disclosures required by a SSAP are made within specific notes, schedules, or exhibits to the annual statement, those disclosures are not required to be duplicated in a separate note. Annual statutory financial statements which are not accompanied by annual statement exhibits and schedules (e.g., annual audit report) shall include all disclosures required by the SSAPs based on the applicability, materiality and significance of the item to the insurer. Certain disclosures, as noted in individual SSAPs, are required in the annual audited statutory financial statements only.

B. Interim Financial Statements

64. Interim financial statements, including quarterly statements, shall follow the form and content of presentation prescribed by the domiciliary state for the quarterly financial statements. The NAIC quarterly statement form has been adopted by each state with minor variations as required by certain states.

65. The interim financial information shall include disclosures sufficient to make the information presented not misleading. It may be presumed that the users of the interim financial information have read or have access to the annual statement for the preceding period and that the adequacy of additional disclosure needed for a fair presentation, except in regard to material contingencies may be determined in that context. Accordingly, footnote disclosure which would substantially duplicate the disclosure contained in the most recent annual statement or audited financial statements, such as a statement of significant accounting policies and practices, details of accounts which have not changed significantly in amount or composition since the end of the most recently completed fiscal year, may be omitted. However disclosure shall be provided where events subsequent to the end of the most recent fiscal year have occurred which have a material impact on the insurer. Disclosures shall encompass, for example, significant changes since the end of the period reported on the last annual statement in such items as: statutory accounting principles and practices, estimates inherent in the preparation of financial statements, status of long term contracts, capitalization including significant new borrowings or modifications of existing financial

arrangements, and the reporting entity resulting from business combinations or dispositions. Notwithstanding the above, where material noninsurance contingencies exist, disclosure of such matters shall be provided even though a significant change since year end may not have occurred.

SSAP No. 26—Bonds

Disclosures

40. The financial statements shall include the following disclosures:
- a. Fair value in accordance with *SSAP No. 100—Fair Value*; **(I&A – 26 & 43)**
 - b. Concentrations of credit risk in accordance with *SSAP No. 27—Off-Balance-Sheet and Credit Risk Disclosures*; **(AAO – 26 & 43)**
 - c. The basis at which the bonds, mandatory convertible securities, and SVO-identified bond ETF investments identified in paragraph 2.d., are stated; **(I&A – 26 & 43)**
 - d. Amortization method for bonds and mandatory convertible securities, and if elected by the reporting entity, the approach for determining the systematic value for SVO-identified securities per paragraph 34. If utilizing systematic value measurement method approach for SVO-identified investments, the reporting entity must include the following information: **(FS – 26 Only)**
 - i. Whether the reporting entity consistently utilizes the same measurement method for all SVO-identified investments¹ (e.g., fair value or systematic value). If different measurement methods are used², information on why the reporting entity has elected to use fair value for some SVO-identified investments and systematic value for others.
 - ii. Whether SVO-identified investments are being reported at a different measurement method from what was used in an earlier current-year interim and/or in a prior annual statement. (For example, if reported at systematic value prior to the sale, and then reacquired and reported at fair value.) This disclosure is required in all interim reporting periods and in the year-end financial statements for the year in which an SVO-identified investment has been reacquired and reported using a different measurement method from what was previously used for the investment. (This disclosure is required regardless of the length of time between the sale/reacquisition of the investments, but is only required in the year in which the investment is reacquired.)

¹ As identified in paragraph 35.d., a consistent approach must be followed for all investments designated to use the systematic value method. As such, this disclosure is limited to situations in which a reporting entity uses both fair value and systematic value for reported SVO-identified investments.

² The guidance in this statement allows different measurement methods by qualifying investment (CUSIP), but it is anticipated that companies will generally utilize a consistent approach for all qualifying investments.

- iii. Identification of securities still held that no longer qualify for the systematic value method. This should separately identify those securities that are still within the scope of SSAP No. 26 and those that are being reported under a different SSAP.
- e. For each annual balance sheet presented, the book/adjusted carrying values, fair values, excess of book/carrying value over fair value or fair value over book/adjusted carrying values for each pertinent bond or assets receiving bond treatment, by category and subcategory as reported in annual statement Schedule D, Part 1, Section 1 (Issuer Credit Obligations), and Section 2 (Asset-Backed Securities). **(AAO – 26 & 43)**
- f. For the most recent balance sheet, the book/adjusted carrying values and the fair values of bonds and assets in scope of this statement, reported in statutory annual statement Schedule D, Part 1A, due: **(AAO – 26 & 43, but detail are in Schedule D, Part 1A)**
 - i. In one year or less (including items without a maturity date which are payable on demand and in good standing);
 - ii. After one year through five years;
 - iii. After five years through ten years;
 - iv. After ten years through twenty years;
 - v. Over 20 years ~~(including items without a maturity date which are either not payable on demand or not in good standing).~~
- (Note: The above tracking/shading reflects editorial revisions proposed in Ref #2024-17EP incorporated to match the Schedule D, Part 1A.)
- g. For each period for which results of operations are presented, the proceeds from sales of bonds and assets in scope of this Statement and gross realized gains and gross realized losses on such sales. **(AAO – 26 & 43. SSAP No. 43 is by reference.)**
- h. For each balance sheet presented, all items in scope of this Statement in an unrealized loss position for which other-than-temporary declines in value have not been recognized: **(AAO – 26, I&A – 43)**
 - i. The aggregate amount of unrealized losses (that is, the amount by which cost or amortized cost exceeds fair value) and
 - ii. The aggregate related fair value of bonds with unrealized losses.
- i. The disclosures in paragraphs 40.h.i. and 40.h.ii. should be segregated by items that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 months or longer using fair values determined in accordance with SSAP No. 100. **(AAO – 26, I&A – 43)**
- j. As of the most recent balance sheet date presented, additional information should be included describing the general categories of information that the investor considered in reaching the conclusion that the impairments are not other-than-temporary. **(AAO – 26 & 43)**

- k. When it is not practicable to estimate fair value in accordance with SSAP No. 100, the investor should disclose the following additional information, if applicable, as of each date for which a statement of financial position is presented in its annual financial statements: **(AAO – 26 & 43)**
 - i. The aggregate carrying value of the investments not evaluated for impairment, and
 - ii. The circumstances that may have a significant adverse effect on the fair value.
 - l. 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 CUSIPs sold, disposed or otherwise redeemed and the aggregate amount of investment income generated as a result of a prepayment penalty and/or acceleration fee. **(FS – 26 & 43)**
41. Refer to the Preamble for further discussion regarding disclosure requirements. **The disclosures in paragraphs 40.b., 40.e., 40.f., 40.g., 40.h., 40.i., 40.j. and 40.k. shall be included in the annual audited statutory financial reports only.**

SSAP No. 43—Asset-Backed Securities

Disclosures

44. In addition to the disclosures required for invested assets in general, the following disclosures regarding asset-backed securities shall be made in the financial statements. **Regardless of the allowances within paragraph 63 of the Preamble, the disclosures in paragraph 44.f., 44.g. and 44.h. of this statement are required in separate, distinct notes to the financial statements:**
- a. Fair values in accordance with SSAP No. 100—Fair Value. **(FS – 26 & 43)**
 - b. Concentrations of credit risk in accordance with SSAP No. 27; **(AAO – 26 & 43)**
 - c. Basis at which the asset-backed securities are stated; **(FS – 26, I&A - 43)**
 - d. The adjustment methodology used for each type of security (prospective or retrospective); **(I&A – 43 Only)**
 - e. Descriptions of sources used to determine prepayment assumptions. **(I&A – 43 Only)**
 - f. All securities within the scope of this statement with a recognized other-than-temporary impairment, disclosed in the aggregate, classified on the basis for the other-than-temporary impairment: (1) intent to sell, (2) inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis, or (3) present value of cash flows expected to be collected is less than the amortized cost basis of the security. **(I&A – 43 Only)**
 - g. For each security with an other-than-temporary impairment, recognized in the current reporting period by the reporting entity, as the present value of cash flows expected to be collected is less than the amortized cost basis of the securities: **(I&A – 43 Only)**
 - i. The amortized cost basis, prior to any current-period other-than-temporary impairment.

- ii. The other-than-temporary impairment recognized in earnings as a realized loss.
 - iii. The fair value of the security.
 - iv. The amortized cost basis after the current-period other-than-temporary impairment.
- h. All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains): **(AAO – 26, I&A – 43)**
- i. The aggregate amount of unrealized losses (that is, the amount by which cost or amortized cost exceeds fair value) and
 - ii. The aggregate related fair value of securities with unrealized losses.
- i. The disclosures in (i) and (ii) above should be segregated by those securities that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 months or longer using fair values determined in accordance with SSAP No. 100. **(AAO – 26, I&A – 43)**
- j. Additional information should be included describing the general categories of information that the investor considered in reaching the conclusion that the impairments are not other-than-temporary. **(AAO – 26 & 43)**
- k. When it is not practicable to estimate fair value, the investor should disclose the following additional information, if applicable: **(AAO – 26 & 43)**
- i. The aggregate carrying value of the investments not evaluated for impairment, and
 - ii. The circumstances that may have a significant adverse effect on the fair value.
- l. For securities sold, redeemed or otherwise disposed as a result of a callable feature (including make whole call provisions), disclose the number of CUSIPs sold, disposed or otherwise redeemed and the aggregate amount of investment income generated as a result of a prepayment penalty and/or acceleration fee. **(FS – 26 & 43)**
- m. The items in the scope of this statement are also subject to the annual audited disclosures in *SSAP No. 26—Bonds*, paragraphs. 40.e., 40.f. and 40.g. **(AAO – 26 & 43)**
45. Refer to the Preamble for further discussion regarding disclosure requirements. **All disclosures within this statement, except disclosures included in paragraphs 44.b., 44.k. and 44.m., shall be included within the interim and annual statutory financial statements.** Disclosure requirements in paragraphs 44.b., 44.k. and 44.m. are required in the annual audited statutory financial statements only.

SSAP No. 21—Other Admitted Assets (Non-Bond Debt Securities)

25. Debt securities that do not qualify as bonds in the scope of this statement shall follow the guidance in SSAP No. 43 for calculating amortized cost, for determining and recognizing other-than-temporary impairments and for allocating unrealized and realized gains and losses between the asset valuation reserve (AVR) and interest maintenance reserve (IMR).

26. Investment income shall be recorded, with assessments for collectability and nonadmittance completed and recognized, pursuant to *SSAP No. 34—Investment Income Due and Accrued*.

27. Securities captured within this section shall be included in all invested asset disclosures, along with the following disclosures:

- a. Fair values in accordance with SSAP No. 100—Fair Value.
- b. Concentrations of credit risk in accordance with SSAP No. 27.
- c. Basis at which the securities are stated.
- d. The adjustment methodology used for each type of security (prospective or retrospective).
- e. Descriptions of sources used to determine prepayment assumptions.
- f. All securities within the scope of this statement with a recognized other-than-temporary impairment, disclosed in the aggregate, classified on the basis for the other-than-temporary impairment: (1) intent to sell, (2) inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis, or (3) present value of cash flows expected to be collected is less than the amortized cost basis of the security.
- g. For each security with an other-than-temporary impairment, recognized in the current reporting period by the reporting entity, as the present value of cash flows expected to be collected is less than the amortized cost basis of the securities:
 - i. The amortized cost basis, prior to any current-period other-than-temporary impairment.
 - ii. The other-than-temporary impairment recognized in earnings as a realized loss.
 - iii. The fair value of the security.
 - iv. The amortized cost basis after the current-period other-than-temporary impairment.
- h. All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):
 - i. The aggregate amount of unrealized losses (that is, the amount by which cost or amortized cost exceeds fair value) and,

- ii. The aggregate related fair value of securities with unrealized losses.
- i. The disclosures in (i) and (ii) above should be segregated by those securities that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 months or longer using fair values determined in accordance with SSAP No. 100.
- j. Additional information should be included describing the general categories of information that the investor considered in reaching the conclusion that the impairments are not other-than-temporary.
- k. When it is not practicable to estimate fair value, the investor should disclose the following additional information, if applicable:
 - i. The aggregate carrying value of the investments not evaluated for impairment, and,
 - ii. The circumstances that may have a significant adverse effect on the fair value.
- l. For securities sold, redeemed, or otherwise disposed as a result of a callable feature (including make whole call provisions), disclose the number of CUSIPs sold, 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. 21—Other Admitted Assets (Residuals)

There is no explicit disclosure section for residuals. Paragraph 35.c. addresses the disclosure requirement when transitioning from the practical expedient to the allowable earned yield method. The guidance for assessing and recognizing OTTI is also included:

35. Reporting entities may elect a practical expedient in lieu of the Allowable Earned Yield detailed in paragraphs 33-34 and calculate Book/Adjusted Carrying Value (BACV) such that all distributions received are treated as a reduction in BACV. With this approach, the reporting entity will not recognize any interest or investment income until the residual tranche has a BACV of zero. Once the residual has a zero BACV, distributions received shall be recognized as interest income.

- a. Reporting entities applying the practical expedient shall continue to report residuals on Schedule BA, including those with a zero BACV. Any subsequent distributions shall be reported as interest income until the structure matures/terminates, is unwound, or no longer meets the definition of a residual.
- b. Reporting entities are required to apply the practical expedient to all residuals held.
- c. **Reporting entities that wish to discontinue use of the practical expedient approach and move towards the Allowable Earned Yield method are required to specify and disclose an explicit transition date, and only apply the Allowable Earned Yield method to residuals acquired after that date. Residuals held prior to the disclosed accounting method transition date shall continue to follow the practical expedient until those residuals mature/terminate or are unwound.**

36. Residuals shall be assessed for other-than-temporary impairment (OTTI) on an ongoing basis, with required assessment anytime that fair value is less than the reported value.

- a. For residuals measured using the Allowable Earned Yield method, as detailed in paragraphs 33-34, **an OTTI shall be considered to have occurred if the present value of expected cash flows discounted by the Allowable Earned Yield, is less than amortized cost.** Upon identification of an OTTI, the reporting entity shall recognize a realized loss equal to the difference between the amortized cost and the present value of expected cash flows, with the present value of expected cash flows becoming the new amortized cost to which the Allowable Earned Yield is applied. After the OTTI is recognized, distributions received from the residual shall continue to be recorded in accordance with paragraphs 33-34. Subsequent recoveries in cash flows shall not result in increases to the amortized cost.
- b. **For residuals measured under the practical expedient, as detailed in paragraph 35, an OTTI shall be considered to have occurred if the fair value of the residual is less than the BACV. The reporting entity shall recognize a realized loss equal to the difference between the fair value and the BACV, with the fair value becoming the new BACV.** After the OTTI is recognized, distributions received from the residual shall continue to be recorded in accordance with paragraph 35. Subsequent recoveries in cash flows shall not result in increases to the BACV.

SSAP No. 2—Cash, Cash Equivalents, Drafts and short-Term Investments

Disclosures

18. The following disclosures shall be made for short-term investments in the financial statements:
- a. Fair values in accordance with *SSAP No. 100—Fair Value*;
 - b. Concentrations of credit risk in accordance with *SSAP No. 27—Off-Balance-Sheet and Credit Risk Disclosures*;
 - c. Basis at which the short-term investments are stated.
 - d. The items in the scope of this statement are also subject to the annual audited disclosures in *SSAP No. 26—Bonds*, paragraph 40.f.
 - e. Identification of cash equivalents (excluding money market mutual funds as detailed in paragraph 8) and short-term investments (or substantially similar investments), which remain on the same reporting schedule for more than one consecutive reporting period. This disclosure is satisfied by use of a designated code in the investment schedules of the statutory financial statements.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:
None

Convergence with International Financial Reporting Standards (IFRS): N/A

Staff Recommendation:

NAIC staff recommend that the Working Group move this item to the active listing as a SAP clarification and expose SSAP and Annual Statement reporting revisions as illustrated within with a proposed effective date of December 31, 2026. With exposure, NAIC staff recommends that the Working Group sponsor a blanks proposal.

The proposed revisions intend to improve utilization of existing disclosures, clarify guidance, and incorporate consistent locations and frequency for specific debt security disclosures. The edits also propose to include disclosures for residuals that identify the company's measurement method, whether the company is transitioning from the PE to the AEY method, and for those following the AEY method, information comparable to SSAP No. 43 for when an OTTI has (or has not) been recognized for impaired securities. The proposed revisions also converge and clarify language across SSAPs and/or remove references that implies quarterly reporting when the disclosure is annual audited only.

Although the revisions may be limited to specific disclosures or the guidance for reporting frequency, the entire disclosure section of each impacted SSAP has been included for a comprehensive review:

2025 Summer National Meeting Proposed Revisions:

(Note – NAIC staff has identified (as shaded/parenthetical text) the location/frequency of each note for ease of review. These references will not be included in the final adopted SSAP.)

SSAP No. 26—Bonds

Disclosures

40. The financial statements shall include the following disclosures:

- a. Fair value in accordance with SSAP No. 100—Fair Value; *(Note 20 – Required Quarterly.)*
- b. Concentrations of credit risk in accordance with SSAP No. 27—Off-Balance-Sheet and Credit Risk Disclosures; *(Annual Audited Only.)*
- c. The basis at which the bonds, mandatory convertible securities, and SVO-identified bond ETF investments identified in paragraph 2.d., are stated; *(Note 1C(2) Required Quarterly.)*
- d. Amortization method for bonds and mandatory convertible securities, and if elected by the reporting entity, the approach for determining the systematic value for SVO-identified securities per paragraph 34. If utilizing systematic value measurement method approach for SVO-identified investments, the reporting entity must include the following information: *(Note 1C(2) Required Quarterly.)*
 - i. Whether the reporting entity consistently utilizes the same measurement method for all SVO-identified investments³ (e.g., fair value or systematic value). If different measurement methods are used⁴, information on why the reporting entity has elected to use fair value for some SVO-identified investments and systematic value for others.
 - ii. Whether SVO-identified investments are being reported at a different measurement method from what was used in an earlier current-year interim and/or in a prior annual statement. (For example, if reported at systematic value prior to the sale, and then reacquired and reported at fair value.) This disclosure is required in all interim reporting periods and in the year-end financial statements for the year in which an SVO-identified investment has been reacquired and reported using a different measurement method from what was previously used for the investment. (This disclosure is required regardless of the length of time between the sale/reacquisition of the investments, but is only required in the year in which the investment is reacquired.)

³ As identified in paragraph 35.d., a consistent approach must be followed for all investments designated to use the systematic value method. As such, this disclosure is limited to situations in which a reporting entity uses both fair value and systematic value for reported SVO-identified investments.

⁴ The guidance in this statement allows different measurement methods by qualifying investment (CUSIP), but it is anticipated that companies will generally utilize a consistent approach for all qualifying investments.

- iii. Identification of securities still held that no longer qualify for the systematic value method. This should separately identify those securities that are still within the scope of SSAP No. 26 and those that are being reported under a different SSAP.
- e. ~~For each annual balance sheet presented, the~~ The book/adjusted carrying values, fair values, excess of book/carrying value over fair value or fair value over book/adjusted carrying values for each pertinent bond or assets receiving bond treatment, by category and subcategory as reported in annual statement Schedule D, Part 1, Section 1 (Issuer Credit Obligations), and Section 2 (Asset-Backed Securities). *(Annual Audited Only.)*
- f. ~~For the most recent balance sheet, the~~ The book/adjusted carrying values and the fair values of bonds and assets in scope of this statement, reported in statutory annual statement Schedule D, Part 1A, due in accordance with the maturity timeframes below. A summary presentation divided by maturity timeframe with the aggregate BACV and fair value is required in the annual audited report. *÷ (Schedule D, Part 1A with Summary in Annual Audited Report. Currently noted as Annual Audited Only.)*
 - i. In one year or less (including items without a maturity date which are payable on demand and in good standing);
 - ii. After one year through five years;
 - iii. After five years through ten years;
 - iv. After ten years through twenty years;
 - v. Over 20 years.
- g. ~~For each period for which results of operations are presented, the~~ Separately report the proceeds from sales and maturities of bonds and assets in scope of this Statement and the resulting gross realized gains and ~~gross realized losses on such sales.~~ *(Proposed New Note 5D(6). Previously Annual Audit Only Focused on Sales.)*
- h. ~~For each balance sheet presented, all~~ All impaired items in scope of this Statement (fair value is less than amortized cost) ~~in an unrealized loss position for which an other-than-temporary impairment has not been recognized as a realized loss declines in value have not been recognized.~~ This disclosure shall include all impaired securities, including those reported at fair value (where the unrealized loss is recognized) and those reported at amortized cost (where the unrealized loss is not recognized): *(Added to Note 5D(4). Previously Annual Audit Only in SSAP No. 26.)*
 - i. The aggregate amount of unrealized losses (that is, the amount by which cost or amortized cost exceeds fair value) and
 - ii. The aggregate related fair value of bonds with unrealized losses.
- i. The disclosures in paragraphs 40.h.i. and 40.h.ii. should be segregated by items that have been in a continuous unrealized loss position for less than 12 months and those that have

been in a continuous unrealized loss position for 12 months or longer using fair values determined in accordance with SSAP No. 100. *(Added to Note 5D(4). Previously Annual Audit Only in SSAP No. 26.)*

- j. ~~As of the most recent balance sheet date presented,~~ For the impaired items identified in paragraph 40.h., additional information should be included describing the general categories of information that the investor considered in reaching the conclusion that the impairments are not other-than-temporary. *(Will be captured in Note 5D(5). No revisions to note needed. Previously Annual Audit Only in SSAP No. 26.)*
- k. When it is not practicable to estimate fair value in accordance with SSAP No. 100, the investor should disclose the following additional information, if applicable, as of each date for which a statement of financial position is presented in its annual financial statements: *(Annual Audited Only.)*
 - i. The aggregate carrying value of the investments not evaluated for impairment, and
 - ii. The circumstances that may have a significant adverse effect on the fair value.
- l. 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 CUSIPs sold, disposed or otherwise redeemed and the aggregate amount of investment income generated as a result of a prepayment penalty and/or acceleration fee. *(Note 5Q)*

41. Refer to the Preamble for further discussion regarding disclosure requirements. The disclosures in paragraphs 40.b., 40.e., ~~40.f., 40.g., 40.h., 40.i., 40.j.~~ and 40.k. shall be included in the annual audited statutory financial reports only. The disclosure in paragraph 40.f. is detailed within Schedule D, Part 1A, but a summary presentation divided by maturity timeframe is required in the annual audited statutory financial report. The disclosures in paragraphs 40.a., 40.c., and 40.d. are required in all quarterly and annual financial statements.

(Note: Paragraph 40.f is deleted from annual audited only as it is satisfied by Schedule D, Part 1A, which is a quarterly and annual schedule.)

SSAP No. 43—Asset-Backed Securities

- 44. In addition to the disclosures required for invested assets in general, the following disclosures regarding asset-backed securities shall be made in the financial statements. Regardless of the allowances within paragraph 63 of the Preamble, the disclosures in paragraph 44.~~f.~~i., 44.~~g.~~j. and 44.~~h.~~k. of this statement are required in separate, distinct notes to the financial statements:
 - a. Fair values in accordance with SSAP No. 100—Fair Value. *(Note 20 – Required Quarterly.)*
 - b. Concentrations of credit risk in accordance with SSAP No. 27; *(Annual Audited Only.)*
 - c. Basis at which the asset-backed securities are stated; *(Note 1C(6) Required Quarterly.)*

- d. The adjustment methodology used for each type of security (prospective or retrospective); *(Note 1C(6) Required Quarterly.)*
- e. Descriptions of sources used to determine prepayment assumptions. *(Note 5(D)1 Required Quarterly.)*
- f. The book/adjusted carrying values, fair values, excess of book/carrying value over fair value, or fair value over book/adjusted carrying values for each pertinent asset-backed security receiving bond treatment, by category and subcategory as reported in annual statement Schedule D, Part 1, Section 1 (Issuer Credit Obligations), and Section 2 (Asset-Backed Securities). *(Annual Audited Only. Not New. Previously required by reference to SSAP No. 26 in SSAP No. 43, old paragraph 43.m.)*
- g. The book/adjusted carrying values and the fair values of asset-backed securities in scope of this statement, reported in statutory annual statement Schedule D, Part 1A, due in accordance with the maturity timeframes below. A summary presentation divided by maturity timeframe with the aggregate BACV and fair value is required in the annual audited report. *(Schedule D, Part 1A with Summary in Annual Audited Report. Not new. Previously Required by Reference to SSAP No. 26 in SSAP No. 43, old paragraph 43.m.)*
 - i. In one year or less (including items without a maturity date which are payable on demand and in good standing);
 - ii. After one year through five years;
 - iii. After five years through ten years;
 - iv. After ten years through twenty years;
 - v. Over 20 years.
- h. Separately report the proceeds from sales and maturities of asset-backed securities in scope of this Statement and the resulting gross realized gains and losses. *(Proposed New Note 5D(6). Previously Annual Audit Only Required by Reference to SSAP No. 26.)*
- ~~f.~~i. All securities within the scope of this statement with a recognized other-than-temporary impairment, disclosed in the aggregate, classified on the basis for the other-than-temporary impairment: (1) intent to sell, (2) inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis, or (3) present value of cash flows expected to be collected is less than the amortized cost basis of the security. *(Note 5(D)2 & 3 – Required Quarterly)*
- ~~g.~~i. For each security with an other-than-temporary impairment, recognized in the current reporting period by the reporting entity, as the present value of cash flows expected to be collected is less than the amortized cost basis of the securities: *(Note 5(D) 3 – Required Quarterly)*

- i. The amortized cost basis, prior to any current-period other-than-temporary impairment.
 - ii. The other-than-temporary impairment recognized in earnings as a realized loss.
 - iii. The fair value of the security.
 - iv. The amortized cost basis after the current-period other-than-temporary impairment.
- ~~h.~~k. All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized ~~in earnings~~ as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains). This disclosure shall include all impaired securities, including those reported at fair value (where the unrealized loss is recognized) and those reported at amortized cost (where the unrealized loss is not recognized): (Note 5(D) 4 a & b – Previously Required Quarterly. Proposed to follow Preamble rules for interim disclosure.)
- i. The aggregate amount of unrealized losses (that is, the amount by which cost or amortized cost exceeds fair value) and
 - ii. The aggregate related fair value of securities with unrealized losses.
- ~~i.~~l. The disclosures in 44.k.i and 44.k.ii above should be segregated by those securities that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 months or longer using fair values determined in accordance with SSAP No. 100. *(Note 5(D)4a&b – Previously Required Quarterly. Proposed to follow Preamble for Interim Reporting.)*
- ~~j.~~m. For the impaired items identified in paragraph 40.k., ~~A~~an additional information should be included describing the general categories of information that the investor considered in reaching the conclusion that the impairments are not other-than-temporary. *Note 5(D) 5 – Previously Required Quarterly Proposed to follow Preamble for Interim Reporting.))*
- ~~k.~~n. When it is not practicable to estimate fair value, the investor should disclose the following additional information, if applicable: *(Annual Audited Only)*
- i. The aggregate carrying value of the investments not evaluated for impairment, and
 - ii. The circumstances that may have a significant adverse effect on the fair value.
- ~~l.~~o. For securities sold, redeemed or otherwise disposed as a result of a callable feature (including make whole call provisions), disclose the number of CUSIPs sold, disposed or otherwise redeemed and the aggregate amount of investment income generated as a result of a prepayment penalty and/or acceleration fee. *(Note 5Q)*

~~m. The items in the scope of this statement are also subject to the annual audited disclosures in SSAP No. 26—Bonds, paragraphs 40.e., 40.f. and 40.g.~~

45. Refer to the Preamble for further discussion regarding disclosure requirements. Disclosures in paragraphs 44.a., 44.c., 44.d., 44.e., 44.i., and 44.j. are required in all interim and annual financial statements. ~~All disclosures within this statement, except disclosures included in paragraphs 44.b., 44.k. and 44.m., shall be included within the interim and annual statutory financial statements.~~ Disclosure requirements in paragraphs 44.b. 44.f., and ~~44.k. and 44.m.~~ are required in the annual audited statutory financial statements only. The disclosure in paragraph 44.g. is detailed within Schedule D, Part 1A, but a summary presentation divided by maturity timeframe is required in the annual audited statutory financial report.

SSAP No. 21—Other Admitted Assets

Non-Bond Debt Securities:

27. Securities captured within this section shall be included in all invested asset disclosures, along with the following disclosures:

- a. Fair values in accordance with SSAP No. 100—Fair Value. *(Note 20 – Required Quarterly.)*
- b. Concentrations of credit risk in accordance with SSAP No. 27. *(Annual Audited Only)*
- c. Basis at which the securities are stated. *(Added to Note 1C(6) Required Quarterly.)*
- d. The adjustment methodology used for each type of security (prospective or retrospective). *(Added to Note 1C(6) Required Quarterly.)*
- e. Descriptions of sources used to determine prepayment assumptions. *(Added to Note 5(D)1 Required Quarterly.)*
- f. The book/adjusted carrying values and the fair values of non-bond debt securities in scope of this statement due in accordance with the maturity timeframes below. *(Annual Audited Only. Non-Bond Debt Securities are Not in Schedule D, Part 1A.)*
 - i. In one year or less (including items without a maturity date which are payable on demand and in good standing);
 - ii. After one year through five years;
 - iii. After five years through ten years;
 - iv. After ten years through twenty years;
 - v. Over 20 years.
- g. Separately report the proceeds from sales and maturities of debt securities in scope of this Statement and the resulting gross realized gains and losses. *(Proposed New Note 5D(6). Added to accompany SSAP No. 26 and SSAP No. 43.)*
- ~~f.~~h. All securities within the scope of this statement with a recognized other-than-temporary impairment, disclosed in the aggregate, classified on the basis for the other-than-temporary impairment: (1) intent to sell, (2) inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis, or (3) present value of cash flows expected to be collected is less than the amortized cost basis of the security. *(Note 5(D)2 & 3 – Required Quarterly. Added reference to SSAP No. 21 to the A/S instruction & template.)*
- ~~g.~~i. For each security with an other-than-temporary impairment, recognized in the current reporting period by the reporting entity, as the present value of cash flows expected to

be collected is less than the amortized cost basis of the securities: *(Note 5(D) 3 – Required Quarterly. Added reference to SSAP No. 21 to the A/S instruction and template.)*

- i. The amortized cost basis, prior to any current-period other-than-temporary impairment.
- ii. The other-than-temporary impairment recognized in earnings as a realized loss.
- iii. The fair value of the security.
- iv. The amortized cost basis after the current-period other-than-temporary impairment.

~~h.~~i. All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized ~~in earnings~~ as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains). This disclosure shall include all impaired securities, including those reported at fair value (where the unrealized loss is recognized) and those reported at amortized cost (where the unrealized loss is not recognized): *(Added to Note 5D(4).)*

- i. The aggregate amount of unrealized losses (that is, the amount by which cost or amortized cost exceeds fair value) and,
- ii. The aggregate related fair value of securities with unrealized losses.

~~i.~~k. The disclosures in 27.j.(i) and 27.j.(ii) above should be segregated by those securities that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 months or longer using fair values determined in accordance with SSAP No. 100. *(Added to Note 5D(4).)*

~~j.~~l. For the impaired items identified in paragraph 27.k., a Additional information should be included describing the general categories of information that the investor considered in reaching the conclusion that the impairments are not other-than-temporary. *Captured in Note 5D(5). No revisions to note needed.*

~~k.~~m. When it is not practicable to estimate fair value, the investor should disclose the following additional information, if applicable: *(Annual Audited Only)*

- i. The aggregate carrying value of the investments not evaluated for impairment, and,
- ii. The circumstances that may have a significant adverse effect on the fair value.

~~l.~~n. For securities sold, redeemed, or otherwise disposed as a result of a callable feature (including make whole call provisions), disclose the number of CUSIPs sold, disposed or otherwise redeemed and the aggregate amount of investment income generated as a result of a prepayment penalty and/or acceleration fee. *(Note 5Q)*

28. Refer to the Preamble for further discussion regarding disclosure requirements. Disclosures in paragraphs 27.a., 27.c., 27.d., 27.e., 27.h., and 27.i. are required in all interim and annual financial statements. Disclosure requirements in paragraphs 27.b., 27.f., and 27.m. are required in the annual audited statutory financial statements only.

Residuals: (With the addition of paragraph 28, the remaining paragraphs in SSAP No. 21 will be renumbered.)

39. The financial statements shall include the following disclosures. The disclosure in paragraph 39.g. is required in the annual audited statutory financial statements only. The disclosures in paragraphs 38.a., 38.c., and 38.d. shall be included in all interim and annual financial statements.

- a. Fair values in accordance with SSAP No. 100—Fair Value. (Note 20 – Required Quarterly.)
- b. Basis at which the securities are stated and whether the company is in process of transitioning from the practical expedient measurement method to the allowable earned yield measurement method. (New Proposed General Interrogatory for Data Capture.)
- c. If following the allowable earned yield method, for each residual with an other-than-temporary impairment recognized in the current reporting period by the reporting entity, as the present value of cash flows expected to be collected is less than the amortized cost basis of the securities: (Note 5(D)2 & 3 – Required Quarterly. Added reference to SSAP No. 21 residuals held under AEY method to the A/S instruction & template.)
 - i. The amortized cost basis, prior to any current-period other-than-temporary impairment.
 - ii. The other-than-temporary impairment recognized in earnings as a realized loss.
 - iii. The fair value of the security.
 - iv. The amortized cost basis after the current-period other-than-temporary impairment.
- d. If following the allowable earned yield method, the impaired residuals (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains). This disclosure shall include all impaired securities, including those reported at fair value (where the unrealized loss is recognized) and those reported at amortized cost (where the unrealized loss is not recognized: (Added to Note 5D(4).)
 - i. The aggregate amount of unrealized losses (that is, the amount by which cost or amortized cost exceeds fair value) and,
 - ii. The aggregate related fair value of securities with unrealized losses.

- e. The disclosures in paragraphs 39.d.i. and 39.d.ii. should be segregated by those securities that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 months or longer using fair values determined in accordance with SSAP No. 100. *(Added to Note 5D(4).)*
- f. For the impaired items identified in paragraph 39.d., additional information should be included describing the general categories of information that the investor considered in reaching the conclusion that the impairments are not other-than-temporary. *Captured in Note 5D(5). No revisions to note needed*
- g. When it is not practicable to estimate fair value, the investor should disclose the following additional information, if applicable: *(Annual Audited Only)*
 - i. The aggregate carrying value of the investments not evaluated for impairment, and,
 - ii. The circumstances that may have a significant adverse effect on the fair value.

SSAP No. 2—Cash, Cash Equivalents, Drafts and short-Term Investments

Disclosures

18. The following disclosures shall be made for short-term investments in the financial statements:
- a. Fair values in accordance with *SSAP No. 100—Fair Value*; *(Note 20 – Required Quarterly)*
 - b. Concentrations of credit risk in accordance with *SSAP No. 27—Off-Balance-Sheet and Credit Risk Disclosures*; *(Annual Audited Only)*
 - c. Basis at which the short-term investments are stated. *(Note 1C(1) Required Quarterly.)*
 - d. ~~The items in the scope of this statement are also subject to the annual audited disclosures in SSAP No. 26—Bonds, paragraph 40.f. the~~ The book/adjusted carrying values and the fair values of bonds and assets in scope of this statement, reported in statutory annual statement Schedule D, Part 1A, due in accordance with the maturity timeframes below. A summary presentation divided by maturity timeframe with the aggregate BACV and fair value is required in the annual audited report. ÷ *(Schedule D, Part 1A with Summary in Annual Audited Report. Not new. Previously required by reference.)*
 - i. In one year or less (including items without a maturity date which are payable on demand and in good standing);
 - ii. After one year through five years;
 - iii. After five years through ten years;
 - iv. After ten years through twenty years;
 - v. Over 20 years.

e. Separately report the proceeds from sales and maturities of bonds in scope of this Statement and the resulting gross realized gains and losses. *Proposed New Note 5D(6).*

d.f. Identification of cash equivalents (excluding money market mutual funds as detailed in paragraph 8) and short-term investments (or substantially similar investments), which remain on the same reporting schedule for more than one consecutive reporting period. This disclosure is satisfied by use of a designated code in the investment schedules of the statutory financial statements.

19. The financial statements shall disclose the reporting entity's share of the cash pool by asset type (cash, cash equivalents or short-term investments).
20. Refer to the Preamble for further discussion regarding disclosure requirements. Disclosures in paragraphs 18.a., and 18.c. are required in all interim and annual financial statements. The disclosures in paragraph 18.b. ~~and paragraph 18.d. of this statement~~ shall be included in the annual audited statutory financial reports only. The disclosure in paragraph 18.d. is detailed within Schedule D, Part 1A, but a summary presentation divided by maturity timeframe is required in the annual audited statutory financial report.

Annual Statement Instructions / Illustrations:

- 1) New General Interrogatories: Residual Measurement Method: (Satisfies SSAP No. 21, paragraph 39.b.)**
Since all residuals held by a company shall follow the same measurement method unless the company is transitioning from the PE to AEY method, this is proposed to be captured in a new general interrogatory instead of an investment schedule note or disclosure. (By capturing in a GI, the information can be easily aggregated, which is not possible in a narrative note.) Proposed new GIs:

For residuals, does the company utilize the Practical Expedient or Allowable Earned Yield Method?
(Select one, unless the company is transitioning to the PE to AEY method.)

If the company is transitioning from the Practical Expedient to Allowable Earned Yield Method, what is the transition date to apply the AEY method? (Under SSAP No. 21, residuals acquired prior to the transition date shall continue the PE method, whereas residuals acquired after the transition date shall follow the AEY method.)

2) Updated Note Disclosures – Note 1

Reference to non-bond debt securities has been added to Note 1C(6):

- (6) Basis at which ~~the loan-backed~~ asset-backed securities and non-bond debt securities are stated and the adjustment methodology used for each type of security (prospective or retrospective).

3) Updated Note Disclosures – Note 5D

Note 5D has previously been limited to asset-backed securities. The note has been expanded to encompass SSAP No. 26 and SSAP No. 21 for non-bond debt securities and residuals when disclosures are consistent.

D. ~~Asset-Backed Securities~~ Debt Securities and Residual Interests

~~For asset-backed securities, disclose the following:~~

- (1) All securities within the scope of SSAP No. 43—Asset-Backed Securities and as applicable to non-bond debt securities in scope of SSAP No. 21—Other Admitted Assets, ~~D~~descriptions of sources used to determine prepayment assumptions.
- (2) All securities within the scope of SSAP No. 43—Asset-Backed Securities and non-bond debt securities in scope of SSAP No. 21—Other Admitted Assets with a recognized other-than-temporary impairment, disclosed in the aggregate, classified on the basis for the other-than-temporary impairment:
 - Intent to sell.
 - Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis.
- (3) For All securities within the scope of SSAP No. 43—Asset-Backed Securities, all non-bond debt securities, and residual interests captured under the allowable earned yield in scope of SSAP No. 21—Other Admitted Assets, ~~F~~for each security, by CUSIP, with an other-than-temporary impairment, recognized in the current reporting period by the reporting entity, as the present value of cash flows expected to be collected is less than the amortized cost basis of the securities:
 - The amortized cost basis, prior to any current-period other-than-temporary impairment.
 - The other-than-temporary impairment recognized in earnings as a realized loss.
 - The fair value of the security.
 - The amortized cost basis after the current-period other-than-temporary impairment.
- (4) For non-bond debt securities and residual interests captured under the allowable earned yield method captured in SSAP No. 21—Other Admitted Assets, and bonds in SSAP No. 26—Bonds and SSAP No. 43—Asset-Backed Securities, ~~A~~all impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized ~~in earnings~~ as a realized loss (including securities in scope of SSAP No. 21 and SSAP No. 43 with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains). This disclosure shall include all impaired securities, including those reported at fair value (where the unrealized loss is recognized) and those reported at amortized cost (where the unrealized loss is not recognized):
- a. The aggregate amount of unrealized losses (that is, the amount by which cost or amortized cost exceeds fair value); and
- b. The aggregate related fair value of securities with unrealized losses.

The disclosures in (a) and (b) above should be segregated by those securities that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 months or longer using fair values determined in accordance with *SSAP No. 100—Fair Value*.

- (5) [For the impaired items identified in paragraph \(4\),](#) ~~A~~ additional information should be included describing the general categories of information that the investor considered in reaching the conclusion that the impairments are not other-than-temporary.

-
- (6) [For bonds captured in SSAP No. 2, SSAP No. 26 and SSAP No. 43, and non-bond debt securities captured in SSAP No. 21—Other Admitted Assets, separately report the proceeds from sales and maturities and the resulting gross realized gains and losses.](#)

Updated Note Illustrations – Note 5D

D. Debt Securities and Residual Interests ~~Asset-Backed Securities~~

- (1) Prepayment assumptions for asset-backed securities and non-bond debt securities were obtained from broker-dealer survey values or internal estimates.
- (2) For securities in scope of SSAP No. 43 and non-bond debt securities in scope of SSAP No. 21 with a recognized OTTI: *(Template is not new. There are currently no instructions with the existing template.)*

	(1) Amortized Cost Basis Before Other-than- Temporary Impairment	(2) Other-than-Temporary Impairment Recognized in Loss		(3) Fair Value 1 – (2a + 2b)
		(2a) Interest	(2b) Non-interest	
OTTI recognized 1 st Quarter				
a. Intent to sell	\$ _____	\$ _____	\$ _____	\$ _____
b. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	\$ _____	\$ _____	\$ _____	\$ _____
c. Total 1 st Quarter (a+b)	\$ _____	\$ _____	\$ _____	\$ _____
OTTI recognized 2 nd Quarter				
d. Intent to sell	\$ _____	\$ _____	\$ _____	\$ _____
e. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	\$ _____	\$ _____	\$ _____	\$ _____
f. Total 2 nd Quarter (d+e)	\$ _____	\$ _____	\$ _____	\$ _____
OTTI recognized 3 rd Quarter				
g. Intent to sell	\$ _____	\$ _____	\$ _____	\$ _____
h. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	\$ _____	\$ _____	\$ _____	\$ _____
i. Total 3 rd Quarter (g+h)	\$ _____	\$ _____	\$ _____	\$ _____
OTTI recognized 4 th Quarter				
j. Intent to sell	\$ _____	\$ _____	\$ _____	\$ _____

Ref #2025-20

	(1) Amortized Cost Basis Before Other-than- Temporary Impairment	(2) Other-than-Temporary Impairment Recognized in Loss		(3) Fair Value 1 – (2a + 2b)
		(2a) Interest	(2b) Non-interest	
k. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	\$ _____	\$ _____	\$ _____	\$ _____
l. Total 4 th Quarter (j+k)	\$ _____	\$ _____	\$ _____	\$ _____
m. Annual Aggregate Total (c+f+i+l)		\$ _____	\$ _____	

- (3) [For asset-backed securities \(ABS\) in scope of SSAP No. 43, all non-bond debt securities and residual interests captured under the allowable earned yield in scope of SSAP No. 21 with an other-than-temporary impairment recognized in the current reporting period as the present value of cash flows expected to be collected is less than the amortized cost basis of the securities: \(Only reporting lines are new within existing template. There are currently no instructions with the existing template.\)](#)

	1 CUSIP	2 Book/Adjusted Carrying Value Amortized Cost Before Current Period OTTI	3 Present Value of Projected Cash Flows	4 Recognized Other- Than-Temporary Impairment	5 Amortized Cost After Other-Than- Temporary Impairment	6 Fair Value at time of OTTI	7 Date of Financial Statement Where Reported
Asset-Backed Securities:							
ABS Total							
Non-Bond Debt Securities:							
Non-Bond Debt Total							
Residuals							
Residual Total							
Aggregate Total		XXX	XXX	\$	XXX	XXX	XXX

NOTE: Each CUSIP should be listed separately each time an OTTI is recognized.

For Securities with amortized cost or adjusted amortized cost:

Column 2 minus Column 3 should equal Column 4

Column 2 minus Column 4 should equal Column 5

- (4) [For all debt securities and residual interests measured under the allowable earned yield in scope of SSAP No. 21, and bonds in SSAP No. 26 and SSAP No. 43, all impaired securities \(fair value is less than cost or amortized cost\) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss \(including securities with a recognized other-than-temporary impairment for non-interest related declines](#)

Ref #2025-20

when a non-recognized interest related impairment remains). This disclosure shall include all impaired securities even if reported at fair value with an unrealized loss recognized:

	<u>SSAP No. 26 - ICO</u>	<u>SSAP No. 43 - ABS</u>	<u>SSAP No. 21 – Non-Bond Debt Securities</u>	<u>SSAP No. 21 – Residuals under the Allowable Earned Yield Method</u>	<u>Total – Impaired Debt Securities</u>
<u>Aggregate Amount of Unrealized Losses:</u>					
<u>Less Than 12 Months:</u>					
<u>12 Months or Longer:</u>					
<u>Aggregate Related Fair Value of Securities:</u>					
<u>Less Than 12 Months:</u>					
<u>12 Months or Longer:</u>					

~~a. The aggregate amount of unrealized losses:~~

~~1. Less than 12 Months \$ _____~~

~~2. 12 Months or Longer \$ _____~~

~~b. The aggregate related fair value of securities
with unrealized losses:~~

~~1. Less than 12 Months \$ _____~~

~~2. 12 Months or Longer \$ _____~~

(5) Additional information should be included describing the general categories of information that the investor considered in reaching the conclusion that the impairments are not other-than-temporary.

(6) For bonds captured in SSAP No. 2, SSAP No. 26 and SSAP No. 43, and non-bond debt securities captured in SSAP No. 21—Other Admitted Assets, separately report the proceeds from sales and maturities and the resulting gross realized gains and losses

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
	<u>Proceeds</u>	<u>Sales</u> <u>Realized Gains</u>	<u>Realized Losses</u>	<u>Proceeds</u>	<u>Maturities</u> <u>Realized Gains</u>	<u>Realized Losses</u>
<u>Bonds</u>						
<u>SSAP No. 2</u>						
<u>SSAP No. 26</u>						
<u>SSAP No. 43</u>						
<u>Non-Bond Debt Securities:</u>						
<u>Aggregate Total</u>						

Staff Review Completed by: Julie Gann, NAIC Staff—June 2025

Status:

On August 11, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions to improve utilization of existing disclosures, clarify guidance, and incorporate consistent locations and frequency for specific debt security disclosures, as illustrated above. As detailed, the exposure also includes disclosures for residuals to identify the company's measurement method, whether the company is transitioning from the practical expedient

to the allowable earned yield (AEY) method, and for those following the AEY method, information comparable to SSAP No. 43 for impaired securities. With exposure, the Working Group directed staff to sponsor a blanks proposal with the intent for the disclosure revisions to be in effect for December 31, 2026.

On December 9, 2025, the Statutory Accounting Principles (E) Working Group adopted the exposed revisions to improve utilization of existing disclosures, clarify guidance, and incorporate consistent locations and frequency for debt security disclosures. The adoption also included new disclosures for residuals, which included whether the reporting entity is following the practical expedient or allowable earned yield (AEY) method and whether the company is transitioning from the practical expedient to the AEY method. The adopted revisions are shown above, beginning on page 12 under the “2025 Summer National Meeting” exposure. The intent is to have the disclosure revisions to be in effect for December 31, 2026.

[https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2025 Fall/minutes and summary/SAPWG/1G-25-20 - Debt Disclosures.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/APPTF/2025%20Fall/minutes%20and%20summary/SAPWG/1G-25-20-Debt%20Disclosures.docx)

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

Issue: Retirement Plan Assets Held at NAV

Check (applicable entity):

	P/C	Life	Health
Modification of existing SSAP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New Issue or SSAP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Description of Issue: In May 2025, the Working Group received an informal comment from industry requesting clarification on how to complete fair value disclosures for retirement plan assets measured at net asset value (NAV). The comment noted that certain retirement plan assets are most appropriately classified using the NAV practical expedient within the fair value hierarchy. While this approach aligns with the guidance in *SSAP No. 100—Fair Value*, NAV is not explicitly referenced as a leveling option in either *SSAP No. 92—Postretirement Benefits Other Than Pensions* or *SSAP No. 102—Pensions*. Although the use of NAV as a measurement method is strongly implied within SSAP Nos. 92 and 102, the absence of a direct reference to NAV has caused some confusion. Based on paragraph 3 of SSAP No. 100, NAIC staff agrees that the NAV practical expedient is an acceptable reporting method for retirement plan assets, and that the disclosure guidance in SSAP Nos. 92 and 102 can be clarified accordingly. NAIC staff also noted that under U.S. GAAP the NAV practical expedient is allowed to be used for plan assets held in defined benefit plans (ASC 960-325) or defined contribution plans (ASC 962-325).

Existing Authoritative Literature:

SSAP No. 92—Postretirement Benefits Other Than Pensions:

Disclosures - Single-Employer Defined Postretirement Plans

66. An employer that sponsors one or more other defined benefit postretirement plans shall provide the following information for postretirement benefit plans other than pensions. Amounts related to the employer's results of operations shall be disclosed for each period for which a statement of income is presented. Amounts related to the employer's statement of financial position shall be disclosed as of the date of each statement of financial position presented.

- a. A reconciliation of beginning and ending balances of the benefit obligation showing separately, if applicable, the effects during the period attributable to each of the following: service cost, interest cost, contributions by plan participants, actuarial gains and losses, foreign currency exchange rate changes, benefits paid, plan amendments, business combinations, divestitures, curtailments, settlements, and special termination benefits.
- b. A reconciliation of beginning and ending balances of the fair value of plan assets showing separately, if applicable, the effects during the period attributable to each of the following: actual return on plan assets, foreign currency exchange rate changes, contributions by the employer, contributions by plan participants, benefits paid, business combinations, divestitures, and settlements.

- c. The funded status of the plans and the amounts recognized in the statement of financial position, showing separately the assets (nonadmitted) and liabilities recognized.
- d. The objectives of the disclosures about postretirement benefit plan assets are to provide users of financial statements with an understanding of:
 - i. How investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies;
 - ii. The classes of plan assets;
 - iii. The inputs and valuation techniques used to measure the fair value of plan assets;
 - iv. The effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period;
 - v. Significant concentrations of risk within plan assets.

An employer shall consider those overall objectives in providing the following information about plan assets:

- (a) A narrative description of investment policies and strategies, including target allocation percentages or range of percentages considering the classes of plan assets disclosed pursuant to (b) below, as of the latest statement of financial position presented (on a weighted-average basis for employers with more than one plan), and other factors that are pertinent to an understanding of those policies and strategies such as investment goals, risk management practices, permitted and prohibited investments including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations. For investment funds disclosed as classes as described in (b) below, a description of the significant investment strategies of those funds shall be provided.
- (b) The fair value of each class of plan assets as of each date for which a statement of financial position is presented. Asset classes shall be based on the nature and risks of assets in an employer's plan(s). Examples of classes of assets include, but are not limited to, the following: cash and cash equivalents; equity securities, (segregated by industry type, company size, or investment objective); debt securities, issued by national, state, and local governments; corporate debt securities; asset-backed securities; structured debt; derivatives on a gross basis (segregated by type of underlying risk in the contract, for example, interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, credit contracts, and other contracts); investment funds (segregated by type of fund); and real estate. Those examples are not meant to be all inclusive. An employer should consider the overall objectives in paragraph 66.d. in determining whether additional classes of plan assets or further disaggregation of classes should be disclosed.
- (c) A narrative description of the basis used to determine the overall expected long-term rate-of-return-on-assets assumption, such as the general approach used, the

extent to which the overall rate-of-return-on-assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectations of future returns, and how those adjustments were determined. The description should consider the classes of assets described in (b) above, as appropriate.

- (d) Information that enables users of financial statements to assess the inputs and valuation techniques used to develop fair value measurements of plan assets at the reporting date. For fair value measurements using significant unobservable inputs, an employer shall disclose the effect of the measurements on changes in plan assets for the period. To meet those objectives, the employer shall disclose the following information for each class of plan assets disclosed pursuant to (b) above for each annual period:
 - (1) The level within the fair value hierarchy in which the fair value measurements in their entirety fall,² segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3)
 - (2) Information about the valuation technique(s) and inputs used to measure fair value and a discussion of changes in valuation techniques and inputs, if any, during the period.

Footnote 2 - In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

SSAP No. 102—Pensions:

Disclosures – Single-Employer Defined Benefit Plans

68. An employer that sponsors one or more defined benefit pension plans or one or more other defined benefit postretirement plans shall provide the following information, separately for pension plans and other postretirement benefit plans. Amounts related to the employer's results of operations shall be disclosed for each period for which a statement of income is presented. Amounts related to the employer's statement of financial position, shall be disclosed as of the date of each statement of financial position presented.

- a. A reconciliation of beginning and ending balances of the benefit obligation showing separately, if applicable, the effects during the period attributable to each of the following: service cost, interest cost, contributions by plan participants, actuarial gains and losses, foreign currency exchange rate changes, benefits paid, plan amendments, business combinations, divestitures, curtailments, settlements, and special termination benefits.
- b. A reconciliation of beginning and ending balances of the fair value of plan assets showing separately, if applicable, the effects during the period attributable to each of the following: actual return on plan assets, foreign currency exchange rate changes, contributions by the employer,

- contributions by plan participants, benefits paid, business combinations, divestitures, and settlements.
- c. The funded status of the plans and the amounts recognized in the statement of financial position, showing separately the assets and liabilities recognized.
 - d. The objectives of the disclosures about postretirement benefit plan assets are to provide users of financial statements with an understanding of:
 - i. How investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies
 - ii. The classes of plan assets
 - iii. The inputs and valuation techniques used to measure the fair value of plan assets
 - iv. The effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period
 - v. Significant concentrations of risk within plan assets.

An employer shall consider those overall objectives in providing the following information about plan assets:

- (a) A narrative description of investment policies and strategies, including target allocation percentages or range of percentages considering the classes of plan assets disclosed pursuant to (b) below, as of the latest statement of financial position presented (on a weighted-average basis for employers with more than one plan), and other factors that are pertinent to an understanding of those policies and strategies such as investment goals, risk management practices, permitted and prohibited investments including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations. For investment funds disclosed as classes as described in (b) below, a description of the significant investment strategies of those funds shall be provided.
- (b) The fair value of each class of plan assets as of each date for which a statement of financial position is presented. Asset classes shall be based on the nature and risks of assets in an employer's plan(s). Examples of classes of assets could include, but are not limited to, the following: cash and cash equivalents; equity securities, (segregated by industry type, company size, or investment objective); debt securities, issued by national, state, and local governments; corporate debt securities; asset-backed securities; structured debt; derivatives on a gross basis (segregated by type of underlying risk in the contract, for example, interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, credit contracts, and other contracts); investment funds (segregated by type of fund); and real estate. Those examples are not meant to be all inclusive. An employer should consider the overall objectives in paragraph 68.d. in determining whether additional classes of plan assets or further disaggregation of classes should be disclosed.

- (c) A narrative description of the basis used to determine the overall expected long-term rate-of-return-on-assets assumption, such as the general approach used, the extent to which the overall rate-of-return-on-assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectations of future returns, and how those adjustments were determined. The description should consider the classes of assets described in (b) above, as appropriate.
- (d) Information that enables users of financial statements to assess the inputs and valuation techniques used to develop fair value measurements of plan assets at the reporting date. For fair value measurements using significant unobservable inputs, an employer shall disclose the effect of the measurements on changes in plan assets for the period. To meet those objectives, the employer shall disclose the following information for each class of plan assets disclosed pursuant to (b) above for each annual period:
 - (1) The level within the fair value hierarchy in which the fair value measurements in their entirety fall,² segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3)
 - (2) Information about the valuation technique(s) and inputs used to measure fair value and a discussion of changes in valuation techniques and inputs, if any, during the period.

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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):

In March of 2012, the Working Group adopted FAS 158 with modification through agenda item 2006-30 which established SSAP Nos. 92 and 102. SSAP Nos. 92 and 102 have been revised a significant number of times, but for the sake of brevity only revisions since 2023 are summarized below.

In October of 2023, the Working Group adopted with modification ASU 2016-19 through agenda item 2023-18, which provided minor technical changes to SSAP Nos. 92 and 102.

In October of 2023, the Working Group adopted revisions to SSAP No. 92 and SSAP No.102 to remove the transition guidance that is no longer applicable as the ten-year effective period for that transition has ended.

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 Recommendation:

NAIC staff recommends that the Working Group move this item to the active listing of the maintenance agenda categorized as a SAP clarification and adopt revisions in *SSAP No. 92—Postretirement Benefits Other Than Pensions* and *SSAP No. 102—Pensions* to clarify that assets held at NAV shall be included in the required fair value disclosure.

Staff Review Completed by:

NAIC Staff – William Oden, May 2025

Recommended Revisions to SSAP No. 92:

Disclosures - Single-Employer Defined Postretirement Plans

66. An employer that sponsors one or more other defined benefit postretirement plans shall provide the following information for postretirement benefit plans other than pensions. Amounts related to the employer's results of operations shall be disclosed for each period for which a statement of income is presented. Amounts related to the employer's statement of financial position, shall be disclosed as of the date of each statement of financial position presented. Although investments reported at NAV as a practical expedient pursuant to SSAP No. 100 are not to be categorized within the fair value hierarchy, a reporting entity shall separately identify NAV (or its equivalent) as required under paragraphs 66.b. , 66.d.v.(b), and 66.d.v.(d)(1) to permit reconciliations.

- a. A reconciliation of beginning and ending balances of the benefit obligation showing separately, if applicable, the effects during the period attributable to each of the following: service cost, interest cost, contributions by plan participants, actuarial gains and losses, foreign currency exchange rate changes, benefits paid, plan amendments, business combinations, divestitures, curtailments, settlements, and special termination benefits.
- b. A reconciliation of beginning and ending balances of the fair value of plan assets showing separately, if applicable, the effects during the period attributable to each of the following: actual return on plan assets, foreign currency exchange rate changes, contributions by the employer, contributions by plan participants, benefits paid, business combinations, divestitures, and settlements.
- c. The funded status of the plans and the amounts recognized in the statement of financial position, showing separately the assets (nonadmitted) and liabilities recognized.
- d. The objectives of the disclosures about postretirement benefit plan assets are to provide users of financial statements with an understanding of:
 - i. How investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies;
 - ii. The classes of plan assets;
 - iii. The inputs and valuation techniques used to measure the fair value of plan assets;

- iv. The effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period;
- v. Significant concentrations of risk within plan assets.

An employer shall consider those overall objectives in providing the following information about plan assets:

- (a) A narrative description of investment policies and strategies, including target allocation percentages or range of percentages considering the classes of plan assets disclosed pursuant to (b) below, as of the latest statement of financial position presented (on a weighted-average basis for employers with more than one plan), and other factors that are pertinent to an understanding of those policies and strategies such as investment goals, risk management practices, permitted and prohibited investments including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations. For investment funds disclosed as classes as described in (b) below, a description of the significant investment strategies of those funds shall be provided.
- (b) The fair value or NAV of each class of plan assets as of each date for which a statement of financial position is presented. Asset classes shall be based on the nature and risks of assets in an employer's plan(s). Examples of classes of assets include, but are not limited to, the following: cash and cash equivalents; equity securities, (segregated by industry type, company size, or investment objective); debt securities, issued by national, state, and local governments; corporate debt securities; asset-backed securities; structured debt; derivatives on a gross basis (segregated by type of underlying risk in the contract, for example, interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, credit contracts, and other contracts); investment funds (segregated by type of fund); and real estate. Those examples are not meant to be all inclusive. An employer should consider the overall objectives in paragraph 66.d. in determining whether additional classes of plan assets or further disaggregation of classes should be disclosed.
- (c) A narrative description of the basis used to determine the overall expected long-term rate-of-return-on-assets assumption, such as the general approach used, the extent to which the overall rate-of-return-on-assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectations of future returns, and how those adjustments were determined. The description should consider the classes of assets described in (b) above, as appropriate.
- (d) Information that enables users of financial statements to assess the inputs and valuation techniques used to develop fair value measurements of plan assets at the reporting date. For fair value measurements using significant unobservable

inputs, an employer shall disclose the effect of the measurements on changes in plan assets for the period. To meet those objectives, the employer shall disclose the following information for each class of plan assets disclosed pursuant to (b) above for each annual period:

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- (2) Information about the valuation technique(s) and inputs used to measure fair value, or the use of NAV, and a discussion of changes in valuation techniques and inputs, if any, during the period.
- ~~(2)~~(3) Investments measured using the NAV practical expedient must also comply with the NAV disclosure requirements detailed within SSAP No. 100, paragraph 54.

Footnote 2 - In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

Recommended Revisions to SSAP No. 102:

Disclosures – Single-Employer Defined Benefit Plans

68. An employer that sponsors one or more defined benefit pension plans or one or more other defined benefit postretirement plans shall provide the following information, separately for pension plans and other postretirement benefit plans. Amounts related to the employer's results of operations shall be disclosed for each period for which a statement of income is presented. Amounts related to the employer's statement of financial position, shall be disclosed as of the date of each statement of financial position presented. Although investments reported at NAV as a practical expedient pursuant to SSAP No. 100 are not to be categorized within the fair value hierarchy, a reporting entity shall separately identify NAV (or its equivalent) as required under paragraphs 68.b., 68.d.v.(b), and 68.d.v.(d)(1) to permit reconciliations.

- a. A reconciliation of beginning and ending balances of the benefit obligation showing separately, if applicable, the effects during the period attributable to each of the following: service cost, interest cost, contributions by plan participants, actuarial gains and losses, foreign currency exchange rate changes, benefits paid, plan amendments, business combinations, divestitures, curtailments, settlements, and special termination benefits.

- b. A reconciliation of beginning and ending balances of the fair value of plan assets showing separately, if applicable, the effects during the period attributable to each of the following: actual return on plan assets, foreign currency exchange rate changes, contributions by the employer, contributions by plan participants, benefits paid, business combinations, divestitures, and settlements.
- c. The funded status of the plans and the amounts recognized in the statement of financial position, showing separately the assets and liabilities recognized.
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 - v. Significant concentrations of risk within plan assets.

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- (a) A narrative description of investment policies and strategies, including target allocation percentages or range of percentages considering the classes of plan assets disclosed pursuant to (b) below, as of the latest statement of financial position presented (on a weighted-average basis for employers with more than one plan), and other factors that are pertinent to an understanding of those policies and strategies such as investment goals, risk management practices, permitted and prohibited investments including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations. For investment funds disclosed as classes as described in (b) below, a description of the significant investment strategies of those funds shall be provided.
- (b) The fair value or NAV of each class of plan assets as of each date for which a statement of financial position is presented. Asset classes shall be based on the nature and risks of assets in an employer's plan(s). Examples of classes of assets could include, but are not limited to, the following: cash and cash equivalents; equity securities, (segregated by industry type, company size, or investment objective); debt securities, issued by national, state, and local governments; corporate debt securities; asset-backed securities; structured debt; derivatives on a gross basis (segregated by type of underlying risk in the contract, for example,

interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, credit contracts, and other contracts); investment funds (segregated by type of fund); and real estate. Those examples are not meant to be all inclusive. An employer should consider the overall objectives in paragraph 68.d. in determining whether additional classes of plan assets or further disaggregation of classes should be disclosed.

- (c) A narrative description of the basis used to determine the overall expected long-term rate-of-return-on-assets assumption, such as the general approach used, the extent to which the overall rate-of-return-on-assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectations of future returns, and how those adjustments were determined. The description should consider the classes of assets described in (b) above, as appropriate.
- (d) Information that enables users of financial statements to assess the inputs and valuation techniques used to develop fair value measurements of plan assets at the reporting date. For fair value measurements using significant unobservable inputs, an employer shall disclose the effect of the measurements on changes in plan assets for the period. To meet those objectives, the employer shall disclose the following information for each class of plan assets disclosed pursuant to (b) above for each annual period:
 - (1) The level within the fair value hierarchy in which the fair value measurements in their entirety fall,² segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3). Investments reported at net asset value (NAV) shall not be captured within the fair value hierarchy but shall be separately identified.
 - (2) Information about the valuation technique(s) and inputs used to measure fair value, or the use of NAV, and a discussion of changes in valuation techniques and inputs, if any, during the period.
 - ~~(2)~~(3) Investments measured using the NAV practical expedient must also comply with the NAV disclosure requirements detailed within SSAP No. 100, paragraph 54.

Footnote 2 - In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

Status:

On August 11, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions to clarify that retirement plan assets can be held at net asset value (NAV) and shall be included in the required fair value disclosure, as illustrated above.

On December 9, 2025, the Statutory Accounting Principles (E) Working Group adopted the previously exposed revisions to *SSAP No. 92—Postretirement Benefits Other Than Pensions* and *SSAP No. 102—Pensions* to clarify that retirement plan assets can be held at net asset value (NAV) and shall be included in the required fair value disclosure. The Working Group also direct NAIC staff to sponsor a blanks proposal to make the revisions detailed above to the annual statement disclosures.

<https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2025 Fall/minutes and summary/SAPWG/1H-25-21 - Retirement Plan Assets Held at NAV.docx>

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

Issue: Residential Mortgage Loans Held in Statutory Trusts

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New Issue or SSAP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Description of Issue: This agenda item was drafted in response to interested parties’ comments on agenda item 2024-21: Investment Subsidiaries. Comments from interested parties noted that a significant part 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 trust laws, which allows for significant flexibility in structuring the trust. While holding real estate investments within a DST provides a number of structural and tax advantages, one of the most notable benefits is that it enables insurance companies to bypass the requirement of obtaining individual state lending licenses for each state where they hold residential mortgage investments.

This agenda item proposes to develop accounting and reporting guidance for qualifying trust structures, regardless of the state of domicile, that hold residential mortgage loans in scope of *SSAP No. 37—Mortgage Loans* and proposes reporting of these items on Schedule B - Mortgage Loans. Discussion on requirements in determining a “qualifying” trust and the reporting specifics are key items for which regulator feedback is specifically requested. Rather than retaining a generic reporting category that allows an RBC look-through without any parameters, which likely should have been eliminated when the concept of “investment subsidiaries” was deleted from SSAP No. 97 in 2005, NAIC staff proposes to assess statutory trust structures holding residential mortgage loans and establish specific accounting and reporting guidance.

As previously identified, the existing reporting for “investment subsidiaries” does not provide any transparency to regulators, as there are very limited restrictions as to what can be captured in an investment subsidiary, potentially allowing companies to bypass SSAP accounting or admittance requirements, NAIC designation determinations or state investment limitations requirements, with look-through RBC based on company records. Further, the RBC measurement guidance refers to an “imputed statutory value” and there are no current provisions on how that value should be determined.

Existing Authoritative Literature:

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 participation¹. Investments that reflect “participating mortgages,” “mortgage loan fund,” “bundled mortgage loans²” or the “securitization of assets” are not considered mortgage loans within scope of this SSAP.

- 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.

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.

Footnote 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.

Footnote 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.)

SSAP No. 46—Investments in Subsidiary, Controlled and Affiliated Entities
Superseded by SSAP No. 88 as of Jan. 1, 2005.

7.b.ii Investments in noninsurance SCA entities that have no significant ongoing operations other than to hold assets that are primarily for the direct or indirect benefit or use of the reporting entity or its affiliates, shall be recorded based on the underlying equity of the respective entity’s financial statements adjusted to a statutory basis of accounting and the resultant proportionate share of the subsidiary’s adjusted surplus, adjusted for unamortized goodwill as provided for in SSAP No. 68. Examples include but are not limited to: (i) an insurer and a SCA entity that leases autos, furniture, office equipment, or computer equipment to the insurer; (ii) an insurer and a SCA entity that owns real estate property that is leased to the insurer for office space; and (iii) an insurer and an SCA entity that holds investments that an insurer could acquire directly (i.e., “look through” investment subsidiary);

SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities

The current guidance requirement prescribes measurement based on the market value approach (8a) or an equity method (8b). The following guidance is divided as follows: 8bi: insurance subsidiaries, 8.b.ii: non-insurance subsidiaries that meet the activity and revenue test, 8bii: non-insurance subsidiaries not captured in 8a or 8bii, and 8biv: foreign insurance subsidiaries. There is no current guidance for an “investment subsidiary” and those SCAs would be captured under 8.b.iii and measured at the audited US GAAP equity.

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. In order to use the market valuation approach for SCA entities, the following requirements apply:
 - i. The subsidiary must be traded on one of the following major exchanges: (1) the New York Stock Exchange, (2) the NASDAQ, or (3) the Japan Exchange Group;
 - ii. The reporting entity must submit subsidiary information to the NAIC SCA analysts for calculation of the subsidiary’s market value. Such calculation could result in further discounts in market value above the established base discounts based on ownership percentages detailed below;
 - iii. Ownership percentages for determining the discount rate shall be measured at the holding company level;
 - iv. If an investment in a SCA results in an ownership percentage between 10% and 50%, a base discount percentage between 0% and 20% on a sliding scale basis is required;
 - v. If an investment in a SCA results in an ownership percentage greater than 50% up to and including 80%, a base discount percentage between 20% and 30% on a sliding scale basis is required;

- vi. If an investment in a SCA results in an ownership percentage greater than 80% up to and including 85%, a minimum base discount percentage of 30% is required.
 - vii. Further, the SCA must have at least two million shares outstanding, with a total market value of at least \$50 million in the public's control; and
 - viii. Any ownership percentages exceeding 85% will result in the SCA being recorded on an equity method.
- 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 Goodwill³ 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*
 - (d) Loans to employees, agents, brokers, representatives of the reporting entity or SCA as described in *SSAP No. 20—Nonadmitted Assets*

Footnote 3 - 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.

- (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;

- iii. Investments in both U.S. and foreign noninsurance SCA entities that do not qualify under paragraph 8.b.ii., shall be recorded based on the audited U.S. GAAP equity of the investee. Foreign SCA entities are defined as those entities incorporated or otherwise legally formed under the laws of a foreign country. Additional guidance on investments in downstream holding companies is included in paragraphs 22-27. Additional guidance on the use of audited foreign GAAP basis financial statements for the U.S. GAAP equity valuation amount is included in paragraph 23.b.
- iv. Investments in foreign insurance SCA entities shall be recorded based on the underlying U.S. GAAP equity from the audited U.S. GAAP basis financial statements, adjusted to a limited statutory basis of accounting in accordance with paragraph 9, if available. If the audited U.S. GAAP basis financial statements are not available, the investment can be recorded on the audited foreign statutory basis financial statements of the respective entity adjusted to a limited statutory basis of accounting in accordance with paragraph 9 and adjusted for reserves of the foreign insurance SCA with respect to the business it assumes directly and indirectly from a U.S. insurer using the statutory accounting principles promulgated by the NAIC in the *Accounting Practices and Procedures Manual*. The audited foreign statutory basis financial statements must include an audited footnote that reconciles net income and equity on the foreign statutory basis of accounting to the U.S. GAAP basis. Foreign insurance SCA entities

are defined as alien insurers formed according to the legal requirements of a foreign country.

2024 Annual Statement Instructions – Schedule D-6-1

If a reporting entity has any common stock or preferred stock reported for any of the following required categories or subcategories, it shall report the subtotal amount of the corresponding category or subcategory, with the specified subtotal line number appearing in the same manner and location as the pre-printed total or grand total line and number:

Category	Line Number
Preferred Stocks:	
Parent.....	0199999
U.S. Property & Casualty Insurer.....	0299999
U.S. Life Insurer	0399999
U.S. Health Entity #.....	0499999
Alien Insurer	0599999
Non-Insurer Which Controls Insurer	0699999
*Investment Subsidiary	0799999
Other Affiliates	0899999
Subtotals – Preferred Stocks	0999999
Common Stocks:	
Parent	1099999
U.S. Property & Casualty Insurer.....	1199999
U.S. Life Insurer	1299999
U.S. Health Entity #.....	1399999
Alien Insurer	1499999
Non-Insurer Which Controls Insurer	1599999
*Investment Subsidiary	1699999
Other Affiliates	1799999
Subtotals – Common Stocks	1899999
Totals – Preferred and Common Stocks	1999999

*NOTE: Investment Subsidiary shall mean any subsidiary, other than a holding company, engaged or organized primarily in the ownership and management of investments for the reporting entity. An investment subsidiary shall not include any broker dealer or a money management fund managing funds other than those of the parent company. The following criteria are applicable:

1. 95% or more of the investment subsidiary's assets would qualify as admitted assets;
2. The investment subsidiary's total liabilities are 5% or less of total assets;
3. Combining the pro-rata ownership shares of the assets of all the investment subsidiaries with the owning reporting entity's assets does not violate any state requirements concerning diversification of investments or limitations on investments in a single entity; and
4. **The investment subsidiary's book/adjusted carrying value does not exceed the imputed value on a statutory accounting basis. If the book/adjusted carrying value does exceed the imputed statutory value, the reporting entity may either nonadmit the excess or categorize such subsidiary in the "All Other Affiliates" category.**

2023 RBC Forecasting and Instructions:

AFFILIATED/SUBSIDIARY STOCKS – LR042, LR043, and LR044

(Only key excerpts included – **bolded for emphasis.**)

Affiliated/Subsidiary investments fall into two broad categories: (A) Insurance Affiliates/Subsidiaries that are Subject to risk-based capital; and (B) Affiliates/Subsidiaries that are Not Subject to risk-based capital. The risk-based capital for these two broad groups differs. **Investment subsidiaries are a subset of category A in that they are subject to a risk-based capital charge that includes the life RBC risk factors applied only to the investments held by the investment subsidiary for its parent insurer.** Publicly traded insurance affiliates/subsidiaries held at market value have characteristics of both broader categories. As a result, there is a two-part RBC calculation. The general treatment for each is explained below.

4. Investment Subsidiaries

An investment subsidiary is a subsidiary that exists only to invest the funds of the parent company. The term “investment subsidiary” is defined in the NAIC’s Annual Statement Instructions as any subsidiary, other than a holding company, engaged or organized primarily to engage in the ownership and management of investments for the insurer. An investment subsidiary shall not include any broker-dealer or a money management fund managing funds other than those of the parent company. **The risk-based capital charge for the ownership of an investment subsidiary is based on the risk-based capital of the underlying assets, pro-rated for the degree of ownership. The basis for this calculation is the assumption that the charge should be the same as it would be if the life insurer held the assets directly.** Report information regarding any investment subsidiaries. Subsidiaries reported in this section will be assigned an affiliate code of “4” for investment subsidiaries. The amount of reported common stock should be the same as Schedule D, Part 6, Section 1, Line 1699999. Preferred stock information should be the same as Schedule D, Part 6, Section 1, Line 0799999.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:
None

Convergence with International Financial Reporting Standards (IFRS): N/A

Staff Recommendation:

NAIC staff recommend that the Working Group move this item to the active listing categorized as a SAP clarification and expose this agenda item proposing to add qualifying investment trusts holding residential mortgage loans in scope of *SSAP No. 37—Mortgage Loans* for reporting on Schedule B – Mortgage Loans. Comments are specifically requested on the requirements for a qualifying trust as well as the proposed reporting. A few key items to note:

- The proposal is specific to trusts that hold only residential mortgage loans. This is due to concerns about a lack of transparency if multiple types of mortgages are held in the same trust, and that industry has indicated these structures are specifically used for residential mortgage loans. Industry has also

indicated that the value of the individual residential mortgages is often a lower dollar amount which results in a high volume of residential mortgage loans held in the trust.

- The agenda item proposes separate reporting of individual mortgage loans on Schedule B for residential mortgages held in trust consistent with the existing annual statement instructions for Schedule B. NAIC staff is aware that some reporting entities are already reporting these trusts as “participation agreements” on Schedule B, but it appears there is not consistency in presentation (some companies show aggregated by trust, whereas other companies show by individual mortgage loans). Comments are requested by regulators on this proposal to determine if individual loan reporting is the preferred reporting method, or if some kind of aggregate reporting method should be explored. One concern that has been raised with individual reporting is that the volume of residential mortgage loans could be quite high as individual residential mortgage loan values are generally quite low compared to the typical mortgage loans purchased by insurers. Alternatively, individual mortgage loan reporting is consistent with existing Schedule B instructions, which may be simpler for insurers to report using existing mortgage loan details, and there would be increased transparency.
- As noted after paragraph 6.b.iv., NAIC staff is requesting information on how foreclosed assets (real estate) would be reported when held in the trust. Presumably, these would be sold and the cash would be transferred to the reporting entity, but there will be ongoing / recurring real estate in the trust as foreclosures occur before they are sold and settled. NAIC staff also requests comments on whether any additional columns should be added to Schedule B for mortgages held in qualifying statutory trust.

Proposed revisions – 5/22 Interim Meeting:

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 participation¹, [or mortgage loans acquired through a](#)

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

qualifying investment in a statutory trust. Investments that reflect “participating mortgages,” “mortgage loan fund,” “bundled mortgage loans²” or the “securitization of assets” are not considered mortgage loans within scope of this SSAP. Regardless of whether reported on Schedule B or another schedule, all statutory trusts owned by the reporting entity shall be detailed in Schedule Y.

- 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 a separate legal entity created as a trust under state statute, a common example of which would be Delaware statutory trusts (DSTs). For an investment in a statutory trust to qualify as a mortgage loan within this statement it must have the following characteristics:
 - i. Statutory trust must be domiciled in a U.S. state or territory.
 - ii. Beneficial ownership in the statutory trust must be evidenced by a certificate or registered as an uncertificated interest within the statutory trust register.

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.)

- iii. The reporting entity has exclusive, 100% undivided beneficial ownership interest in all assets of the statutory trust³.
- iv. All assets of the statutory trust are to be in first lien single residential mortgage loan agreements, meaning each mortgage loan is legally separate and divisible. Statutory trusts which have pledged, or otherwise encumbered, trust assets to secure financing would fail this criterion.

NAIC Question on 6.b.iv. - Were the statutory trust to foreclose on a mortgage, and would the “real estate” become an asset of the trust? How would that be reported?

- v. Statutory trust must maintain all requisite documents and records in accordance with the applicable state statutes. The trust must also maintain a detail of residential mortgage loan agreements held in the trust to be made available to the state insurance regulator and auditors upon request; this detail must contain, at a minimum, the same information as would be required were the mortgage loans to be individually reported on Schedule B, Part 1.
- vi. 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, etc.). Transactions of the qualifying statutory trust shall be reported as transactions of the reporting entity pursuant to the guidance in this statement.
- ~~i~~vii. All cash flows from the single residential mortgage loan agreements must flow through directly to the reporting entity, with the exception of customary and reasonable fees to the statutory trust manager/servicer.

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.

Disclosures

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

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 statutory trust to meet the criterion described in paragraph 2b.i., the reporting entity must: hold 100% undivided beneficial ownership interest in all assets of the statutory trust series, the series must own all of each single mortgage loan agreement held as assets, and the reporting entity’s ownership and ability to divest its interest the series must not be contingent upon its ownership in other series of the statutory trust.

For example, if a statutory trust has Series A through C, and the reporting entity has 100% beneficial ownership of Series A but only 50% of Series B, only the investment in Series A would meet this criterion. However, if beneficial ownership of each single mortgage loan agreement is split evenly across Series A, B, and C (e.g., each holds one-third of the loan asset), then none of the investments would qualify, as the assets are shared across series.

- a. A description of the statutory trust(s). Mortgage loans held in statutory trusts must be separately reported on Schedule B in accordance with the annual statement instructions.
 - i. If the statutory trust(s) holds any amount of subprime mortgages, the reporting entity must disclose this fact in the description of the statutory trust(s) and complete the subprime mortgage disclosures as detailed in SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures.
 - ii. Description of each statutory trust must include the U.S. state(s) in which the statutory trust is qualified to do business, and the amount of fiscal year-to-date fees incurred for asset management, property management, trustee, service, and any other fees associated with management/administration of the described statutory trust.
- b. Disclosure of any material litigation and any kind of state or federal regulatory review and/or action concerning the statutory trust(s).
- c. Disclosure of financing transactions of any sort which are secured, directly or indirectly, by statutory trust assets.
- ~~a.~~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.

Proposed revisions to Annual Statement Instructions:

SCHEDULE B – PARTS 1 AND 2

MORTGAGE LOANS OWNED AND ACQUIRED – GENERAL INSTRUCTIONS

If a reporting entity has any detail lines reported for any of the following required groups, it shall report the subtotal amount of the corresponding group with the specified subtotal line number appearing in the same manner and location as the pre-printed total.

For accounting guidance related to foreign currency transactions and translations, refer to *SSAP No. 23—Foreign Currency Transactions and Translations*. The underlying loans held by qualifying investments in a statutory trust(s) must be disaggregated by group (loan standing) and subgroup (loan type), as shown below.

SCHEDULE B – PART 1

MORTGAGE LOANS OWNED DECEMBER 31 OF CURRENT YEAR

Report separately all mortgage loans owned and backed by real estate, including those held in qualifying investments in statutory trust(s). Include non-conventional mortgage loans (e.g., loans that can be increased to their maximum loan value without incurring the cost of writing a new mortgage). Also include mezzanine real estate loans. For accounting and admission guidance related to mezzanine real estate loans, refer to *SSAP No. 83—Mezzanine Real Estate Loans*. Collateralized Mortgage Obligations, (residential mortgage-backed securities), should be included in Schedule D.

A description of the information required by the columnar headings is as follows:

Column 21 – State of Domicile (Statutory Trust Only)

Report the two-character U.S. postal abbreviation for the U.S. state the statutory trust is domiciled within.

SCHEDULE B – PART 2

MORTGAGE LOANS ACQUIRED AND ADDITIONS MADE DURING YEAR

Report individually all mortgage loans acquired or transferred from another category (e.g., joint ventures, Schedule BA) but also any increases or additions to mortgage loans acquired or transferred in the current and prior periods. Mortgages acquired and disposed during the same year should be reported in both Part 2 and Part 3, which would also include acquired or disposed of residential mortgage loans held within qualifying statutory trusts. Include non-conventional mortgage loans (e.g., loans that can be increased to their maximum loan value without incurring the cost of writing a new mortgage). Also include mezzanine real estate loans. For accounting and admission guidance related to mezzanine real estate loans, refer to SSAP No. 83—*Mezzanine Real Estate Loans*. Collateralized Mortgage Obligations (residential mortgage-backed securities) should be included in Schedule D.

A description of the information required by the columnar headings is as follows:

Column 15 – State of Domicile (Statutory Trust Only)

Report the two-character U.S. postal abbreviation for the U.S. state the statutory trust is domiciled within.

SCHEDULE B – PART 3

MORTGAGE LOANS DISPOSED, TRANSFERRED OR REPAYED DURING THE YEAR

Report individually each mortgage, including those held in qualifying investments in statutory trust(s), that has had decreases in the balance as a result of being closed by repayment, partial repayment, disposed or transferred to another category (e.g., real estate, Schedule A). Do not report individual partial repayments but aggregate all partial repayments by mortgage loan.

If a reporting entity has any detail lines reported for any of the following required groups, it shall report the subtotal amount of the corresponding group with the specified subtotal line number appearing in the same manner and location as the pre-printed total.

Mortgages closed by repayment	0199999
Mortgages with partial repayments	0299999
Mortgages disposed	0399999
Mortgages transferred.....	0499999
Total.....	0599999

A description of the information required by the columnar headings is as follows:

Column 24 – State of Domicile (Statutory Trust Only)

Report the two-character U.S. postal abbreviation for the U.S. state the statutory trust is domiciled within.

Status:

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.

On July 8, 2025, the Statutory Accounting Principles (E) Working Group received formal comments from interested parties on the draft exposed on 5/22. These comments were in addition to informal interim discussions on the draft prior to the comment letter. The following represent a summary of interested parties comments:

1. Regarding ownership of the trust’s assets, title to the RMLs is held by the trustee on behalf of the trust. The books and records of the trust then allocate a beneficial interest in each loan to a specific series. Same goes for any other assets of the trust. Some updates will be needed to the current Exposure Draft to reflect how these structures operate from a legal perspective.
 - a. *NAIC Staff have made some additional changes to better reflect this dynamic in the draft below, but welcome further recommendations from interested parties to ensure SSAP language accurately reflect these structures.*
2. Interested parties believe that the same requirements that apply to RMLs directly held and accounted for under SSAP No. 37 – *Mortgage Loans* should apply to the RMLs owned through a trust. As stated above, since 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.
 - a. *NAIC staff agree with this change and have updated the draft below with language which would allow the same types of RML allowed under SSAP No. 37 as long as the mortgage loans are legally separate and divisible.*
3. The trust should be allowed to pledge the RMLs for the benefit of the insurer. Suggested language was discussed to make this clear in the Exposure Draft.
 - a. *NAIC staff agree that clarification is necessary. As discussed, RMLs are frequently pledged as collateral for lines of credit or other borrowings (e.g. FHLB), and these arrangements are not problematic as long as the insurer is the pledgor. The primary concern arises when trust assets are pledged or encumbered by the statutory trust to a third party, and not on behalf of the insurer. To address this, NAIC staff consolidated the pledge guidance into a new paragraph in the admittance section of the SSAP clarifying that assets held in a qualifying statutory trust may be pledged by the insurer but will be non-admitted to the extent they are pledged or encumbered to a third party due to actions taken by the trust.*

4. The Exposure Draft included a request for input on the appropriate reporting for foreclosed real estate that becomes an asset of the trust. Interested parties believe that any real estate assets, cash, or other assets related to investing in the RMLs such as receivables as well as liabilities, should be reported as if held directly by the insurer since the insurer gets all the risks and rewards of ownership. We also understand that it may be common for the trust to set up an LLC to own foreclosed real estate. If that is the case, since SSAP No. 40 – *Real Estate Investments* allows for single, wholly-owned real estate held in an LLC to be directly reported on Schedule A, we believe the same look-through provision would apply here and the insurer would report the real estate as directly owned.
 - a. *NAIC staff do not disagree with the inclusion of real estate acquired via foreclosure, especially as this situation is likely to occur at some point or another and have reflected this as an allowable asset within a qualifying statutory trust. However, we do not agree with the recommendation to allow foreclosed real estate to be held within an LLC wholly owned by the qualifying statutory trust. This would result in qualifying statutory trusts with subsidiary holdings which introduces another layer of complexity; the original intent of this project was to draft guidance to allow for pass-through accounting and reporting for RMLs held within statutory trusts and while some allowances have been made to allow for necessary activity NAIC staff does not believe these allowance should include wholly-owned subsidiaries.*
5. We suggest changing the name from statutory trust to a qualifying trust. A trust can be a statutory trust or a common law trust. We understand that a statutory trust can have series whereas common law trusts do not, but both types can be used to hold RMLs on behalf of the insurer.
 - a. *NAIC staff disagree with this recommendation. Statutory trusts are created under and governed by specific state statutes, are recognized as separate legal 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.*

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 legal 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 legal entity or uphold provisions such as limited liability for investors.

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.

6. Interested parties question whether disclosure of fees paid to the servicer is a critical disclosure. We have received feedback that this information is confidential and could impact competitive market practices among servicers. Since such disclosure is not required for RMLs/CMLs directly owned and managed by a third-party servicer, we suggest that this disclosure be removed. In addition, the last sentence of paragraph 2 b (iv) implies that the loans will not be disclosed individually as it states “the detail must contain at a minimum, the same information as would be required were the mortgage loans to be individually reported on Schedule B.” If the ultimate decision is to report the loans individually on Schedule B, then this sentence should be removed.
 - a. *NAIC staff noted that the main concern the fee disclosure was to trying to address was excessive fees. However, based on the comments from IPs and discussions amongst the NAIC staff team, this disclosure was eliminated. This situation would be highly unlikely to occur unless a related party or affiliate were involved in administering the trust. It was also noted that since revenue and expenses are to be reported as if directly incurred by the insurer, then these activities would be subject to the related party and affiliate disclosure required by SSAP No. 25. To be clear on 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.”
7. In item 27.b., interested parties believe the materiality qualifier should apply to both parts of the disclosure (litigation and state or federal regulatory review).
 - a. *NAIC staff agree with this comment and have updated the draft accordingly.*
8. Interested parties suggest adding a code to the residential mortgage loan sections of Schedule B to note loans that are held in statutory trusts so that directly held loans versus loans held in trust are easily identifiable by the regulators.
 - a. *NAIC staff agree with this comment and have updated the draft accordingly.*
9. Interested parties also suggest adding guidance in the Exposure Draft for RMLs held in trusts that do not meet the proposed criteria, so that it is clearer how those investments should be accounted for and reported.
 - a. *NAIC staff agree with this comment and have revised the draft to clarify that non-qualifying statutory trusts must comply with the applicable SSAP. 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 all possible trust types and provide specific SSAP references for each.*
10. *During interim discussions, interested parties also recommended revisions to allow qualifying statutory trusts to receive other assets that constitute proceeds of such mortgage loan. However, NAIC staff are concerned that this language could permit virtually any type of asset to be held and reported within a qualifying statutory trust, so long as it is received as proceeds from RMLs. It is unclear how often non-cash*

assets are received in these situations, and additional detail would be helpful. Specifically, the types of assets received, how frequently this occurs, and whether such assets are typically converted to cash by the trust.

STAFF RECOMMENDATION – 2025 SUMMER NATIONAL MEETING:

NAIC staff met with industry representatives in the interim and have incorporated revisions for consideration. We recommend that the Working Group expose an updated draft of revisions to expand the scope of SSAP No. 37—Mortgage Loans to include qualifying investment trusts holding residential mortgage loans to be reported Schedule B – Mortgage. Key revisions include:

- 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.
- 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.
- Removal of the requirement that qualifying statutory trusts may only hold first lien single residential mortgage loans and the requirement to hold the entire loan.
- 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.
- 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.
- Eliminated the management fee disclosure.
- 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).

Proposed Revisions – Summer National Meeting:

Drafting Note: Changes made since previous exposure shown with grey fill.

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 include certain acquisition, development and construction arrangements (ADC) as defined in *SSAP No. 38—Acquisition, Development and Construction Arrangements*; and real estate held within a qualifying statutory trust(s) that was acquired due to events described in *SSAP No. 37—Mortgage Loans*, paragraph 18, and shall be reported as if directly held by the reporting entity.

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, and code the real estate as owned through a qualifying statutory trust.

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 participation⁴, or mortgage loans acquired through an

⁴ 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”

investment in a qualifying statutory trust as defined in paragraph 2.b. Investments that reflect “participating mortgages,” “mortgage loan fund,” “bundled mortgage loans⁵” 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 accordance with the applicable statement of statutory accounting principle. 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.

- 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 a separate legal entity an unincorporated association created as a trust under state statute, a common example of which would be Delaware statutory trusts (DSTs). For an investment in a statutory trust To be considered a qualifying statutory trust and reported as a mortgage loan within scope of this statement, it the statutory trust being invested in must have and maintain all of the following characteristics:
 - i. The sStatutory trust must be domiciled in a U.S. state or territory.
 - ~~i. Beneficial ownership in the statutory trust must be evidenced by a certificate or registered as an uncertificated interest within the statutory trust register.~~
 - ii. The reporting entity must hold an has-exclusive, 100% undivided beneficial ownership interest in all assets of the statutory trust, or in all assets of a specific series of a statutory

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.

⁵ 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.)

trust that has separate series⁶. Such beneficial ownership interest must be evidenced by a certificate or registered as an uncertificated interest within the statutory trust register.

iii. All assets of the statutory trust may only consist of ~~are to be in first lien~~ 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; real estate of which the statutory trust acquires ownership due to events described in paragraph 18; 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. ~~Statutory trusts which have pledged, or otherwise encumbered, trust assets to secure financing would fail this criterion.~~

(a) Mortgage loans shall be reported on Schedule B in accordance with this statement.

(b) Cash and cash equivalents shall be reported in accordance with SSAP No. 2—*Cash, Cash Equivalents, Drafts and Short-Term Investments*.

(c) Real estate directly held by statutory trust shall be reported on Schedule A and as “Held for Sale” in accordance with SSAP No. 40—*Real Estate Investments*.

(d) Liabilities of the statutory trust shall be reported in accordance with the applicable statement of statutory accounting principle.

(e) 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*.

iv. The statutory trust must maintain all requisite documents and records in accordance with the applicable state statutes. The trust must also maintain (either directly or through a custodian) a detail of residential mortgage loan agreements held in the trust to be made available to the state insurance regulator and auditors upon request; this detail must

⁶ 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 2b.ii, the trust agreement must explicitly provide for the limitation of liabilities of each series, the reporting entity must hold 100% undivided beneficial ownership interest in all assets of that the statutory trust series, the series must own all of each single mortgage loan agreement held as asset, 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 of Series A but only a 50% ownership interest in of Series B, only the investment in Series A would meet this criterion. However, if beneficial ownership of each single mortgage loan agreement is split evenly across Series A, B, and C (e.g., each holds one third of the loan asset), then none of the investments would qualify, as the assets are shared across series.

contain, at a minimum, the same information as would be required were the mortgage loans to be individually reported on Schedule B.

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.

~~ii.~~ 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. Statutory trust assets 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 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

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

a. A description of the statutory trust(s). Mortgage loans held in statutory trusts must be separately reported on Schedule B in accordance with the annual statement instructions.

i. If the statutory trust(s) holds any amount of subprime mortgages, the reporting entity must disclose this fact in the description of the 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 statutory trusts within the scope of SSAP No. 25 shall also be disclosed.

ii. Description of each statutory trust must include the U.S. state(s) in which the statutory trust is qualified to do business.

~~the aggregate amount of fiscal year-to-date fees incurred for asset management, property management, trustee, service, and any other fees associated with management/administration of the described statutory trust.~~

- 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 ~~any~~ material litigation and any kind of ~~material~~ state or federal regulatory review and/or action concerning the statutory trust(s).
- c. Disclosure of financing transactions of any sort which are secured, directly or indirectly, by statutory trust assets.
- a.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.

Proposed revisions to Annual Statement Instructions:

SCHEDULE B – PARTS 1 AND 2

MORTGAGE LOANS OWNED AND ACQUIRED – GENERAL INSTRUCTIONS

If a reporting entity has any detail lines reported for any of the following required groups, it shall report the subtotal amount of the corresponding group with the specified subtotal line number appearing in the same manner and location as the pre-printed total. The underlying loans held by within qualifying investments in a statutory trust(s) must be disaggregated by group (loan standing) and subgroup (loan type), as shown below.

For accounting guidance related to foreign currency transactions and translations, refer to *SSAP No. 23—Foreign Currency Transactions and Translations*.

SCHEDULE B – PART 1

MORTGAGE LOANS OWNED DECEMBER 31 OF CURRENT YEAR

Report separately all mortgage loans owned and backed by real estate, including those held within qualifying investments in statutory trust(s). Include non-conventional mortgage loans (e.g., loans that can be increased to their maximum loan value without incurring the cost of writing a new mortgage). Also include mezzanine real estate loans. For accounting and admission guidance related to mezzanine real estate loans, refer to *SSAP No. 83—Mezzanine Real Estate Loans*. Collateralized Mortgage Obligations, (residential mortgage-backed securities), should be included in Schedule D.

A description of the information required by the columnar headings is as follows:

Column 1 – Loan Number

Report the mortgage loan number assigned by the reporting entity. For foreign denominated mortgages, indicate the principal indebtedness amount in its local currency.

Column 2 – Code

Enter “^” in this column for all assets that are bifurcated between the insulated separate account filing and the non-insulated separate account filing.

If mortgage loans are not under the exclusive control of the company as shown in the General Interrogatories, it is to be identified by placing one of the **symbols identified in the Investment Schedules General Instructions** in this column.

Separate Account Filing Only:

If the asset is a bifurcated asset between the insulated separate account filing and the non-insulated separate account filing, the “^” should appear first, immediately followed by the appropriate code (**identified in the Investment Schedules General Instructions**).

Column 3 – City

For mortgages in the U.S., list city. If the city is unknown, indicate the county. If the mortgage is outside the U.S., indicate the city or province.

Column 4 – State

For mortgages in U.S. states, territories and possessions, report the two-character U.S. postal abbreviation for U.S. states, territories and possessions. If the mortgage is located outside the U.S. states, territories and possessions, report the three-character (ISO Alpha 3) country abbreviations available in the listing in the appendix of these instructions.

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”.

If the mortgage loan is not a first lien, including those with a combination of first and subordinate liens, enter “2”.

Otherwise, leave the column blank.

Column 21 – State of Domicile (Statutory Trust Only)

Report the two-character U.S. postal abbreviation for the U.S. state or territory the statutory trust is domiciled within.

SCHEDULE B – PART 2

MORTGAGE LOANS ACQUIRED AND ADDITIONS MADE DURING YEAR

Report individually all mortgage loans acquired or transferred from another category (e.g., joint ventures, Schedule BA) but also any increases or additions to mortgage loans acquired or transferred in the current and prior periods. Mortgages acquired and disposed during the same year should be reported in both Part 2 and Part 3, [which would also include acquired or disposed of residential mortgage loans held within qualifying statutory trusts](#). Include non-conventional mortgage loans (e.g., loans that can be increased to their maximum loan value without incurring the cost of writing a new mortgage). Also include mezzanine real estate loans. For accounting and admission guidance related to mezzanine real estate loans, refer to *SSAP No. 83—Mezzanine Real Estate Loans*. Collateralized Mortgage Obligations (residential mortgage-backed securities) should be included in Schedule D.

A description of the information required by the columnar headings is as follows:

Column 1 – Loan Number

Report the mortgage loan number assigned by the reporting entity. For foreign denominated mortgages, indicate the principal indebtedness amount in its local currency.

Column 2 – City

For mortgages in the U.S., list city. If the city is unknown, indicate the county. If the mortgage is outside the U.S., indicate the city or province.

Column 3 – State

For mortgages in U.S. states, territories and possessions, report the two-character U.S. postal abbreviation for U.S. states, territories and possessions. If the mortgage is located outside the U.S. states, territories and possessions, report the three-character (ISO Alpha 3) country abbreviations available in the listing in the appendix of these instructions.

Column 4 – 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”.](#)

[If the mortgage loan is not a first lien, including those with a combination of first and subordinate liens, enter “2”.](#)

Otherwise, leave the column blank.

Column 15 – State of Domicile (Statutory Trust Only)

Report the two-character U.S. postal abbreviation for the U.S. state or territory the statutory trust is domiciled within.

SCHEDULE B – PART 3

MORTGAGE LOANS DISPOSED, TRANSFERRED OR REPAID DURING THE YEAR

Report individually each mortgage, including those held in qualifying investments in statutory trust(s), that has had decreases in the balance as a result of being closed by repayment, partial repayment, disposed or transferred to another category (e.g., real estate, Schedule A). Do not report individual partial repayments but aggregate all partial repayments by mortgage loan.

If a reporting entity has any detail lines reported for any of the following required groups, it shall report the subtotal amount of the corresponding group with the specified subtotal line number appearing in the same manner and location as the pre-printed total.

Mortgages closed by repayment	0199999
Mortgages with partial repayments	0299999
Mortgages disposed	0399999
Mortgages transferred.....	0499999
Total.....	0599999

A description of the information required by the columnar headings is as follows:

Column 1 – Loan Number

Report the mortgage number assigned by the reporting entity.

Column 2 – City

For mortgages in the U.S., list city. If the city is unknown, indicate the county. If the mortgage is outside the U.S., indicate the city or province.

Column 3 – State

For mortgages in U.S. states, territories and possessions, report the two-character U.S. postal abbreviation for U.S. states, territories and possessions. If the mortgage is located outside the U.S. states, territories and possessions, report the three-character (ISO Alpha 3) country abbreviations available in the listing in the appendix of these instructions.

Column 4 – 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."

If the mortgage loan is not a first lien, including those with a combination of first and subordinate liens, enter "2".

Otherwise, leave the column blank.

Column 24 – State of Domicile (Statutory Trust Only)

Report the two-character U.S. postal abbreviation for the U.S. state or territory the statutory trust is domiciled within.

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. This updated draft, as shown above under the 2025 Summer National Meeting Staff Recommendation, reflects changes made by NAIC staff based on further research as well as discussions with interested parties. Changes from the prior exposure are shaded.

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 residential mortgage loans (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 revisions are shown on pages 24-33 under the "Fall National Meeting Updated Revisions."

Fall National Meeting Updated Revisions:

Drafting Note: Changes made since previous exposure shown with grey fill.

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

2. 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. and rReal estate held within a qualifying statutory trust(s), as defined in SSAP No. 37—Mortgage Loans, that was acquired ~~due to events described through an in-substance repossession or foreclosure in accordance with SSAP No. 37, paragraph 18, and shall be reported as if directly held by the reporting entity.~~
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, and code the real estate as owned through a qualifying statutory trust.

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 participation⁷, [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 loans⁸” or the “securitization of assets” are not considered

⁷ 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.

⁸ 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

mortgage loans within scope of this SSAP. Nonqualifying statutory trusts shall be accounted for and reported in accordance with the applicable statement of statutory accounting principle. 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 (DSTs). 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 or territory.
 - 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 series⁹. 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

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.)

⁹ 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. ~~for the limitation of liabilities of each 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.

estate of which the statutory trust has acquired ownership due to events described in accordance with paragraph 18 through 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 directly 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. ~~The trust must also maintain (either directly or through a custodian) a detail of residential mortgage loan agreements held in the trust to be made available to the state insurance regulator and auditors upon request; this detail must contain, at a minimum, the same information as would be required were the mortgage loans to be individually reported on Schedule B.~~
- 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. ~~Statutory trust~~ 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 ~~include~~ 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 ~~is qualified~~ 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 ~~any~~ 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)-(d).

Proposed Revisions to Annual Statement Instructions:

SCHEDULE B – PARTS 1 AND 2

MORTGAGE LOANS OWNED AND ACQUIRED – GENERAL INSTRUCTIONS

If a reporting entity has any detail lines reported for any of the following required groups, it shall report the subtotal amount of the corresponding group with the specified subtotal line number appearing in the same manner and location as the pre-printed total. The underlying Residential mortgage loans held within qualifying statutory trust(s) are separately reported in this same manner must be reported disaggregated by group (loan standing) and subgroup (loan type), as shown below.

For accounting guidance related to foreign currency transactions and translations, refer to SSAP No. 23—Foreign Currency Transactions and Translations.

SCHEDULE B – PART 1

MORTGAGE LOANS OWNED DECEMBER 31 OF CURRENT YEAR

Report separately all mortgage loans owned and backed by real estate, including those held within qualifying statutory trust(s). Include non-conventional mortgage loans (e.g., loans that can be increased to their maximum loan value without incurring the cost of writing a new mortgage). Also include mezzanine real estate loans. For accounting and admission guidance related to mezzanine real estate loans, refer to SSAP No. 83—Mezzanine Real Estate Loans. Collateralized Mortgage Obligations, (residential mortgage-backed securities), should be included in Schedule D.

A description of the information required by the columnar headings is as follows:

Column 1 – Loan Number

Report the mortgage loan number assigned by the reporting entity. For foreign denominated mortgages, indicate the principal indebtedness amount in its local currency.

Column 2 – Code

Enter “^” in this column for all assets that are bifurcated between the insulated separate account filing and the non-insulated separate account filing.

If mortgage loans are not under the exclusive control of the company as shown in the General Interrogatories, it is to be identified by placing one of the **symbols identified in the Investment Schedules General Instructions** in this column.

Separate Account Filing Only:

If the asset is a bifurcated asset between the insulated separate account filing and the non-insulated separate account filing, the “^” should appear first, immediately followed by the appropriate code (**identified in the Investment Schedules General Instructions**).

Column 3 – City

For mortgages in the U.S., list city. If the city is unknown, indicate the county. If the mortgage is outside the U.S., indicate the city or province.

Column 4 – State

For mortgages in U.S. states, territories and possessions, report the two-character U.S. postal abbreviation for U.S. states, territories and possessions. If the mortgage is located outside the U.S. states, territories and possessions, report the three-character (ISO Alpha 3) country abbreviations available in the listing in the appendix of these instructions.

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”.](#)

[If the mortgage loan is not a first lien, including those with a combination of first and subordinate liens, enter “2”.](#)

Otherwise, leave the column blank.

~~Column 21 – State of Domicile (Statutory Trust Only)~~

~~Report the two-character U.S. postal abbreviation for the U.S. state or territory the statutory trust is domiciled within.~~

SCHEDULE B – PART 2

MORTGAGE LOANS ACQUIRED AND ADDITIONS MADE DURING YEAR

Report individually all mortgage loans acquired or transferred from another category (e.g., joint ventures, Schedule BA) but also any increases or additions to mortgage loans acquired or transferred in the current and prior periods. Mortgages acquired and disposed during the same year should be reported in both Part 2 and Part 3, [which would also include acquired or disposed of residential mortgage loans held within qualifying statutory trusts](#). Include non-conventional mortgage loans (e.g., loans that can be increased to their maximum loan value without incurring the cost of writing a new mortgage). Also include mezzanine real estate loans. For accounting and admission guidance related to mezzanine real estate loans, refer to SSAP No. 83—*Mezzanine Real Estate Loans*. Collateralized Mortgage Obligations (residential mortgage-backed securities) should be included in Schedule D.

A description of the information required by the columnar headings is as follows:

Column 1 – Loan Number

Report the mortgage loan number assigned by the reporting entity. For foreign denominated mortgages, indicate the principal indebtedness amount in its local currency.

Column 2 – City

For mortgages in the U.S., list city. If the city is unknown, indicate the county. If the mortgage is outside the U.S., indicate the city or province.

Column 3 – State

For mortgages in U.S. states, territories and possessions, report the two-character U.S. postal abbreviation for U.S. states, territories and possessions. If the mortgage is located outside the U.S. states, territories and possessions, report the three-character (ISO Alpha 3) country abbreviations available in the listing in the appendix of these instructions.

Column 4 – 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”.](#)

If the mortgage loan is not a first lien, including those with a combination of first and subordinate liens, enter "2".

Otherwise, leave the column blank.

~~Column 15 — State of Domicile (Statutory Trust Only)~~

~~Report the two-character U.S. postal abbreviation for the U.S. state or territory the statutory trust is domiciled within.~~

SCHEDULE B – PART 3

MORTGAGE LOANS DISPOSED, TRANSFERRED OR REPAID DURING THE YEAR

Report individually each mortgage, including those held in qualifying investments in statutory trust(s), that has had decreases in the balance as a result of being closed by repayment, partial repayment, disposed or transferred to another category (e.g., real estate, Schedule A). Do not report individual partial repayments but aggregate all partial repayments by mortgage loan.

If a reporting entity has any detail lines reported for any of the following required groups, it shall report the subtotal amount of the corresponding group with the specified subtotal line number appearing in the same manner and location as the pre-printed total.

Mortgages closed by repayment	0199999
Mortgages with partial repayments	0299999
Mortgages disposed	0399999
Mortgages transferred.....	0499999
Total.....	0599999

A description of the information required by the columnar headings is as follows:

Column 1 – Loan Number

Report the mortgage number assigned by the reporting entity.

Column 2 – City

For mortgages in the U.S., list city. If the city is unknown, indicate the county. If the mortgage is outside the U.S., indicate the city or province.

Column 3 – State

For mortgages in U.S. states, territories and possessions, report the two-character U.S. postal abbreviation for U.S. states, territories and possessions. If the mortgage is located outside the U.S. states, territories and possessions, report the three-character (ISO Alpha 3) country abbreviations available in the listing in the appendix of these instructions.

Column 4 – 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".

If the mortgage loan is not a first lien, including those with a combination of first and subordinate liens, enter "2".

Otherwise, leave the column blank.

~~Column 24 — State of Domicile (Statutory Trust Only)~~

~~Report the two-character U.S. postal abbreviation for the U.S. state or territory the statutory trust is domiciled within.~~

SCHEDULE A – PART 1

REAL ESTATE OWNED DECEMBER 31 OF CURRENT YEAR

Real estate includes land, buildings and permanent improvements (includes real estate owned under contract of sale). Also include single real estate property wholly owned by an LLC that meets the criteria set forth in SSAP No. 40—Real Estate Investments. All other real estate owned indirectly (such as through joint ventures) should be included in Schedule BA. The purpose for this schedule is to report individually each property owned, classified into categories that separately identify properties occupied by the reporting entity, properties held for the production of income, and properties held for sale.

Report each Real Estate project under development in the category where it will ultimately reside, (e.g., a project under development that will be owned for the production of income should be reported in properties held for the production of income category). Refer to SSAP No. 40—Real Estate Investments and SSAP No. 90—Impairment or Disposal of Real Estate Investments for accounting guidance.

Column 18 — Investment Characteristics

If the characteristic below does not apply, then leave the column blank.

1. Single real estate property wholly owned by an LLC that meets the criteria set forth in SSAP No. 40—Real Estate Investments. For LLCs that do not meet criteria set forth in SSAP No. 40—~~Real Estate Investments~~, report on Schedule BA.

2. A single real estate property that is directly and wholly owned by a qualifying statutory trust, which is defined in SSAP No. 37—Mortgage Loans.

3. A single real estate property that is directly owned through an LLC that is wholly owned by a qualifying statutory trust and meets the criteria in SSAP No. 40.

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

Issue: Private Placement Securities

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New Issue or SSAP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Description of Issue: This agenda item has been prepared in response to interest expressed by regulators to propose new disclosure and reporting requirements to better identify different types of private placement securities. Specifically, although broad information on private placement securities can be identified when a company reports a Private Placement Number (PPN) instead of a CUSIP, the intent is to distinguish between different types of private placements, for example those that reflect unregistered resales compliant with Rule 144A from other private placements. Further, as identifying PPNs from public CUSIPs requires scrutiny of the reported identifier, the revisions intend to make it easier to quickly identify a private placement security in the investment schedules. These revisions are supported due to the increase in private placement securities, the increase in private letter ratings often used for private placements, as well as potential concerns on the increase in, and reliance on, level 3 fair values for private placement securities.

This agenda item proposes new individual investment reporting disclosures, to be satisfied through the investment schedules on classifying private placements, as well as new note disclosures to provide aggregate reporting information on aspects of private placements within the financial statements. These disclosure requirements are proposed to be effective December 31, 2026, for reporting in the year-end 2026 financials.

SEC Registration Requirement:

Under the Securities Act of 1933, securities are required to be registered unless they meet a “private placement” exemption. The definition of security pursuant to Section 2(a)(1) of that act is as follows:

“any note, stock, treasury stock, security future, security-based swap, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a “security”, or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.”

Information on Private Placement Securities:

- Rule 144A – Rule 144A is a U.S. SEC rule that allows qualified institutional buyers (QIBs) to trade restricted unregistered securities privately to other QIBs. This rule permits the *resale* of securities, not initial offerings, among institutional investors that own and invest on a discretionary basis at least \$100 million worth of unaffiliated securities. Resales under Rule 144A are conducted by entities and security issuers are specifically excluded. (There are other less-common exemptions for private resales for asset-backed securities under Section 4(a)7 and Section “4(1½)” that have specific requirements for compliance. For purposes of this agenda item and simplicity, exemptions involving resales that do not involve the issuer, underwriter or dealer will be collectively captured under Rule 144A.)
- Regulation D – A private placement under Regulation D is an unregistered securities offering conducted by the securities issuer. It allows companies to issue securities without registering them with the SEC if they satisfy certain requirements. There are two primary rules under Regulation D that determine whether SEC registration is not necessary:
 - Rule 504: Allows issuers to offer up to \$10 million in private placements to accredited or non-accredited investors in a 12-month period. Except in limited circumstances, the purchasers of securities offered under Rule 504 cannot sell the securities for a designated period of time without registering them. (The SEC explanation indicates at least 6 months or a year so this may vary based on the circumstances.) (The acquired securities are considered “restricted.”)
 - Rule 506: A “safe harbor” under Section 4(a)(2), it allows issuers to directly offer unregistered securities to an unlimited number of accredited investors and up to 35 non-accredited (but “sophisticated”) investors. Public solicitation is permitted as long as all investors are accredited investors. Similar to Rule 504, purchasers of securities under Rule 506 receive “restricted” securities meaning that they cannot be sold for a designated holding period without registering them. (Similar to Rule 504, the SEC explanation indicates at least 6 months or a year.) (Rule 506 is the most common exemption for private placements.)

Note: Insurance companies are accredited investors if they have a total net worth exceeding \$5 million or if all equity owners are accredited investors. (Individuals are accredited investors with net worth over \$1 million, income over \$200,000, or by meeting various professional criteria.)

Companies that issue securities under Regulation D do not have to register their offerings of securities with the SEC, but they must file a “Form D” electronically with the SEC after the first sale of their securities. This is a brief notice that includes the names and addresses of the company’s promoters, executive officers and directors, and some details about the offering, but contains little information on the company. Form D filings can be obtained from the SEC’s Edgar Database.

- Section 4(a)(2) Exemption: This Securities Act 1933 exemption allows unregistered securities offerings for issuances that do not involve a “public offering”. The Securities Act does not define “public offering” and unlike the other registration exemptions, Section 4(a)(2) does not expressly define a maximum number of investors, investor suitability or a maximum dollar value. However, case law and SEC rulings have provided guidance which includes the following factors: the number of investors, whether the offer was only made to “sophisticated” investors, whether there was a general solicitation or public advertising,

whether the securities are restricted and the information provided to prospective investors. A “sophisticated” investor is determined based on either 1) having sufficient knowledge and experience to evaluate the risks and merits of the investment, or 2) having sufficient financial resources able to bear the economic risk of investing. If the securities are offered to just one person who does not meet the conditions, the entire offering may violate the Securities Act. A key aspect of Section 4(a)(2) is that the issuer must ensure that investors agree not to resell or distribute the securities to the public. Securities offered under Section 4(a)(2) are more likely to be subject to legal issues if the SEC deems the security offering did not comply with the exemption requirements and from investors filing fraud claims based on inadequate disclosures.

Although exempt from SEC registration, private placements (Regulation D and Section 4(a)(2)) are required to provide investors with information about the investment, risks involved and the issuer’s financial situation. These details are often provided via a private placement memorandum (PPM), although a PPM is not specifically required under federal law or regulation. Although private placement issuers are exempt from public disclosure requirements, they must still comply with anti-fraud provisions under securities laws. As such, if the issuer fails to provide adequate and complete information, it can result in legal consequences. Items captured in a PPM typically include an executive summary, risk factors, terms of the offering, use of the proceeds (including an outline of fees), financial projections, as well as information on the management team, business structure and the securities law compliance.

Although the SEC definition of security is broad, there could be limited situations where an instrument is not subject to the registration requirement “security” schedules. The statutory accounting guidance adopts the U.S. GAAP definition for a “security,” but that definition does not match the SEC. As such, certain lending arrangements might not be securities according to the Securities Act (and therefore do not require registration.) Also, exceptions exist for certain structures that are captured under *SSAP No. 26—Bonds* that may not reflect securities. For example, bank loans are in scope of SSAP No. 26 and reported on Schedule D-1-1: Issuer Creditor Obligations, and they may not meet the SAP securities definition, nor be required to be registered with the SEC. Schedule BA: Other Invested Assets, includes both security and non-security investments, as such, there could be entire categories of investments that are not subject to the SEC registration requirement.

Existing Authoritative Literature:

SSAP References:

There is no specific SSAP guidance for the reporting of private placement securities. Various guidance addresses private placements, including the following:

- **Various investment SSAPs:** References that private placements are recorded on the funding date and not the trade date.
- **SSAP No. 100—Fair Value:** Paragraphs 44-45 provides guidance on equity securities with contractual sale restrictions, and how those restrictions could impact the fair value of the equity security.
- **SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities:** Securities issued under Rule 144A or debt placed privately are examples that constrain a transferee from pledging or exchanging a financial asset.

Annual Statement Reporting that Separates Private Placements / Securities:

- **Annual Audited Financial Reports:** The report divides total bonds between those publicly traded and privately placed.
- **AVR Equity and Other Invested Asset Component – Basic Contribution, Reserve Objective and Maximum Reserve Calculations: Line 2 – Unaffiliated Common Stocks Private:** This category captures the book/adjusted carrying value of all privately held common stocks, including mutual funds, unit investment trusts, closed-end funds, and ETFs reported as common stock, owned in unaffiliated companies.
- **Schedule D – Part 1A – Section 1: Quality and Maturity Distribution of all Bonds Owned December 31 by Major Type and NAIC Designation:** Section 54 (as of 2025) is for total bonds privately placed. Also, Column 12 identifies total privately placed for all categories (Schedule D-1-1 and Schedule D-1-2 reporting lines) except for Section 53 that addresses publicly traded bonds. A footnote to this schedule identifies the total that is freely tradeable under SEC Rule 144 or qualified for resale under Sec Rule 144A. (Column 11 includes publicly traded, with instruction that all short-term investments are considered publicly traded for annual statement purposes.)
- **Supplemental Investment Risks Interrogatories – Line 14 – Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities.** This identifies whether the private placement equities are less than 2.5% of total admitted assets, the aggregate statement value of nonaffiliated privately placed equities, and the largest three investments held per this description.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:
None

Convergence with International Financial Reporting Standards (IFRS): N/A

Staff Recommendation:

NAIC staff recommend the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to incorporate a new disclosure to identify private placement securities in the investment schedules and to incorporate an aggregate disclosure that details key investment information by type security (public and private placement type) as detailed in the agenda item. This item is proposed to be effective December 31, 2026. This item is proposed to have a shortened comment period ending September 19, 2025. After assessing comments from the exposure, the Working Group will consider sponsoring a blanks proposal to incorporate the reporting changes.

The following disclosures are proposed for all investment SSAPs that capture debt and equity securities. It is shown once for brevity, but would be captured in each of the following SSAPs:

- SSAP No. 2—Cash, Cash Equivalents, Drafts and Short-Term Investments, paragraph 18f.
- SSAP No. 21—Other Admitted Assets, paragraph 27m
- SSAP No. 21—Other Admitted Assets, paragraph 38 (remaining paragraphs to be renumbered)
- SSAP No. 26—Bonds, paragraph 40m.

- SSAP No. 43—Asset-Backed Securities, paragraph 44.m. (Remaining paragraph to be renumbered.)

Note: With the move of the residual guidance to SSAP No. 21, specific disclosure requirements were not included. A separate agenda item will either incorporate disclosure requirements or refer to the disclosure requirements in other SSAPs. The placement of paragraph 38 for this disclosure may be revised with those additional changes.

Disclosures

40. The financial statements shall include the following disclosures:

- m. For all securities in scope, identify whether each security is not subject to SEC security registration, publicly registered, is a private placement under Rule 144A (collectively capturing all exclusions for resales that do not involve the issuer, underwriter or dealer), Regulation D, or as a general exemption pursuant to Section 4(a)2 of the Securities Act of 1933. (The individual security disclosure shall be completed within the investment schedules.) For all securities in scope, the reporting entity must aggregate each type by investment schedule, capturing the total BACV, fair value (with fair values determined by level 2 and level 3 reported), the total amount of aggregate deferred interest and paid-in-kind interest, and the total BACV supported by private letter ratings.

The proposed disclosure is anticipated to be satisfied with Blanks revisions as follows:

- 1) New electronic column in all investment reporting schedules (held, acquired, disposed) for Schedule DA, Schedule E, Schedule D-1-1, Schedule D-1-2, Schedule D-2-1, Schedule D-2-2, and Schedule BA:

Identify whether the security is not required to be SEC registered, publicly registered, or is a private placement under Rule 144A (collectively capturing all exclusions for resales that do not involve the issuer, underwriter or dealer), Regulation D (collectively included those under Rule 504 and 506), or as a general exemption pursuant to Section 4(a)2 of the Securities Act of 1933. One of the following codes shall be captured for each reported security:

- Public
- 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter or dealer.
- Reg D – Includes both Exemptions under Rule 504 and 506.
- Section 4(a)2 – General exemption
- N/A – Security is not required to be registered with the SEC.

- 2) The aggregate disclosure is proposed as follows:

	Total BACV	Total FV	FV L2	FV L3	Aggregate Deferred Interest	Aggregate Paid-In-Kind Interest	BACV with PLR as NAIC Designation
Schedule DA							
Public							
144A							
Reg D							
Section 4(a)2							

N/A							
Schedule E2							
Public							
144A							
Reg D							
Section 4(a)2							
N/A							
Schedule D-1-1							
Public							
144A							
Reg D							
Section 4(a)2							
N/A							
Schedule D-1-2							
Public							
144A							
Reg D							
Section 4(a)2							
N/A							
Schedule D-2-1							
Public							
144A							
Reg D							
Section 4(a)2							
N/A							
Schedule D-2-2							
Public							
144A							
Reg D							
Section 4(a)2							
N/A							
Schedule BA							
Public							
144A							
Reg D							
Section 4(a)2							
N/A							

Status:

On August 11, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions, as illustrated above, to incorporate a new electronic reporting column to identify private placement securities in the investment schedules and incorporate an aggregate disclosure that details key investment information by type of security (public and private placement type). This item was exposed for a shortened comment period ending September 19, 2025, to allow for comments to be considered prior to sponsoring a blanks proposal.

On October 6, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions, as illustrated below, to the proposed private placement reporting requirements and disclosure. These revisions were exposed for a shortened comment period ending October 31, 2025, to allow for discussion at the 2025 Fall National Meeting. The revisions are summarized as follows:

- 1) Incorporated clarifying revisions to reference SSAP No. 30 and SSAP No. 32, revise the word “securities” to “investments” in the proposed SSAP disclosure and update the categories in the audited financial statements in the “Supplemental Schedule of Selected Statutory-Basis Financial Data” to reflect the revised broad reporting categories.
- 2) Incorporated revisions to collapse the reporting categories into public, Rule 144A, private placement securities, and not applicable. The revisions clarify that all non-publicly registered securities subject to the 1933 Securities Act, excluding Rule 144A, shall be reported as a private placement. Only investments not within the scope of the Securities Act of 1933 shall be reported as not applicable. (For example, long-term certificates of deposit and bank loans that are not securities are likely not subject to the 1933 Securities Act and would be reported as NA.)
- 3) Incorporated revisions to limit the Schedule BA electronic column reporting to items captured as “non-bond debt securities” and “residuals.” The other reporting lines captured on Schedule BA will not be subject to the reporting for public / private classification.
- 4) Incorporated revisions to clarify that the investment schedule electronic column shall be captured in the applicable acquisition and disposal investment schedules for quarterly reporting and in the annual investment schedules. For separate accounts, the investment schedule reporting will be annual only. The aggregate disclosure will not be identified as a required quarterly disclosure but shall follow the preamble concept for interim reporting. (This is detailed in paragraph 65 of the AP&P Preamble and requires disclosure if there have been significant changes from the prior annual report.)
- 5) For Schedule D-1A, proposed revisions to remove the public and privately placed reporting columns, along with the aggregate footnote for Rule 144A.

October 6, 2025 - Proposed Guidance / Revisions – Revisions from the prior exposure are shaded.

The following disclosure language is proposed for all investment SSAPs that capture debt and equity securities. It is shown once for brevity, but would be captured in each of the following SSAPs with remaining paragraphs renumbered:

- SSAP No. 2—Cash, Cash Equivalents, Drafts and Short-Term Investments, paragraph 18.f.
- SSAP No. 21—Other Admitted Assets – [Debt Securities that Do Not Qualify as Bonds](#), paragraph 27.m.
- SSAP No. 21—Other Admitted Assets – [Residual Transfers or Interests/Loss positions](#), paragraph 38

- SSAP No. 26—Bonds, paragraph 40.m.
- [SSAP No. 30—Unaffiliated Common Stock, paragraph 19](#)
- [SSAP No. 32—Preferred Stock, paragraph 20](#)
- SSAP No. 43—Asset-Backed Securities, paragraph 44.m. (Remaining paragraph to be renumbered.)

Disclosures

40. The financial statements shall include the following disclosures:

- m. [For all investments securities in scope:](#)
- [Identify whether each investment security is not subject to SEC security registration, publicly registered, is a private placement under Rule 144A \(collectively capturing all exclusions for resales that do not involve the issuer, underwriter or dealer\), a private placement security, including Regulation D, or as a general exemption pursuant to Section 4\(a\)2 of the Securities Act of 1933 or other exclusion from SEC registration for investments captured under the Securities Act of 1933, excluding Rule 144A. \(This The individual investment security disclosure shall be completed within the applicable investment schedules for quarterly acquisitions and disposals as well as for annual investment schedule reporting.\)](#)
 - [For all investments in scope, The reporting entity must aggregate each type \(public, Rule 144A, private placement or N/A\) by investment schedule, capturing the total BACV, fair value \(with fair values determined by level 2 and level 3 reported\), the total amount of aggregate deferred interest and paid-in-kind interest, and the total BACV supported by private letter ratings. This disclosure is required annually, with quarterly inclusion pursuant to paragraph 65 of the Preamble.](#)

The proposed disclosure is anticipated to be satisfied with Blanks revisions as follows:

- [New electronic column in quarterly and annual investment reporting schedules \(for held, acquired, and disposed investments\) for:](#)
 - [Short-Term Investments](#)
 - [Cash Equivalents](#)
 - [Bonds – Issuer Credit Obligations](#)
 - [Bonds – Asset-Backed Securities](#)
 - [Common Stocks](#)
 - [Preferred Stocks](#)
 - [Other Long-Term Invested Assets \(Limited to Non-Bond Debt Securities & Residuals\)](#)

[\(The electronic column will be included in investments schedules for both the general account and the separate account. The separate account is limited to annual reporting only.\)](#)

~~Schedule DA, Schedule E, Schedule D-1-1, Schedule D-1-2, Schedule D-2-1, Schedule D-2-2, and Schedule BA:~~

[Identify whether the investment security is not required to be SEC registered, publicly registered, or is a private placement under Rule 144A \(collectively capturing all exclusions for resales that do not involve the issuer, underwriter or dealer\), a private placement security \(i.e., including Regulation D \(collectively included those under Rule 504 and 506\), or as a general exemption pursuant to Section 4\(a\)2 of the](#)

Securities Act of 1933, or other exclusion from SEC registration for investments captured under the Securities Act of 1933, excluding Rule 144A. One of the following codes shall be captured for each reported security:

- Public
- 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter or dealer.
- Private Placement Securities – Includes ‘Reg D – ~~includes~~ both exemptions under Rule 504 and 506’ and ‘Section 4(a)2 – General exemptions,’ as well as any other exclusion from SEC registration for investments captured under the Securities Act of 1933, excluding Rule 144A.
- Not Applicable (N/A) – ~~Security is not required to be registered with the SEC. Investments not~~ included in the other categories. This should only include investments that are not within the scope of the Securities Act of 1933 (e.g., long-term certificates of deposits).

2) The aggregate disclosure is proposed as follows:

	Total BACV	Total FV	FV L2	FV L3	Aggregate Deferred Interest	Aggregate Paid-In-Kind Interest	BACV with PLR as NAIC Designation
Schedule DA Short-Term Investments							
Public							
144A							
Private Placement SecuritiesReg D							
Section 4(a)2							
Not Applicable (N/A)							
Schedule E2 Cash Equivalents							
Public							
144A							
Private Placement SecuritiesReg D							
Section 4(a)2							
Not Applicable (N/A)							
Schedule D-1 Bonds: ICO							
Public							
144A							
Reg DPrivate Placement Securities							
Section 4(a)2							
Not Applicable (N/A)N/A							

Schedule D-1-2 Bonds: ABS							
Public							
144A							
Private Placement SecuritiesReg-D							
Section 4(a)2							
Not Applicable (N/A)N/A							
Schedule D-2-1 Preferred Stock							
Public							
144A							
Private Placement SecuritiesReg-D							
Section 4(a)2							
Not Applicable (N/A)N/A							
Schedule D-2-2 Common Stock							
Public							
144A							
Private Placement SecuritiesReg-D							
Section 4(a)2							
Not Applicable (N/A)N/A							
Schedule BA Other Long-Term Invested Assets: Non-Bond Debt Securities & Residuals							
Public							
144A							
Private Placement SecuritiesReg-D							
Section 4(a)2							
Not Applicable (N/A)N/A							

Additional Reporting Revisions:

A. Update the Annual Statement Instructions for the Annual Audited Financial Reports – Supplemental Schedule of Assets and Liabilities:

Bonds by NAIC Designation – Statement Value:

NAIC 1 _____

NAIC 2 _____

NAIC 3 _____

NAIC 4	_____
NAIC 5	_____
NAIC 6	_____
Total by NAIC Designation	_____
Total Bonds Publicly Traded	_____
Total Bonds Privately Placed Rule-144A	_____
Total Bonds – All Private Placement Securities (Excluding Rule 144A)	_____
Total Bonds – Not Applicable to 1933 Act	_____

B. Schedule D-Part 1A – Quality & Maturity Distribution of All Bonds Owned December 31

- Delete Column 11 – Total Publicly Traded
- Delete Column 12 – Total Private Placed
- Delete footnote a – “Includes \$ _____ freely tradeable under SEC Rule 144 or Qualified for resale under Rule 144A.”

On December 9, 2025, the Statutory Accounting Principles (E) Working Group adopted revisions, as illustrated above as the October 6, 2026, proposed revisions, to incorporate a new electronic reporting column to identify private placement securities in the investment schedules and incorporate an aggregate disclosure that details key investment information by type of security (public and private placement type).

The adopted SSAP disclosure is shown below along with the relevant SSAP locations:

- *SSAP No. 2—Cash, Cash Equivalents, Drafts and Short-Term Investments*, paragraph 18.f.
- *SSAP No. 21—Other Admitted Assets – Debt Securities that Do Not Qualify as Bonds*, paragraph 27.m.
- *SSAP No. 21—Other Admitted Assets – Residual Transfers or Interests/Loss positions*, paragraph 38
- *SSAP No. 26—Bonds*, paragraph 40.m.
- *SSAP No. 30—Unaffiliated Common Stock*, paragraph 19
- *SSAP No. 32—Preferred Stock*, paragraph 20
- *SSAP No. 43—Asset-Backed Securities*, paragraph 44.m.

New Disclosure:

[For all investments in scope:](#)

- [Identify whether each investment is publicly registered, a private placement under Rule 144A \(collectively capturing all exclusions for resales that do not involve the issuer, underwriter, or dealer\), a private placement security, including Regulation D, a general exemption pursuant to Section 4\(a\)2 of the Securities Act of 1933, or other exclusion from SEC registration for investments captured under the Securities Act of 1933, excluding Rule 144A. \(This individual investment disclosure shall be completed within the applicable investment schedules for quarterly acquisitions and disposals as well as for annual investment schedule reporting.\)](#)
- [The reporting entity must aggregate each type \(public, Rule 144A, private placement, or N/A\) by investment schedule, capturing the total BACV, fair value \(with fair values determined by level 2 and level 3 reported\), the total amount of aggregate deferred interest and paid-in-kind interest, and the total BACV](#)

supported by private letter ratings. This disclosure is required annually, with quarterly inclusion pursuant to paragraph 65 of the Preamble.

[https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2025 Fall/minutes and summary/SAPWG/11-25-19 - Private Securities.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/APPTF/2025%20Fall/minutes%20and%20summary/SAPWG/11-25-19%20Private%20Securities.docx)

MEMORANDUM

TO: Roy Eft, Chair of the Blanks (E) Working Group
Steve Drutz, Vice Chair of the Blanks (E) Working Group

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

DATE: December 9, 2025

RE: Schedule S, Part 8—Reporting of Modco and Funds Withheld Assets

On May 22, 2025, the Statutory Accounting Principles (E) Working Group adopted agenda item 2024-07, Reporting of Funds Withheld and Modco Assets, where a new Schedule S, Part 8 was added to the Life/Fraternal Annual Statement Instructions and Blank, and this was then incorporated in the blank and instructions through Blanks (E) Working Group agenda item 2025-05BWG. This reporting is effective Dec. 31, 2025, and the agenda item did not result in any changes to statutory accounting, it only added the new reporting schedule for the reporting of assets associated with a funds withheld or modified coinsurance (modco) arrangement.

As a result of comments received during the drafting and exposure process, the scope of the project was changed for the final adoption. The initial project intended to capture any and all assets that are subject to a funds withheld or modco arrangement, but the final adoption narrowed this scope to be only assets that are subject to a funds withheld or modco arrangement **where investment risk is transferred**. The goal of this change was to make the new reporting schedule work more cleanly with the Life/Fraternal RBC reporting schedule. The new Schedule S, Part 8 was not intended to impact the RBC calculation or to override or conflict with the RBC instructions, the goal of Schedule S, Part 8 was only to report these assets in categories that would then support validating the numbers that were reported on the RBC schedules. This would give regulators an improved level of confidence in the balances reported in the RBC schedules.

This memorandum intends to address questions that were received after the adoption of the new Schedule S, Part 8. The new Schedule S, Part 8 was not intended to change any part of the way that assets subject to a modco or funds withheld arrangement are factored into the Life/Fraternal RBC calculation. The goal of Schedule S, Part 8 is to create a schedule that matches with already the existing reporting in RBC and does not change or override the guidance that exists in Life/Fraternal RBC reporting. Additional wording was added to be consistent with the existing, long-standing guidance in the Life/Fraternal RBC Reporting Instructions in LR045, LR046, LR047 and LR048, which is excerpted below.

This schedule reports the assets supporting modified coinsurance (MODCO) and other reinsurance transactions with funds withheld where the entire asset credit or variability in statement value risk associated with the assets supporting the business reinsured is transferred to the assuming company for the entire duration of the reinsurance treaty. Only the portion of the assets used to support the ceded or assumed liabilities should be included, i.e. amounts in excess of the reserve should be excluded.

The ceding company is required to supply the assuming company with sufficient information in order for the assuming company to determine the amount of assets withheld under Modco or other funds withheld. An assuming company that has not received timely information shall follow the procedures in the Life Risk-Based Capital instructions for Modco or Funds Withheld Reinsurance Agreements (LR045, LR046, LR047 and LR048) to apply the Modco liability ratio by asset category. The allocated assets should support the portion of the funds held by or deposited with reinsured companies that represents the investment risk assumed as described above, that is, the estimated investment risk assumed should not be greater than the assets reported on the asset page.

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2025 fall/minutes and summary/sapwg/1k-sapwg to blanks modcofwh sch s pt 8.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/apptf/2025%20fall/minutes%20and%20summary/sapwg/1k-sapwg%20to%20blanks%20modcofwh%20sch%20s%20pt%208.docx)

Blanks (E) Working Group
Virtual Meeting
November 5, 2025

The Blanks (E) Working Group of the Accounting Practices and Procedures (E) Task Force met Nov. 5, 2025. The following Working Group members participated: Roy Eft, Chair (IN); Steve Drutz, Vice Chair (WA); David Phifer (AK); Kim Hudson (CA); Wayne Shepherd (CT); N. Kevin Brown (DC); Charles Santana (DE); Carolina Herrera Wagoner (FL); Daniel Mathis (IA); Jason Tippet (MI); Kelly Hopper (MO); Tadd Wegner (NE); Tim Stroud (NJ); Dale Bruggeman and Tracy Snow (OH); Diana Sherman (PA); Jake Garn (UT); Adrian Jaramillo (WI); and Mary Jo Lewis and Justin Parr (WV).

1. Adopted its Aug. 6 Minutes

Eft stated that the Working Group met Aug. 6. During this meeting, the Working Group: 1) adopted its May 29 minutes; 2) adopted proposal 2025-16BWG, which updates the Health Annual Statement Instructions for the prescribed language for Statement of Actuarial Opinion (SAO), Section 4 (Identification Section), and updates SAO, Section 7 (Opinion Section), Item C, for reporting consistency; and 3) adopted its editorial listing.

Snow made a motion, seconded by Drutz, to adopt the Working Group's Aug. 6 minutes (*see NAIC Proceedings – Summer 2025, Accounting Practices and Procedures (E) Task Force, Attachment Two*). The motion passed unanimously.

2. Exposed New Items

A. Agenda Item 2025-17BWG

Bruggeman stated that the Statutory Accounting Principles (E) Working Group sponsored this proposal, which is intended to improve the consistency of disclosures for debt securities. In many instances, the disclosures throughout the Statement of Statutory Accounting Principles (SSAPs) were the same, but the location, frequency (quarterly or annually), and whether it was data-captured in the statutory notes to the financial statement were different based on whether it was in scope of SSAP No. 21—*Other Invested Assets*, SSAP No. 26—*Bonds*, or SSAP No. 43—*Asset-Backed Securities* as an issuer credit obligation, asset-backed security (ABS), or a non-bond debt security. The proposed edits incorporate changes to make the disclosure reporting location and frequency consistent for parallel disclosures. For the debt securities, there are limited new disclosures; however, the reporting edits are detailed to incorporate the new reporting disclosures, ensuring clarity. In addition to the debt consistency disclosures, new disclosures are proposed for residuals to be consistent with other disclosures in other investment SSAPs and to specifically identify whether a company is following the practical expedient or allowable earned yield method. Bruggeman stated that no comments were received following exposure of this item, and that it is on the agenda as a non-contested item for Statutory Accounting Principles (E) Working Group adoption consideration during its upcoming session at the Fall National Meeting.

Hearing no objection, Eft stated that the proposal is exposed for a 90-day public comment period ending Feb. 6, 2026.

B. Agenda Item 2025-18BWG

Drutz stated that this proposal adds instructions for the health blank General Interrogatory Part 2, lines 10.21 through 10.24, for the reporting of the maximum incentive pool and bonus arrangements. The proposal adds a

cross-check from the general interrogatory to Exhibit 7, Part 1. This proposal was drafted to clarify what should be included in each line of interrogatory 10.2 by adding instructions, an example, and a cross-check reference back to Exhibit 7, Part 1.

Hearing no objection, Eft stated that the proposal is exposed for a 90-day public comment period ending Feb. 6, 2026.

C. Agenda Item 2025-19BWG

Hopper stated that this proposal adds a code “S” to the “Active Status” column on Schedule T for all statement types to identify when a reporting entity’s license has been suspended. The purpose of this proposal is to provide clarification as to whether a reporting entity’s license is active or suspended, and to inform regulators and consumers if the company has a suspended license.

Hearing no objection, Eft stated that the proposal is exposed for a 90-day public comment period ending Feb. 6, 2026.

D. Agenda Item 2025-20BWG

Bruggeman stated that this proposal is sponsored by the Statutory Accounting Principles (E) Working Group to eliminate the investment subsidiary concept from the annual statement reporting schedules and instructions. Specific accounting guidance for investment subsidiaries was eliminated from *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* in 2005, but the reporting categories on Schedule D, Part 6, Section 1, and the asset valuation reserve (AVR) have remained. When an insurer holds investments in an investment subsidiary, regulators no longer have transparency into the assets held, the ability to identify if asset restrictions have been reached, such as with concentration or admittance limits, and cannot identify whether reporting requirements have been met, such as with private letter (PL) rating filings. Furthermore, regulators lose the ability to verify the risk-based capital (RBC) calculation, as investment subsidiaries have a company-calculated RBC look-through. Following requests for comment on the reasons for utilizing an investment subsidiary, which resulted in the development of new guidance for residential mortgage loans held in a statutory trust, the Statutory Accounting Principles (E) Working Group exposed proposed revisions to eliminate the investment subsidiary reporting concept. With the elimination, subsidiary, controlled, and affiliated (SCA) structures that still serve as “investment subsidiaries” shall be captured in one of the other Schedule D, Part 6, Section 1, and AVR reporting lines for SCAs.

Bruggeman stated that no comments were received following exposure of this item, and that it is on the agenda as a non-contested item for Statutory Accounting Principles (E) Working Group adoption consideration during its session at the Fall National Meeting. If adopted, the Statutory Accounting Principles (E) Working Group will send a referral to the Health Risk-Based Capital (E) Working Group, Life Risk-Based Capital (E) Working Group, and Property and Casualty Risk-Based Capital (E) Working Group to eliminate the RBC reporting lines.

Hearing no objection, Eft exposed the proposal for a 90-day public comment period ending Feb. 6, 2026.

3. Adopted the Editorial Listing

Hudson made a motion, seconded by Drutz, to adopt the editorial listing (Attachment Two-A). The motion passed unanimously.

4. Reviewed the 2026 Proposed Charges for the Working Group

Eft stated that the Blanks (E) Working Group's 2026 proposed charges have been approved by the Financial Condition (E) Committee. He indicated that the charges are the same as in the previous year.

5. Reviewed State Filing Checklists

Eft stated that one of the Blanks (E) Working Group's charges is to review the state filing checklists, which are distributed to each state for confirmation of the state filing requirement, and for each state to include any state-specific requirements.

Hudson made a motion, seconded by Shepherd, to approve the state filing checklists (Attachment Two-B). The motion passed unanimously.

Having no further business, the Blanks (E) Working Group adjourned.

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2025 fall/bwg/bwg 11_5_2025 minutes.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/apptf/2025%20fall/bwg/bwg%2011_5_2025%20minutes.docx)

Blanks (E) Working Group
Editorial Revisions to the Blanks and Instructions
(presented at the November 5, 2025, 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	Schedule DL, Part 1 and 2	<p>CHANGE TO INSTRUCTION</p> <p>Update the quarterly Schedule DL Line Subtotal categories for asset-backed securities to match the Annual instructions.</p> <p>Asset-Backed Securities (Schedule D, Part 1, Section 2 type):</p> <p>Financial Asset-Backed Securities – Self-Liquidating</p> <p>Agency Residential Mortgage-Backed Securities – Guaranteed (Exempt from RBC).....1019999999</p> <p>Agency Commercial Mortgage-Backed Securities – Guaranteed (Exempt from RBC)1029999999</p> <p>Agency Residential Mortgage-Backed Securities – Not/Partially Guaranteed (Not Exempt from RBC) 1039999999</p> <p>Agency Commercial Mortgage-Backed Securities – Not/Partially Guaranteed (Not Exempt from RBC) 1049999999</p> <p>Non-Agency Residential Mortgage-Backed Securities (Unaffiliated)1059999999</p> <p>Non-Agency Residential Mortgage-Backed Securities (Affiliated)1069999999</p> <p>Non-Agency Commercial Mortgage-Backed Securities (Unaffiliated)1079999999</p> <p>Non-Agency Commercial Mortgage-Backed Securities (Affiliated).....1089999999</p> <p>Non-Agency – CLOs/CBOs/CDOs (Unaffiliated)1099999999</p> <p>Non-Agency – CLOs/CBOs/CDOs (Affiliated).....1109999999</p> <p>Other Financial Asset-Backed Securities – Self-Liquidating (Unaffiliated)1119999999</p> <p>Other Financial Asset-Backed Securities – Self-Liquidating (Affiliated)1129999999</p> <p><u>Subtotal Financial Asset-Backed Securities – Self-Liquidating1209999999</u></p> <p>Financial Asset-Backed Securities – Not Self-Liquidating</p> <p>Equity Backed Securities (Unaffiliated)1319999999</p> <p>Equity Backed Securities (Affiliated)1329999999</p> <p>Other Financial Asset-Backed Securities – Not Self-Liquidating (Unaffiliated)1339999999</p> <p>Other Financial Asset-Backed Securities – Not Self-Liquidating (Affiliated)1349999999</p> <p><u>Subtotal Asset-Backed Securities – Not Self-Liquidating1409999999</u></p>	H, L/F, P/C, T, SA	Quarterly

Effective	Table Name	Description	Statement Type	Filing Type
		<p>Non-Financial Asset-Backed Securities – Practical Expedient</p> <p>Lease-Backed Securities - Practical Expedient (Unaffiliated)1519999999</p> <p>Lease-Backed Securities - Practical Expedient (Affiliated)1529999999</p> <p>Other Non-Financial Asset-Backed Securities – Practical Expedient (Unaffiliated)1539999999</p> <p>Other Non-Financial Asset-Backed Securities – Practical Expedient (Affiliated).....1549999999</p> <p>Non-Financial Asset-Backed Securities – Practical Expedient.....1609999999</p> <p>Non-Financial Asset-Backed Securities – Full Analysis</p> <p>Lease-Backed Securities - Full Analysis (Unaffiliated)1719999999</p> <p>Lease-Backed Securities - Full Analysis (Affiliated)1729999999</p> <p>Other Non-Financial Asset-Backed Securities – Full Analysis (Unaffiliated)1739999999</p> <p>Other Non-Financial Asset-Backed Securities – Full Analysis (Affiliated).....1749999999</p> <p>Non-Financial Asset-Backed Securities – Full Analysis1809999999</p>		
2026	Sch. D, Part 3 & 4	<p>CHANGE TO INSTRUCTION</p> <p>Update the Administrative Symbol List to include code “ER” in the NAIC Designation, NAIC Designation Modifier, and Administrative Symbol column. This administrative symbol was verified by the Securities Valuation Office and is in the P&P Manual of the Investment Analysis Office. For a list of valid designations see the valid designation lists on the Blanks Working Group webpage.</p> <p>NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol Column</p> <p><i>*** Detail Eliminated to Conserve Space ***</i></p> <p>SVO Administrative Symbol:</p> <p>Long Term Bond:</p> <p>Following are valid SVO Administrative Symbols for bonds. Refer to the P&P Manual for the application of these symbols.</p> <p>FE Filing Exempt</p> <p>ER Securities with an excluded otherwise Eligible NAIC CRP Credit Rating(s)</p>	H, L/F, P/C, T	Quarterly

Effective	Table Name	Description	Statement Type	Filing Type
		<p>*** Detail Eliminated to Conserve Space ***</p> <p>Preferred Stock:</p> <p>Following are valid SVO Administrative Symbols for preferred stock. Refer to the P&P Manual for the application of these symbols.</p> <p>FE Filing Exempt</p> <p>ER Securities with an excluded otherwise Eligible NAIC CRP Credit Rating(s)</p>		
2026	Schedule D, Part 1A	<p>CHANGE TO INSTRUCTION</p> <p>Remove the 2025 reporting note that prior year columns do not need to be completed. This reporting note was only valid for 2025 reporting.</p> <p style="text-align: center;"><u>SCHEDULE D – PART 1A</u></p> <p style="text-align: center;"><u>QUALITY AND MATURITY DISTRIBUTION OF ALL BONDS OWNED DECEMBER 31</u></p> <p style="text-align: center;"><u>BY MAJOR TYPE AND NAIC DESIGNATION</u></p> <p>The schedule summarizes the aggregate book/adjusted carrying value of all bond holdings, including those in Schedule DA and Schedule E, Part 2 by quality, designation, maturity, and bond categories. Include short-term and cash equivalent bonds in the category that most closely resembles their credit risk.</p> <p>Note: Prior Year Column 9 and 10 will not be available until 2026 reporting on all sections except Section 53. Columns 9 and 10, Section 53 for prior year data should be a summation of columns 1 through 6.</p>	H, L/F, P/C, T	Annual

Effective	Table Name	Description	Statement Type	Filing Type																																																																																																																																		
2026	Schedule, Part 1A	<p>CHANGE TO BLANK</p> <p>Update the Blank to all entry into the prior year column. This column was XXX'd out for 2025 reporting because it wasn't required to report prior year data the first year of reporting the bond project changes to the D1A.</p> <p style="text-align: center;">SCHEDULE D – PART 1A Quality and Maturity Distribution of All Bonds Owned December 31; at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations</p> <table><tr><th></th><th>1</th><th>2</th><th>3</th><th>4</th><th>5</th><th>6</th><th>7</th><th>8</th><th>9</th><th>10</th><th>11</th><th>12</th></tr><tr><th>NAIC Designation</th><th>1 Year or Less</th><th>Over 1 Year Through 5 Years</th><th>Over 5 Years Through 10 Years</th><th>Over 10 Years Through 20 Years</th><th>Over 20 Years</th><th>No Maturity Date</th><th>Total Current Year</th><th>Col. 7 as a % of Line 52.7</th><th>Total from Col. 7 Prior Year</th><th>% From Col. 8 Prior Year</th><th>Total Publicly Traded</th><th>Total Privately Placed (a)</th></tr><tr><td>1. U.S. Government Obligations</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>1.1 NAIC 1</td><td></td><td></td><td></td><td></td><td></td><td>XXX</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>1.2 NAIC 2</td><td></td><td></td><td></td><td></td><td></td><td>XXX</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>1.3 NAIC 3</td><td></td><td></td><td></td><td></td><td></td><td>XXX</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>1.4 NAIC 4</td><td></td><td></td><td></td><td></td><td></td><td>XXX</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>1.5 NAIC 5</td><td></td><td></td><td></td><td></td><td></td><td>XXX</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>1.6 NAIC 6</td><td></td><td></td><td></td><td></td><td></td><td>XXX</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>1.7 Totals</td><td></td><td></td><td></td><td></td><td></td><td>XXX</td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table> <p>***Detail Eliminated to Conserve Space***</p>		1	2	3	4	5	6	7	8	9	10	11	12	NAIC Designation	1 Year or Less	Over 1 Year Through 5 Years	Over 5 Years Through 10 Years	Over 10 Years Through 20 Years	Over 20 Years	No Maturity Date	Total Current Year	Col. 7 as a % of Line 52.7	Total from Col. 7 Prior Year	% From Col. 8 Prior Year	Total Publicly Traded	Total Privately Placed (a)	1. U.S. Government Obligations													1.1 NAIC 1						XXX							1.2 NAIC 2						XXX							1.3 NAIC 3						XXX							1.4 NAIC 4						XXX							1.5 NAIC 5						XXX							1.6 NAIC 6						XXX							1.7 Totals						XXX							H, L/F, P/C, T	Annual
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Effective	Table Name	Description	Statement Type	Filing Type
2026	Schedule D, Part 1, Sec. 1	<p>CHANGE TO INSTRUCTION</p> <p>Remove the references to mortgage-backed and loaned-backed and structured securities from Column 14 & 31 on Schedule D, Part 1, Section 1. These types of securities are reported on Schedule D, Part 2, Section 2 and these references were inadvertently missed during the bond project updates.</p> <p>Column 14 – Effective Rate of Interest</p> <p>For issuer credit obligations, include the effective rate at which the purchase was made. For mortgage-backed/loan-backed and structured securities, report the effective yield used to value the security at the reporting date. The Effective Yield calculation should be modified for other-than-temporary impairments recognized.</p> <p>For SVO-Identified Bond Exchange Traded Funds, enter Zero (0).</p> <p>Column 31 – Effective Date of Maturity</p> <p>On bonds purchased at a premium, the maturity date producing the lowest amortized value should be used. See SSAP No. 26—Bonds. For loaned-backed and structured securities, include the effective date of maturity that results from the estimated cash flows, incorporating appropriate prepayment assumptions. If call data does not affect the Effective Date of Maturity field, leave blank.</p>	H, L/F, P/C, T, SA	Annual

Effective	Table Name	Description	Statement Type	Filing Type
2026	Schedule DA Part 1	<p>CHANGE TO INSTRUCTION</p> <p>Remove the reference to mortgage-backed and loan-backed and structured securities from Column 11 on Schedule DA, Part 1. These types of securities are not reported on Schedule DA and the reference was inadvertently missed during the bond project updates.</p> <p>Column 11 – Par Value</p> <p>Enter the par value of the bonds owned adjusted for repayment of principal. For mortgage-backed/loan-backed and structured securities, enter the par amount of principal to which the company has claim. For interest-only bonds without a principal amount on which the company has a claim, use a zero value. Enter the statement date par value for bonds with adjustable principal. An interest-only bond with a small par amount of principal would use that amount.</p>	H, L/F, P/C, T, SA	Annual
2026	Sch. D, Pt 1, Sect. 1 (Col. 21) Sch. D, Pt 1, Sect. 2 (Col. 22) Sch. D, Pt 2, Sect. 1 (Col. 21) Sch. D, Pt 2, Sect. 2 (Col. 18) Sch. D, Pt 3 (Col. 9) Sch. D, Pt 4 (Col. 21) Sch. D, Pt 5 (Col. 21) Sch. DA, Pt 1 (Col. 20) Sch. DB, Pt A, Sec. 1 (Col. 24) Sch. DB, Pt A, Sec. 2 (Col. 26) Sch. DB, Pt B, Sec. 1 (Col. 23) Sch. DB, Pt B, Sec. 2 (Col. 21) Sch. DB, Pt D, Sec. 1 (Col. 14) Sch. DB, Pt D, Sec. 2 (Col. 10) Sch. DB, Pt E (Col. 20) Sch. DL, Pt 1 & 2 (Col. 8) Sch. B, Pt 1 (Col. 16) Sch. B, Pt 2 (Col. 10) Sch. B, Pt 3 (Col. 19) Sch. BA, Pt 1 (Col. 21) Sch. BA, Pt 2 (Col. 12)	<p>CHANGE TO INSTRUCTION</p> <p>Update the Investments Involving Related Parties Code 1 to add clarification on reporting. Blanks Working Group staff support and Securities Valuation Office staff added the clarifying language below to provide clarity on what should be reported for Code 1. <i>(Below is showing the update for Schedule D, Part 1, Section 1 but this update will be made throughout the quarterly and annual investment instructions)</i></p> <p>Column 21 – Investments Involving Related Parties</p> <p>Required for all investments involving related parties including, but not limited to, those captured as affiliate investments. This disclosure intends to capture information on investments held that reflect interactions involving related parties, regardless of whether the related party meets the affiliate definition, or the reporting entity has received domiciliary state approval to disclaim control/affiliation.</p> <p>Enter one of the following codes to identify the role of the related party in the investment</p>	H, L/F, P/C, T, SA	Quarterly / Annual

Effective	Table Name	Description	Statement Type	Filing Type																																																																																								
	Sch. BA, Pt 3 (Col. 21)	<div>1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure. Note: Any security with Code 1 (direct or indirect credit exposure to a related party) does not qualify for filing exemption (including private letter ratings) per Part 3 of the Purposes and Procedures Manual of the Investment Analysis Office. The NAIC Designation for all securities with Related Part Code 1 must be assigned by the SVO.</div>																																																																																										
2025	General Interrogatories	<div><div>CHANGE TO BLANK</div><div>Block totals in column "Assets Included in Asset-Adequacy Testing" for lines 2.71A9999 through 2.71F9999, as it is not a numeric column.</div><table><tr><th>Product Identifier</th><th>Separate Account Assets</th><th>Risk Charges to General Account</th><th>Assets Included in Asset Adequacy Testing?</th></tr><tr><td>2.71A0001 Pension risk transfer group annuities</td><td>\$</td><td>\$</td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td>2.71A9999 Total pension risk transfer group annuities</td><td></td><td></td><td>XXX</td></tr><tr><td>2.71B0001 All other group annuities</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td>2.71B9999 Total all other group annuities</td><td></td><td></td><td>XXX</td></tr><tr><td>2.71C0001 Registered index linked annuities individual annuities</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td>2.71C9999 Total registered index linked annuities individual annuities</td><td></td><td></td><td>XXX</td></tr><tr><td>2.71D0001 All other individual annuities</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td>2.71D9999 Total all other individual annuities</td><td></td><td></td><td>XXX</td></tr><tr><td>2.71E0001 Life insurance</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td>2.71E9999 Total life insurance</td><td></td><td></td><td>XXX</td></tr><tr><td>2.71F9999 Total all product types</td><td></td><td></td><td>XXX</td></tr></table></div>	Product Identifier	Separate Account Assets	Risk Charges to General Account	Assets Included in Asset Adequacy Testing?	2.71A0001 Pension risk transfer group annuities	\$	\$										2.71A9999 Total pension risk transfer group annuities			XXX	2.71B0001 All other group annuities												2.71B9999 Total all other group annuities			XXX	2.71C0001 Registered index linked annuities individual annuities												2.71C9999 Total registered index linked annuities individual annuities			XXX	2.71D0001 All other individual annuities												2.71D9999 Total all other individual annuities			XXX	2.71E0001 Life insurance												2.71E9999 Total life insurance			XXX	2.71F9999 Total all product types			XXX	SA	Annual
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Effective	Table Name	Description	Statement Type	Filing Type																																																							
2026	Notes to Financial Statement	<p>CHANGE TO INSTRUCTION</p> <p>Remove the XXX from 05L1R for columns 6 and 7. This change matches what is shown in Life & Property instructions. This was updated for Annual 2025 with a late change that was posted to the BWG webpage under 2025 Instruction Revisions.</p> <table><tr><th></th><th>1</th><th>2</th><th>3</th><th>4</th><th>5</th><th>6</th><th>7</th><th>8</th><th>9</th><th>10</th></tr><tr><th>Restricted Asset Category</th><th>Total Gross (Admitted & Nonadmitted) Restricted from Current Year</th><th>Total Gross (Admitted & Nonadmitted) Restricted From Prior Year</th><th>Increase/ (Decrease) (1 minus 2)</th><th>Total Current Year Nonadmitted Restricted</th><th>Total Current Year Admitted Restricted (1 minus 4)</th><th>Gross (Admitted & Nonadmitted) Restricted to Total Assets (a)</th><th>Admitted Restricted to Total Admitted Assets (b)</th><th>Amount Reported in General Interrogatories</th><th>Difference from Note and GI</th><th>GI Ref</th></tr><tr><td>p. Assets held under <u>Modco</u> Reinsurance Agreements</td><td>_____</td><td>_____</td><td>_____</td><td>_____</td><td>_____</td><td>_____</td><td>_____</td><td>XXX</td><td>XXX</td><td>XXX</td></tr><tr><td>q. Assets held under Funds Withheld Reinsurance Agreements</td><td>_____</td><td>_____</td><td>_____</td><td>_____</td><td>_____</td><td>_____</td><td>_____</td><td>XXX</td><td>XXX</td><td>XXX</td></tr><tr><td>r. Total Restricted Assets (Sum of a through q)</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>_____%</td><td>_____%</td><td>XXX</td><td>XXX</td><td>XXX</td></tr></table>		1	2	3	4	5	6	7	8	9	10	Restricted Asset Category	Total Gross (Admitted & Nonadmitted) Restricted from Current Year	Total Gross (Admitted & Nonadmitted) Restricted From Prior Year	Increase/ (Decrease) (1 minus 2)	Total Current Year Nonadmitted Restricted	Total Current Year Admitted Restricted (1 minus 4)	Gross (Admitted & Nonadmitted) Restricted to Total Assets (a)	Admitted Restricted to Total Admitted Assets (b)	Amount Reported in General Interrogatories	Difference from Note and GI	GI Ref	p. Assets held under <u>Modco</u> 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	H, T	Quarterly
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Effective	Table Name	Description	Statement Type	Filing Type																																																								
2026	Notes to Financial Statement	<p>CHANGE TO INSTRUCTION</p> <p>For the illustration to Note 5L2, columns 5 and 6 need to be XXX'd out for the Amount of Total pledged under derivative contracts line because data shouldn't be entered in these fields. (This change is for columns 9 and 10 for Life/Fraternal and Property.)</p> <p>(2) Detail of Assets Pledged as Collateral Not Captured in Other Categories (Contracts that Share Similar Characteristics, Such as Reinsurance (excluding modco/FWH) and Derivatives, Are Reported in the Aggregate)</p> <table><tr><th></th><th>1</th><th>2</th><th>3</th><th>4</th><th>5</th><th>6</th></tr><tr><th>Description of Assets</th><th>Total Gross (Admitted & Nonadmitted) Restricted from Current Year</th><th>Total Gross (Admitted & Nonadmitted) Restricted From Prior Year</th><th>Increase/ (Decrease) (1 minus 2)</th><th>Total Current Year Admitted Restricted</th><th>Gross (Admitted & Nonadmitted) Restricted to Total Asset)</th><th>Admitted Restricted to Total Admitted Assets</th></tr><tr><td>.....</td><td>\$</td><td>\$</td><td>\$</td><td>\$</td><td>..... %</td><td>..... %</td></tr><tr><td>.....</td><td>.....</td><td>.....</td><td></td><td></td><td>.....</td><td>.....</td></tr><tr><td>.....</td><td>.....</td><td>.....</td><td></td><td></td><td>.....</td><td>.....</td></tr><tr><td>Total (a)</td><td>\$</td><td>\$</td><td>\$</td><td>\$</td><td>..... %</td><td>..... %</td></tr><tr><td>Amount of Total pledged under derivative contracts</td><td>\$</td><td>\$</td><td>\$</td><td>\$</td><td>XXX..... -%</td><td>XXX..... -%</td></tr><tr><td>Total Excluding Derivative Collateral (Total minus Amt of Total pledged under derivative contracts)</td><td>\$</td><td>\$</td><td>\$</td><td>\$</td><td>XXX</td><td>XXX</td></tr></table>		1	2	3	4	5	6	Description of Assets	Total Gross (Admitted & Nonadmitted) Restricted from Current Year	Total Gross (Admitted & Nonadmitted) Restricted From Prior Year	Increase/ (Decrease) (1 minus 2)	Total Current Year Admitted Restricted	Gross (Admitted & Nonadmitted) Restricted to Total Asset)	Admitted Restricted to Total Admitted Assets	\$	\$	\$	\$ % %	Total (a)	\$	\$	\$	\$ % %	Amount of Total pledged under derivative contracts	\$	\$	\$	\$	XXX..... -%	XXX..... -%	Total Excluding Derivative Collateral (Total minus Amt of Total pledged under derivative contracts)	\$	\$	\$	\$	XXX	XXX	H, L/F, P/C, T	Quarterly
	1	2	3	4	5	6																																																						
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2026	Notes to Financial Statement	<p>CHANGE TO INSTRUCTION</p> <p>Add clarification to the Note 5L(4) crosscheck that compares back to the Assets page.</p> <p>* Sum of Column 1, 2, and 3 (Total of Collateral, Modco, FWH) divided by Asset Page, Line 26 (Column 1)</p> <p>** Sum of Column 1, 2, and 3 (Total of Collateral, Modco, FWH) divided by Asset Page, Line 26 (Column 3)</p>	H, T	Quarterly																																																								

Effective	Table Name	Description	Statement Type	Filing Type																		
2026	Notes to Financial Statement	<p>CHANGE TO INSTRUCTION</p> <p>Add clarification to the Note 5L(4) crosscheck that compares back to the Assets page.</p> <p>* k = <u>Sum of</u> Column 1, <u>2, and 3</u> (Total of Collateral, Modco, FWH) divided by Asset Page, Line 26 (Column 1) w = <u>Sum of</u> Column 1, <u>2, and 3</u> (Total of Collateral, Modco, FWH) divided by Asset Page, Line 27 (Column 1)</p> <p>** k = <u>Sum of</u> Column 1, <u>2, and 3</u> (Total of Collateral, Modco, FWH) divided by Asset Page, Line 26 (Column 3) w = <u>Sum of</u> Column 1, <u>2, and 3</u> (Total of Collateral, Modco, FWH) divided by Asset Page, Line 27 (Column 3)</p>	L/F	Quarterly																		
2026	Notes to Financial Statement	<p>CHANGE TO INSTRUCTION</p> <p>Add clarification to the Note 5L(4) crosscheck that compares back to the Assets page.</p> <p>* k = <u>Sum of</u> Column 1, <u>2, and 3</u> (Total of Collateral, Modco, FWH) divided by Asset Page, Line 26 (Column 1) w = <u>Sum of</u> Column 1, <u>2, and 3</u> (Total of Collateral, Modco, FWH) divided by Asset Page, Line 27 (Column 1)</p> <p>** k = <u>Sum of</u> Column 1, <u>2, and 3</u> (Total of Collateral, Modco, FWH) divided by Asset Page, Line 26 (Column 3) w = <u>Sum of</u> Column 1, <u>2, and 3</u> (Total of Collateral, Modco, FWH) divided by Asset Page, Line 27 (Column 3)</p>	P/C	Quarterly																		
2026	Notes to Financial Statement	<p>CHANGE TO INSTRUCTION</p> <p>Update the “#” Note for Column 2 for lines m, n, and o in Note 5L(4). This should not be a formula that adds the 3 lines together. Instead it should be a note on how to calculate Column 2 for each line.</p> <table><tr><td></td><td>1</td><td>2</td></tr><tr><td></td><td></td><td>% of Liability to Total Liabilities #</td></tr><tr><td></td><td>Amount</td><td></td></tr><tr><td>m. Recognized Obligation to Return Collateral Asset</td><td>\$</td><td>..... %</td></tr><tr><td>n. Recognized Obligation for Modco assets</td><td>\$</td><td>..... %</td></tr><tr><td>o. Recognized Obligation for FWH (excluding Modco) assets</td><td>\$</td><td>..... %</td></tr></table>		1	2			% of Liability to Total Liabilities #		Amount		m. Recognized Obligation to Return Collateral Asset	\$ %	n. Recognized Obligation for Modco assets	\$ %	o. Recognized Obligation for FWH (excluding Modco) assets	\$ %	X, T	Quarterly / Annual
	1	2																				
		% of Liability to Total Liabilities #																				
	Amount																					
m. Recognized Obligation to Return Collateral Asset	\$ %																				
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o. Recognized Obligation for FWH (excluding Modco) assets	\$ %																				

Effective	Table Name	Description	Statement Type	Filing Type																								
		# m + n + o = <u>For lines m, n, and o, Column 2 equals</u> Column 1 divided by Liability Page, Line 24 (Column 3)																										
2026	Notes to Financial Statement	<p>CHANGE TO INSTRUCTION</p> <p>Update the “#” Note for Column 2 for lines y thru dd in Note 5L(4). This should not be a formula that adds the 3 lines together. Instead it should be a note on how to calculate Column 2 for each line.</p> <table><tr><td></td><td>1</td><td>2</td></tr><tr><td></td><td>Amount</td><td>% of Liability to Total Liabilities #</td></tr><tr><td>y. Recognized Obligation to Return Collateral Asset (General Account)</td><td>\$</td><td>%</td></tr><tr><td>z. Recognized Obligation to Return Collateral Asset (Separate Account)</td><td>\$</td><td>%</td></tr><tr><td>aa. Recognized Obligation for Modco assets (General Account)</td><td>\$</td><td>%</td></tr><tr><td>bb. Recognized Obligation for Modco assets (Separate Account)</td><td>\$</td><td>%</td></tr><tr><td>cc. Recognized Obligation for FWH (excluding Modco) assets (General Account)</td><td>\$</td><td>%</td></tr><tr><td>dd. Recognized Obligation for FWH (excluding Modco) assets (Separate Account)</td><td>\$</td><td>%</td></tr></table> <p># y + aa + cc = <u>For lines y, aa, and cc, Column 2 equals</u> Column 1 divided by Liability Page, Line 26 (Column 1) z + bb + dd = <u>For lines z, bb, and dd, Column 2 equals</u> Column 1 divided by Liability Page, Line 27 (Column 1)</p>		1	2		Amount	% of Liability to Total Liabilities #	y. Recognized Obligation to Return Collateral Asset (General Account)	\$	%	z. Recognized Obligation to Return Collateral Asset (Separate Account)	\$	%	aa. Recognized Obligation for Modco assets (General Account)	\$	%	bb. Recognized Obligation for Modco assets (Separate Account)	\$	%	cc. Recognized Obligation for FWH (excluding Modco) assets (General Account)	\$	%	dd. Recognized Obligation for FWH (excluding Modco) assets (Separate Account)	\$	%	L/F	Quarterly / Annual
	1	2																										
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Effective	Table Name	Description	Statement Type	Filing Type
		<p>cc. Recognized Obligation for FWH (excluding Modco) assets (General Account) \$ %</p> <p>dd. Recognized Obligation for FWH (excluding Modco) assets (Protected Cell) \$ %</p> <p># For lines y, aa, and cc, Column 2 equals y + aa + cc = Column 1 divided by Liability Page, Line 26 (Column 1) For lines z, bb, and dd, Column 2 equals z + bb + dd = Column 1 divided by Liability Page, Line 27 (Column 1)</p>		
2026	Notes to Financial Statement	<p>CHANGE TO INSTRUCTION</p> <p>Remove Line 35B(4) from Note 35 instructions and illustrations. This change was inadvertently missed when SAP No. 56 was updated in SAPWG Ref # 2025-17EP</p> <p>Note 35 - Separate Accounts Instructions: B. General Nature and Characteristics of Separate Accounts Business</p> <p><i>*** Detail Eliminated to Conserve Space ***</i></p> <p>(4) — The withdrawal characteristic classification instructions of Note 32 shall apply with total reserves to agree with the preceding disclosure.</p> <p>Disclose reserves for asset default risk in lieu of AVR.</p>	L/F	Annual

Effective	Table Name	Description	Statement Type	Filing Type																																																																																																												
		<p>Illustration:</p> <table><thead><tr><th></th><th>Index</th><th>Nonindexed Guarantee Less than/equal to 4%</th><th>Nonindexed Guarantee More than 4%</th><th>Nonguaranteed Separate Accounts</th><th>Total</th></tr></thead><tbody><tr><td>(1) Premiums, considerations or deposits for year ended 12/31/___</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td></tr><tr><td colspan="6">Reserves at 12/31/___</td></tr><tr><td>(2) For accounts with assets at:</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>a. Fair value</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td></tr><tr><td>b. Amortized cost</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td></tr><tr><td>c. Total Reserves* (a+b)</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td></tr><tr><td>(3) By withdrawal characteristics:</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>a. Subject to discretionary withdrawal:</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>1. With market value adjustment</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td></tr><tr><td>2. At book value without market value adjustment and with current surrender charge of 5% or more</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td></tr><tr><td>3. At fair value</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td></tr><tr><td>4. At book value without market value adjustment and with current surrender charge less than 5%</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td></tr><tr><td>5. Subtotal (1+2+3+4)</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td></tr><tr><td>b. Not subject to discretionary withdrawal</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td></tr><tr><td>c. Total (a+b)</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td></tr><tr><td colspan="6">*Line 2(c) should equal Line 3(c).</td></tr><tr><td>(4) Reserves for Asset Default Risk in Lieu of AVR</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td><td>\$ _____</td></tr></tbody></table>		Index	Nonindexed Guarantee Less than/equal to 4%	Nonindexed Guarantee More than 4%	Nonguaranteed Separate Accounts	Total	(1) Premiums, considerations or deposits for year ended 12/31/___	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	Reserves at 12/31/___						(2) For accounts with assets at:						a. Fair value	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	b. Amortized cost	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	c. Total Reserves* (a+b)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	(3) By withdrawal characteristics:						a. Subject to discretionary withdrawal:						1. With market value adjustment	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	2. At book value without market value adjustment and with current surrender charge of 5% or more	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	3. At fair value	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	4. At book value without market value adjustment and with current surrender charge less than 5%	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	5. Subtotal (1+2+3+4)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	b. Not subject to discretionary withdrawal	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	c. Total (a+b)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	*Line 2(c) should equal Line 3(c).						(4) Reserves for Asset Default Risk in Lieu of AVR	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____		
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HEALTH ENTITIES

COMPANY NAME: _____ **NAIC Company Code:** _____

Contact: _____ **Telephone:** _____

REQUIRED FILINGS IN THE STATE OF: _____ **Filings Made During the Year 2026**

(1) Checklist	(2) Line #	(3) REQUIRED FILINGS FOR THE ABOVE STATE	(4) NUMBER OF COPIES*			(5) DUE DATE	(6) FORM SOURCE**	(7) APPLICABLE NOTES
			Domestic		Foreign			
			State	NAIC	State			
		I. NAIC FINANCIAL STATEMENTS						
	1	Annual Statement (8 ½"X14")		EO		3/1	NAIC	
	1.1	Printed Investment Schedule detail (Pages E01- E29 E30)		EO	xxx	3/1	NAIC	
	2	Quarterly Financial Statement (8 ½" x 14")		EO		5/15, 8/15, 11/15	NAIC	
		II. NAIC SUPPLEMENTS						
	11	Accident & Health Policy Experience Exhibit		EO		4/1	NAIC	
	12	Actuarial Opinion		EO		3/1	Company	
	13	Life Supplemental Data due March 1		EO		3/1	NAIC	
	14	Life Supplemental Data due April 1		EO		4/1	NAIC	
	15	Life Supp Statement non-guaranteed elements – Exh 5, Int. #3		EO		3/1	Company	
	16	Life Supp Statement on par/non-par policies – Exh 5 Int. 1&2		EO		3/1	Company	
	17	Life, Health & Annuity Guaranty Association Assessable Premium Exhibit, Parts 1 and 2		EO	xxx	4/1	NAIC	
	18	Long-Term Care Experience Reporting Forms		EO	xxx	4/1	NAIC	
	19	Management Discussion & Analysis		EO		4/1	Company	
	20	Market Conduct Annual Statement Premium Exhibit for Year		EO		3/1	NAIC	
	21	Medicare Part D Coverage Supplement		EO		3/1, 5/15, 8/15, 11/15	NAIC	
	22	Medicare Supplement Insurance Experience Exhibit		EO	xxx	3/1	NAIC	
	23	Risk-Based Capital Report		EO		3/1	NAIC	
	24	Schedule SIS		N/A	N/A	3/1	NAIC	
	25	Supplemental Compensation Exhibit		N/A	N/A	3/1	NAIC	
	26	Supplemental Health Care Exhibit (Parts 1 and 2)		EO		4/1	NAIC	
	27	Supplemental Investment Risk Interrogatories		EO		4/1	NAIC	
		III. ELECTRONIC FILING REQUIREMENTS						
	61	Annual Statement Electronic Filing	xxx	EO	xxx	3/1	NAIC	
	62	March .PDF Filing	xxx	EO	xxx	3/1	NAIC	
	63	Risk-Based Capital Electronic Filing	xxx	EO	N/A	3/1	NAIC	
	64	Risk-Based Capital .PDF Filing	xxx	EO	N/A	3/1	NAIC	
	65	Supplemental Electronic Filing	xxx	EO	xxx	4/1	NAIC	
	66	Supplemental .PDF Filing	xxx	EO	xxx	4/1	NAIC	
	67	Quarterly Statement Electronic Filing	xxx	EO	xxx	5/15, 8/15, 11/15	NAIC	
	68	Quarterly .PDF Filing	xxx	EO	xxx	5/15, 8/15, 11/15	NAIC	
	69	June .PDF Filing	xxx	EO	xxx	6/1	NAIC	
		IV. AUDIT/INTERNAL CONTROL RELATED REPORTS						
	81	Accountants Letter of Qualifications		EO	N/A	6/1	Company	
	82	Audited Financial Reports		EO		6/1	Company	

(1) Checklist	(2) Line #	(3) REQUIRED FILINGS FOR THE ABOVE STATE	(4) NUMBER OF COPIES*			(5) DUE DATE	(6) FORM SOURCE**	(7) APPLICABLE NOTES
			Domestic		Foreign			
			State	NAIC	State			
	83	Audited Financial Reports Exemption Affidavit		N/A	N/A		Company	
	84	Communication of Internal Control Related Matters Noted in Audit		EO	N/A	8/1	Company	
	85	Independent CPA (change)		N/A	N/A		Company	
	86	Management's Report of Internal Control Over Financial Reporting		N/A	N/A	8/1	Company	
	87	Notification of Adverse Financial Condition		N/A	N/A		Company	
	88	Relief from the five-year rotation requirement for lead audit partner		EO		3/1	Company	
	89	Relief from the one-year cooling off period for independent CPA		EO		3/1	Company	
	90	Relief from the Requirements for Audit Committees		EO		3/1	Company	
	91	Request for Exemption to File Management's Report of Internal Control Over Financial Reporting		N/A	N/A		Company	
		V. STATE REQUIRED FILINGS						
	101	Corporate Governance Annual Disclosure***		0			Company	
	102	Filings Checklist (with Column 1 completed)		0			State	
	103	Form B-Holding Company Registration Statement		0			Company	
	104	Form F-Enterprise Risk Report ****		0			Company	
	105	ORSA *****		0			Company	
	106	Premium Tax		0			State	
	107	State Filing Fees		0			State	
	108	Signed Jurat	xxx	0			NAIC	
	109	Group Capital Calculation (File with lead state only)		0				
	110							
	111							
	112							

*If XXX appears in this column, this state does not require this filing, if hard copy is filed with the state of domicile and if the data is filed electronically with the NAIC. If N/A appears in this column, the filing is required with the domiciliary state. EO (electronic only filing).

**If Form Source is NAIC, the form should be obtained from the appropriate vendor.

***For those states that have adopted the NAIC Corporate Governance Annual Disclosure Model Act, an annual disclosure is required of all insurers or insurance groups by June 1. The Corporate Governance Annual Disclosure is a state filing only and should not be submitted by the company to the NAIC. Note however that this filing is intended to be submitted to the lead state if filed at the insurance group level. For more information on lead states, see the following NAIC URL: http://www.naic.org/public_lead_state_report.htm.

****For those states that have adopted the NAIC updated Holding Company Model Act, a Form F filing is required annually by holding company groups. Consistent with the Form B filing requirements, the Form F is a state filing only and should not be submitted by the company to the NAIC. Note however that this filing is intended to be submitted to the lead state. For more information on lead states, see the following NAIC URL: http://www.naic.org/public_lead_state_report.htm.

*****For those states that have adopted the NAIC Risk Management and Own Risk and Solvency Assessment Model Act, a summary report is required annually by insurers and insurance groups above a specified premium threshold. The ORSA Summary Report is a state filing only and should not be submitted by the company to the NAIC. Note however that this filing is intended to be submitted to the lead state if filed at the insurance group level. For more information on lead states, see the following NAIC URL: http://www.naic.org/public_lead_state_report.htm.

		NOTES AND INSTRUCTIONS (A-K APPLY TO ALL FILINGS)	
	A	Required Filings Contact Person:	
	B	Mailing Address:	
	C	Mailing Address for Filing Fees:	
	D	Mailing Address for Premium Tax Payments:	
	E	Delivery Instructions:	
	F	Late Filings:	
	G	Original Signatures:	
	H	Signature/Notarization/Certification:	
	I	Amended Filings:	
	J	Exceptions from normal filings:	
	K	Bar Codes (State or NAIC):	
	L	Signed Jurat:	
	M	NONE Filings:	
	N	Filings new, discontinued or modified materially since last year:	

**General Instructions
For Companies to Use Checklist**

Please Note: This state's instructions for companies to file with the NAIC are included in this Checklist. The NAIC will not be sending their own checklist this year.

Electronic Filing is intended to be filing(s) submitted to the NAIC via the NAIC Internet Filing Site which eliminates the need for a company to submit diskettes or CD-ROM to the NAIC. Companies are not required to file hard copy filings with the NAIC.

Column (1) Checklist

Companies may use the checklist to submit to a state, if the state requests it. Companies should copy the checklist and place an "X" in this column when submitting information to the state.

Column (2) Line #

Line # refers to a standard filing number used for easy reference. This line number may change from year to year.

Column (3) Required Filings

Name of item or form to be filed.

The **Annual Statement Electronic Filing** includes the annual statement data and all supplements due March 1, per the *Annual Statement Instructions*. This includes all detail investment schedules and other supplements for which the *Annual Statement Instructions* exempt printed detail.

The **March.PDF Filing** is the .pdf file for annual statement data, detail for investment schedules and supplements due March 1.

The **Risk-Based Capital Electronic Filing** includes all risk-based capital data.

The **Risk-Based Capital.PDF Filing** is the .pdf file for risk-based capital data.

The **Supplemental Electronic Filing** includes all supplements due April 1, per the *Annual Statement Instructions*.

The **Supplemental.PDF Filing** is the .pdf file for all supplemental schedules and exhibits due April 1.

The **Quarterly Electronic Filing** includes the complete quarterly filing and the PDF files for all quarterly data.

The **Quarterly.PDF Filing** is the .pdf file for quarterly statement data.

The **June.PDF Filing** is the .pdf file for the Audited Financial Statements and Accountants Letter of Qualifications.

Column (4) Number of Copies

Indicates the number of copies that each foreign or domestic company is required to file for each type of form. The Blanks (EX) Task Force modified the 1999 *Annual Statement Instructions* to waive paper filings of certain NAIC supplements and certain investment schedule detail, if such investment schedule data is available to the states via the NAIC database. The checklists reflect this action taken by the Blanks (EX) Task Force. XXX appears in the "Number of Copies" "Foreign" column for the appropriate schedules and exhibits. **Some states have chosen to waive printed quarterly and annual statements from their foreign insurers and have chosen to rely upon the NAIC database for these filings. This waiver could include**

supplemental annual statement filings. The XXX in this column might signify that the state has waived the paper filing of the annual statement and all supplements.

Column (5) Due Date

Indicates the date on which the company must file the form.

Column (6) Form Source

This column contains one of three words: "NAIC," "State," or "Company," If this column contains "NAIC," the company must obtain the forms from the appropriate vendor. If this column contains "State," the state will provide the forms with the filing instructions (generally, on the state web site). If this column contains "Company," the company, or its representative (e.g., its CPA firm), is expected to provide the form based upon the appropriate state instructions or the NAIC *Annual Statement Instructions*.

Column (7) Applicable Notes

This column contains references to the Notes to the Instructions that apply to each item listed on the checklist. The company should carefully read these notes before submitting a filing.

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2025 fall/bwg/checklists/1hlthcklist_2025_filingsmade2026.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/apptf/2025%20fall/bwg/checklists/1hlthcklist_2025_filingsmade2026.docx)

LIFE, ACCIDENT AND HEALTH/FRATERNAL INSURERS

COMPANY NAME: _____ **NAIC Company Code:** _____

Contact: _____ **Telephone:** _____

REQUIRED FILINGS IN THE STATE OF: _____ **Filings Made During the Year 2026**

(1) Checklist	(2) Line #	(3) REQUIRED FILINGS FOR THE ABOVE STATE	(4) NUMBER OF COPIES*			(5) DUE DATE	(6) FORM SOURCE**	(7) APPLICABLE NOTES
			Domestic		Foreign			
			State	NAIC	State			
		I. NAIC FINANCIAL STATEMENTS						
	1	Annual Statement (8 ½"x14")		EO		3/1	NAIC	
	1.1	Printed Investment Schedule detail (Pages E01-E3029)		EO	xxx	3/1	NAIC	
	2	Quarterly Financial Statement (8 ½" x 14")		EO		5/15, 8/15, 11/15	NAIC	
	3	Separate Accounts Annual Statement (8 ½"x14")		EO		3/1	NAIC	
		II. NAIC SUPPLEMENTS						
	11	Accident & Health Policy Experience Exhibit		EO		4/1	NAIC	
	12	Credit Insurance Experience Exhibit		EO	xxx	4/1	NAIC	
	13	Health Supplement		EO	xxx	3/1	NAIC	
	14	Life, Health & Annuity Guaranty Association Assessable Premium Exhibit, Parts 1 and 2		EO	xxx	4/1	NAIC	
	15	Long-term Care Experience Reporting Forms		EO	xxx	4/1	NAIC	
	16	Management Discussion & Analysis		EO		4/1	Company	
	17	Market Conduct Annual Statement Premium Exhibit for Year		EO		3/1	NAIC	
	18	Medicare Supplement Insurance Experience Exhibit		EO	xxx	3/1	NAIC	
	19	Medicare Part D Coverage Supplement		EO		3/1, 5/15, 8/15, 11/15	NAIC	
	20	Risk-Based Capital Report		EO		3/1	NAIC	
	21	Schedule SIS		N/A	N/A	3/1	NAIC	
	22	Supplemental Compensation Exhibit		N/A	N/A	3/1	NAIC	
	23	Supplemental Health Care Exhibit (Parts 1 and 2)		EO		4/1	NAIC	
	24	Supplemental Investment Risk Interrogatories		EO		4/1	NAIC	
	25	Supplemental Schedule O		EO	xxx	3/1	NAIC	
	26	Supplemental Term and Universal Life Insurance Reinsurance Exhibit		EO		4/1	NAIC	
	27	Trusted Surplus Statement		EO	xxx	3/1, 5/15, 8/15, 11/15	NAIC	
	28	Variable Annuities Supplement		EO		4/1	NAIC	
	29	VM 20 Reserves Supplement		EO		3/1	NAIC	
	30	Workers' Compensation Carve-Out Supplement		EO		3/1	NAIC	
		Actuarial Related Items						
	31	Actuarial Certification regarding use 2001 Preferred Class Table		EO		3/1	Company	
	32	Actuarial Certification Related Annuity Nonforfeiture Ongoing Compliance for Equity Indexed Annuities		EO		3/1	Company	
	33	Actuarial Memorandum Related to Universal Life with Secondary Guarantee Policies required by Actuarial Guideline XXXVIII 8D		N/A	xxx	4/30	Company	
	34	Actuarial Opinion		EO		3/1	Company	
	35	Actuarial Opinion on Separate Accounts Funding Guaranteed Minimum Benefit		EO		3/1	Company	
	36	Actuarial Opinion on Synthetic Guaranteed Investment Contracts		EO		3/1	Company	
	37	Actuarial Opinion on X-Factors		EO		3/1	Company	
	38	Actuarial Opinion required by Modified Guaranteed Annuity Model Regulation		EO		3/1	Company	
	39	Request for Life PBR Exemption (if applicable)		E/O		Commissioner 7/1 NAIC 8/15	Company	
	40	Executive Summary of the PBR Actuarial Report		N/A		4/1	Company	
	41	Life Summary of the PBR Actuarial Report		N/A		4/1	Company	

(1) Checklist	(2) Line #	(3) REQUIRED FILINGS FOR THE ABOVE STATE	(4) NUMBER OF COPIES*			(5) DUE DATE	(6) FORM SOURCE**	(7) APPLICABLE NOTES
			Domestic		Foreign			
			State	NAIC	State			
	42	Variable Annuities Summary of the PBR Actuarial Report		N/A		4/1	Company	
	43	PBR Actuarial Report (provide upon request)		N/A			Company	
	44	RAAIS required by <i>Valuation Manual</i>		N/A	xxx	4/1	Company	
	45	Reasonableness & Consistency of Assumptions Certification required by Actuarial Guideline XXXV		EO	xxx	3/1,5/15, 8/15, 11/15	Company	
	46	Reasonableness of Assumptions Certification required by Actuarial Guideline XXXV		EO	xxx	3/1,5/15, 8/15, 11/15	Company	
	47	Reasonableness & Consistency of Assumptions Certification required by Actuarial Guideline XXXVI (Updated Average Market Value)		EO	xxx	3/1,5/15, 8/15, 11/15	Company	
	48	Reasonableness & Consistency of Assumptions Certification required by Actuarial Guideline XXXVI (Updated Market Value)		EO	xxx	3/1,5/15, 8/15, 11/15	Company	
	49	Reasonableness of Assumptions Certification for Implied Guaranteed Rate Method required by Actuarial Guideline XXXVI		EO	xxx	3/1,5/15, 8/15, 11/15	Company	
	50	RBC Certification required under C-3 Phase I		EO		3/1	Company	
	51	RBC Certification required under C-3 Phase II		EO		3/1	Company	
	52	Statement on non-guaranteed elements - Exhibit 5 Int. #3		EO		3/1	Company	
	53	Statement on par/non-par policies – Exhibit 5 Int. 1&2		EO		3/1	Company	
		III. ELECTRONIC FILING REQUIREMENTS						
	61	Annual Statement Electronic Filing	xxx	EO	xxx	3/1	NAIC	
	62	March .PDF Filing	xxx	EO	xxx	3/1	NAIC	
	63	Risk-Based Capital Electronic Filing	xxx	EO	N/A	3/1	NAIC	
	64	Risk-Based Capital .PDF Filing	xxx	EO	N/A	3/1	NAIC	
	65	Separate Accounts Electronic Filing	xxx	EO	xxx	3/1	NAIC	
	66	Separate Accounts .PDF Filing	xxx	EO	xxx	3/1	NAIC	
	67	Supplemental Electronic Filing	xxx	EO	xxx	4/1	NAIC	
	68	Supplemental .PDF Filing	xxx	EO	xxx	4/1	NAIC	
	69	Quarterly Statement Electronic Filing	xxx	EO	xxx	5/15, 8/15, 11/15	NAIC	
	70	Quarterly .PDF Filing	xxx	EO	xxx	5/15, 8/15, 11/15	NAIC	
	71	June .PDF Filing	xxx	EO	xxx	6/1	NAIC	
		IV. AUDIT/INTERNAL CONTROL RELATED REPORTS						
	81	Accountants Letter of Qualifications		EO	N/A	6/1	Company	
	82	Audited Financial Reports		EO		6/1	Company	
	83	Audited Financial Reports Exemption Affidavit		N/A	N/A		Company	
	84	Communication of Internal Control Related Matters Noted in Audit		EO	N/A	8/1	Company	
	85	Independent CPA (change)		N/A	N/A		Company	
	86	Management's Report of Internal Control Over Financial Reporting		N/A	N/A	8/1	Company	
	87	Notification of Adverse Financial Condition		N/A	N/A		Company	
	88	Relief from the five-year rotation requirement for lead audit partner		EO		3/1	Company	
	89	Relief from the one-year cooling off period for independent CPA		EO		3/1	Company	
	90	Relief from the Requirements for Audit Committees		EO		3/1	Company	
	91	Request for Exemption to File Management's Report of Internal Control Over Financial Reporting		N/A	N/A		Company	
		V. STATE REQUIRED FILINGS						
	101	Corporate Governance Annual Disclosure***		0			Company	
	102	Filings Checklist (with Column 1 completed)		0			State	

(1) Checklist	(2) Line #	(3) REQUIRED FILINGS FOR THE ABOVE STATE	(4) NUMBER OF COPIES*			(5) DUE DATE	(6) FORM SOURCE**	(7) APPLICABLE NOTES
			Domestic		Foreign			
			State	NAIC	State			
	103	Form B-Holding Company Registration Statement		0			Company	
	104	Form F-Enterprise Risk Report ****		0			Company	
	105	ORSA*****		0			Company	
	106	Premium Tax		0			State	
	107	State Filing Fees		0			State	
	108	Signed Jurat	xxx	0			NAIC	
	109	Group Capital Calculation (File with lead state only)		0				
	110							
	111							
	112							
	113							

*If XXX appears in this column, this state does not require this filing, if hard copy is filed with the state of domicile and if the data is filed electronically with the NAIC. If N/A appears in this column, the filing is required with the domiciliary state. EO (electronic only filing).

**If Form Source is NAIC, the form should be obtained from the appropriate vendor.

***For those states that have adopted the NAIC Corporate Governance Annual Disclosure Model Act, an annual disclosure is required of all insurers or insurance groups by June 1. The Corporate Governance Annual Disclosure is a state filing only and should not be submitted by the company to the NAIC. Note however that this filing is intended to be submitted to the lead state if filed at the insurance group level. For more information on lead states, see the following NAIC URL: http://www.naic.org/public_lead_state_report.htm.

****For those states that have adopted the NAIC updated Holding Company Model Act, a Form F filing is required annually by holding company groups. Consistent with the Form B filing requirements, the Form F is a state filing only and should not be submitted by the company to the NAIC. Note however that this filing is intended to be submitted to the lead state. For more information on lead states, see the following NAIC URL: http://www.naic.org/public_lead_state_report.htm

*****For those states that have adopted the NAIC Risk Management and Own Risk and Solvency Assessment Model Act, a summary report is required annually by insurers and insurance groups above a specified premium threshold. The ORSA Summary Report is a state filing only and should not be submitted by the company to the NAIC. Note however that this filing is intended to be submitted to the lead state if filed at the insurance group level. For more information on lead states, see the following NAIC URL: http://www.naic.org/public_lead_state_report.htm

		NOTES AND INSTRUCTIONS (A-K APPLY TO ALL FILINGS)	
	A	Required Filings Contact Person:	
	B	Mailing Address:	
	C	Mailing Address for Filing Fees:	
	D	Mailing Address for Premium Tax Payments:	
	E	Delivery Instructions:	
	F	Late Filings:	
	G	Original Signatures:	
	H	Signature/Notarization/Certification:	
	I	Amended Filings:	
	J	Exceptions from normal filings:	
	K	Bar Codes (State or NAIC):	
	L	Signed Jurat:	
	M	NONE Filings:	
	N	Filings new, discontinued or modified materially since last year:	

**General Instructions
For Companies to Use Checklist**

Please Note: This state's instructions for companies to file with the NAIC are included in this Checklist. The NAIC will not be sending their own checklist this year.

Electronic filing is intended to be filing(s) submitted to the NAIC via the NAIC Internet Filing Site which eliminates the need for a company to submit diskettes or CD-ROM to the NAIC. Companies are not required to file hard copy filings with the NAIC.

Column (1) Checklist

Companies may use the checklist to submit to a state, if the state requests it. Companies should copy the checklist and place an "X" in this column when submitting information to the state.

Column (2) Line #

Line # refers to a standard filing number used for easy reference. This line number may change from year to year.

Column (3) Required Filings

Name of item or form to be filed.

The **Annual Statement Electronic Filing** includes the annual statement data and all supplements due March 1, per the *Annual Statement Instructions*. This includes all detail investment schedules and other supplements for which the *Annual Statement Instructions* exempt printed detail.

The **March.PDF Filing** is the .pdf file for annual statement data, detail for investment schedules and supplements due March 1.

The **Risk-Based Capital Electronic Filing** includes all risk-based capital data.

The **Risk-Based Capital.PDF Filing** is the .pdf file for risk-based capital data.

The **Separate Accounts Electronic Filing** includes the separate accounts annual statement and investment schedule detail.

The **Separate Accounts.PDF Filing** is the .pdf file for the separate accounts annual statement and all investment schedule detail.

The **Supplemental Electronic Filing** includes all supplements due April 1, per the *Annual Statement Instructions*.

The **Supplement.PDF Filing** is the .pdf file for all supplemental schedules and exhibits due April 1.

The **Quarterly Electronic Filing** includes the quarterly statement data.

The **Quarterly.PDF Filing** is the .pdf for quarterly statement data.

The **June.PDF Filing** is the .pdf file for the Audited Financial Statements and Accountants Letter of Qualifications.

Column (4) Number of Copies

Indicates the number of copies that each foreign or domestic company is required to file for each type of form. The Blanks (EX) Task Force modified the 1999 *Annual Statement Instructions* to waive paper filings of certain NAIC supplements and certain investment schedule detail, if such investment schedule data is available to the states via the NAIC database. The checklists reflect this action taken by the Blanks (EX) Task Force. XXX appears in the "Number of Copies" "Foreign" column for the appropriate schedules and exhibits. **Some states have chosen to waive printed quarterly and annual statements from their foreign insurers and to rely upon the NAIC database for these filings. This waiver could include supplemental annual statement filings. The XXX in this column might signify that the state has waived the paper filing of the annual statement and all supplements.**

Column (5) Due Date

Indicates the date on which the company must file the form.

Column (6) Form Source

This column contains one of three words: "NAIC," "State," or "Company," If this column contains "NAIC," the company must obtain the forms from the appropriate vendor. If this column contains "State," the state will provide the forms with the filing instructions. If this column contains "Company," the company, or its representative (e.g., its CPA firm), is expected to provide the form based upon the appropriate state instructions or the NAIC *Annual Statement Instructions*.

Column (7) Applicable Notes

This column contains references to the Notes to the Instructions that apply to each item listed on the checklist. The company should carefully read these notes before submitting a filing.

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2025 fall/bwg/checklists/2lifecklist_2025_filingsmade2026.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/apptf/2025%20fall/bwg/checklists/2lifecklist_2025_filingsmade2026.docx)

PROPERTY & CASUALTY INSURERS

COMPANY NAME: _____ **NAIC Company Code:** _____

Contact: _____ **Telephone:** _____

REQUIRED FILINGS IN THE STATE OF: _____ **Filings Made During the Year 2026**

(1) Checklist	(2) Line #	(3) REQUIRED FILINGS FOR THE ABOVE STATE	(4) NUMBER OF COPIES*			(5) DUE DATE	(6) FORM SOURCE**	(7) APPLICABLE NOTES
			Domestic		Foreign			
			State	NAIC	State			
		I. NAIC FINANCIAL STATEMENTS						
	1	Annual Statement (8 ½" x 14")		EO		3/1	NAIC	
	1.1	Printed Investment Schedule detail (Pages E01-E3029)		EO	xxx	3/1	NAIC	
	2	Quarterly Financial Statement (8 ½" x 14")		EO		5/15, 8/15, 11/15	NAIC	
	3	Protected Cell Annual Statement		0	xxx	3/1	NAIC	
	4	Combined Annual Statement (8 ½" x 14")		EO		5/1	NAIC	
		II. NAIC SUPPLEMENTS						
	11	Accident & Health Policy Experience Exhibit		EO		4/1	NAIC	
	12	Actuarial Opinion		EO		3/1	Company	
	13	Actuarial Opinion Summary		N/A		3/15	Company	
	14	Bail Bond Supplement		EO		3/1	NAIC	
	15	Combined Insurance Expense Exhibit		EO		5/1	NAIC	
	16	Credit Insurance Experience Exhibit		EO	xxx	4/1	NAIC	
	17	Cybersecurity Insurance Coverage Supplement		EO		4/1	NAIC	
	18	Director and Officer Insurance Coverage Supplement		EO		3/1, 5/15, 8/15, 11/15	NAIC	
	19	Exhibit of Other Liabilities By Lines of Business as Reported on Line 17 of the Exhibit of Premiums and Losses		EO		3/1	NAIC	
	20	Financial Guaranty Insurance Exhibit		EO		3/1	NAIC	
	21	Insurance Expense Exhibit		EO	xxx	4/1	NAIC	
	22	Life, Health & Annuity Guaranty Association Assessable Premium Exhibit, Parts 1 and 2		EO	xxx	4/1	NAIC	
	23	Long-Term Care Experience Reporting Forms		EO	xxx	4/1	NAIC	
	24	Management Discussion & Analysis		EO		4/1	Company	
	25	Market Conduct Annual Statement Premium Exhibit for Year		EO		3/1	NAIC	
	26	Medicare Part D Coverage Supplement		EO		3/1, 5/15, 8/15, 11/15	NAIC	
	27	Medicare Supplement Insurance Experience Exhibit		EO	xxx	3/1	NAIC	
	28	Mortgage Guaranty Insurance Exhibit		EO	xxx	4/1	NAIC	
	29	Premiums Attributed to Protected Cells Exhibit		EO		3/1	NAIC	
	30	Private Flood Insurance Supplement		EO		4/1	NAIC	
	31	Reinsurance Attestation Supplement		EO	xxx	3/1	Company	
	32	Exceptions to Reinsurance Attestation Supplement		N/A	xxx	3/1	Company	
	33	Reinsurance Summary Supplemental		EO	xxx	3/1	NAIC	
	34	Risk-Based Capital Report		EO		3/1	NAIC	
	35	Schedule SIS		N/A	N/A	3/1	NAIC	
	36	Supplement A to Schedule T		EO		3/1, 5/15, 8/15, 11/15	NAIC	
	37	Supplemental Compensation Exhibit		N/A	N/A	3/1	NAIC	
	38	Supplemental Health Care Exhibit (Parts 1 and 2)		EO		4/1	NAIC	
	39	Supplemental Investment Risk Interrogatories		EO		4/1	NAIC	
	40	Supplemental Schedule for Reinsurance Counterparty Reporting Exception – Asbestos and Pollution Contracts		EO		3/1	NAIC	
	41	Trusted Surplus Statement		EO	xxx	3/1, 5/15, 8/15, 11/15	NAIC	

(1) Checklist	(2) Line #	(3) REQUIRED FILINGS FOR THE ABOVE STATE	(4) NUMBER OF COPIES*			(5) DUE DATE	(6) FORM SOURCE**	(7) APPLICABLE NOTES
			Domestic		Foreign			
			State	NAIC	State			
		III. ELECTRONIC FILING REQUIREMENTS						
	61	Annual Statement Electronic Filing	xxx	EO	xxx	3/1	NAIC	
	62	March .PDF Filing	xxx	EO	xxx	3/1	NAIC	
	63	Risk-Based Capital Electronic Filing	xxx	EO	N/A	3/1	NAIC	
	64	Risk-Based Capital .PDF Filing	xxx	EO	N/A	3/1	NAIC	
	65	Combined Annual Statement Electronic Filing	xxx	EO	xxx	5/1	NAIC	
	66	Combined Annual Statement .PDF Filing	xxx	EO	xxx	5/1	NAIC	
	67	Supplemental Electronic Filing	xxx	EO	xxx	4/1	NAIC	
	68	Supplemental .PDF Filing	xxx	EO	xxx	4/1	NAIC	
	69	Quarterly Statement Electronic Filing	xxx	EO	xxx	5/15, 8/15, 11/15	NAIC	
	70	Quarterly .PDF Filing	xxx	EO	xxx	5/15, 8/15, 11/15	NAIC	
	71	June .PDF Filing	xxx	EO	xxx	6/1	NAIC	
		IV. AUDIT/INTERNAL CONTROL RELATED REPORTS						
	81	Accountants Letter of Qualifications		EO	N/A	6/1	Company	
	82	Audited Financial Reports		EO		6/1	Company	
	83	Audited Financial Reports Exemption Affidavit		N/A	N/A		Company	
	84	Communication of Internal Control Related Matters Noted in Audit		EO	N/A	8/1	Company	
	85	Independent CPA (change)		N/A	N/A		Company	
	86	Management's Report of Internal Control Over Financial Reporting		N/A	N/A	8/1	Company	
	87	Notification of Adverse Financial Condition		N/A	N/A		Company	
	88	Relief from the five-year rotation requirement for lead audit partner		EO		3/1	Company	
	89	Relief from the one-year cooling off period for independent CPA		EO		3/1	Company	
	90	Relief from the Requirements for Audit Committees		EO		3/1	Company	
	91	Request to File Consolidated Audited Annual Statements		N/A	N/A		Company	
	92	Request for Exemption to File Management's Report of Internal Control Over Financial Reporting		N/A	N/A		Company	
		V. STATE REQUIRED FILINGS***						
	101	Corporate Governance Annual Disclosure***		0			Company	
	102	Filings Checklist (with Column 1 completed)		0			State	
	103	Form B-Holding Company Registration Statement		0			Company	
	104	Form F-Enterprise Risk Report ****		0			Company	
	105	ORSA *****		0			Company	
	106	Premium Tax		0			State	
	107	State Filing Fees		0			State	
	108	Signed Jurat	xxx	0			NAIC	
	109	Group Capital Calculation (File with lead state only)		0				
	110							
	111							

*If XXX appears in this column, this state does not require this filing, if hard copy is filed with the state of domicile and if the data is filed electronically with the NAIC. If N/A appears in this column, the filing is required with the domiciliary state. EO (electronic only filing).

**If Form Source is NAIC, the form should be obtained from the appropriate vendor.

***For those states that have adopted the NAIC Corporate Governance Annual Disclosure Model Act, an annual disclosure is required of all insurers or insurance groups by June 1. The Corporate Governance Annual Disclosure is a state filing only and should not be submitted by the company to the

NAIC. Note however that this filing is intended to be submitted to the lead state if filed at the insurance group level. For more information on lead states, see the following NAIC URL: http://www.naic.org/public_lead_state_report.htm.

****For those states that have adopted the NAIC updated Holding Company Model Act, a Form F filing is required annually by holding company groups. Consistent with the Form B filing requirements, the Form F is a state filing only and should not be submitted by the company to the NAIC. Note however that this filing is intended to be submitted to the lead state. For more information on lead states, see the following NAIC URL: http://www.naic.org/public_lead_state_report.htm

*****For those states that have adopted the NAIC Risk Management and Own Risk and Solvency Assessment Model Act, a summary report is required annually by insurers and insurance groups above a specified premium threshold. The ORSA Summary Report is a state filing only and should not be submitted by the company to the NAIC. Note however that this filing is intended to be submitted to the lead state if filed at the insurance group level. For more information on lead states, see the following NAIC URL: http://www.naic.org/public_lead_state_report.htm

		NOTES AND INSTRUCTIONS (A-K APPLY TO ALL FILINGS)	
	A	Required Filings Contact Person:	
	B	Mailing Address:	
	C	Mailing Address for Filing Fees:	
	D	Mailing Address for Premium Tax Payments:	
	E	Delivery Instructions:	
	F	Late Filings:	
	G	Original Signatures:	
	H	Signature/Notarization/Certification:	
	I	Amended Filings:	
	J	Exceptions from normal filings:	
	K	Bar Codes (State or NAIC):	
	L	Signed Jurat:	
	M	NONE Filings:	
	N	Filings new, discontinued or modified materially since last year:	

**General Instructions
For Companies to Use Checklist**

Please Note: This state's instructions for companies to file with the NAIC are included in this Checklist. The NAIC will not be sending their own checklist this year.

Electronic filing is intended to be filing(s) submitted to the NAIC via the NAIC Internet Filing Site which eliminates the need for a company to submit diskettes or CD-ROM to the NAIC. Companies are not required to file hard copy filings with the NAIC.

Column (1) Checklist

Companies may use the checklist to submit to a state, if the state requests it. Companies should copy the checklist and place an "X" in this column when submitting information to the state.

Column (2) Line #

Line # refers to a standard filing number used for easy reference. This line number may change from year to year.

Column (3) Required Filings

Name of item or form to be filed.

The **Annual Statement Electronic Filing** includes the annual statement data and all supplements due March 1, per the *Annual Statement Instructions*. This includes all detail investment schedules and other supplements for which the *Annual Statement Instructions* exempt printed detail.

The **March .PDF Filing** is the .pdf file for annual statement data, detail for investment schedules and supplements due March 1.

The **Risk-Based Capital Electronic Filing** includes all risk-based capital data.

The **Risk-Based Capital.PDF Filing** is the .pdf file for risk-based capital data.

The **Supplemental Electronic Filing** includes all supplements due April 1, per the *Annual Statement Instructions*.

The **Supplemental.PDF Filing** is the .pdf file for all supplemental schedules and exhibits due April 1.

The **Quarterly Statement Electronic Filing** includes the complete quarterly statement data.

The **Quarterly Statement.PDF Filing** is the .pdf file for quarterly statement data.

The **Combined Annual Statement Electronic Filing** includes the required pages of the combined annual statement and the combined Insurance Expense Exhibit.

The **Combined Annual Statement.PDF Filing** is the .pdf file for the Combined annual statement data and the combined Insurance Expense Exhibit.

The **June .PDF Filing** is the .pdf file for the Audited Financial Statements and Accountants Letter of Qualifications.

Column (4) Number of Copies

Indicates the number of copies that each foreign or domestic company is required to file for each type of form. The Blanks (EX) Task Force modified the 1999 *Annual Statement Instructions* to waive paper filings of certain NAIC supplements and

certain investment schedule detail if such investment schedule data is available to the states via the NAIC database. The checklists reflect this action taken by the Blanks (EX) Task Force. XXX appears in the "Number of Copies" "Foreign" column for the appropriate schedules and exhibits. **Some states have chosen to waive printed quarterly and annual statements from their foreign insurers and to rely upon the NAIC database for these filings. This waiver could include supplemental annual statement filings. The XXX in this column might signify that the state has waived the paper filing of the annual statement and all supplements.**

Column (5) Due Date

Indicates the date on which the company must file the form.

Column (6) Form Source

This column contains one of three words: "NAIC," "State," or "Company," If this column contains "NAIC," the company must obtain the forms from the appropriate vendor. If this column contains "State," the state will provide the forms with the filing instructions. If this column contains "Company," the company, or its representative (e.g., its CPA firm), is expected to provide the form based upon the appropriate state instructions or the NAIC *Annual Statement Instructions*.

Column (7) Applicable Notes

This column contains references to the Notes to the Instructions that apply to each item listed on the checklist. The company should carefully read these notes before submitting a filing.

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2025 fall/bwg/checklists/3propcklist_2025_filingsmade2026.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/apptf/2025%20fall/bwg/checklists/3propcklist_2025_filingsmade2026.docx)

Attachment Two-B
Accounting Practices and Procedures (E) Task Force
12/10/25

TITLE COMPANIES

COMPANY NAME: _____ **NAIC Company Code:** _____

Contact: _____ **Telephone:** _____

REQUIRED FILINGS IN THE STATE OF: _____ **Filings Made During the Year 2026**

(1) Checklist	(2) Line #	(3) REQUIRED FILING FOR THE ABOVE STATE	(4) NUMBER OF COPIES*			(5) DUE DATE	(6) FORM SOURCE**	(7) APPLICABL E NOTES
			Domestic		Foreig n			
			State	NAIC	State			
		I. NAIC FINANCIAL STATEMENTS						
	1	Annual Statement (8 ½" x 14")		EO		3/1	NAIC	
	1.1	Printed Investment Schedule detail (Pages E01-E3029)		EO	xxx	3/1	NAIC	
	2	Quarterly Financial Statement (8 ½" x 14")		EO		5/15, 8/15, 11/15	NAIC	
		II. NAIC SUPPLEMENTS						
	11	Actuarial Opinion		EO		3/1	Company	
	12	Investment Risk Interrogatories		EO		4/1	NAIC	
	13	Management Discussion & Analysis		EO		4/1	Company	
	14	Schedule SIS		N/A	N/A	3/1	NAIC	
	15	Supplemental Compensation Exhibit		N/A	N/A	3/1	NAIC	
	16	Supplemental Schedule of Business Written By Agency		N/A		4/1	NAIC	
		III. ELECTRONIC FILING REQUIREMENTS						
	61	Annual Statement Electronic Filing	xxx	EO	xxx	3/1	NAIC	
	62	March .PDF Filing	xxx	EO	xxx	3/1	NAIC	
	63	Supplemental Electronic Filing	xxx	EO	xxx	4/1	NAIC	
	64	Supplemental .PDF Filing	xxx	EO	xxx	4/1	NAIC	
	65	Quarterly Statement Electronic Filing	xxx	EO	xxx	5/15, 8/15, 11/15	NAIC	
	66	Quarterly .PDF Filing	xxx	EO	xxx	5/15, 8/15, 11/15	NAIC	
	67	June .PDF Filing	xxx	EO	xxx	6/1	NAIC	
		IV. AUDIT/INTERNAL CONTROL RELATED REPORTS						
	81	Accountants Letter of Qualifications		EO	N/A	6/1	Company	
	82	Audited Financial Reports		EO		6/1	Company	
	83	Audited Financial Reports Exemption Affidavit		N/A	N/A		Company	
	84	Communication of Internal Control Related Matters Noted in Audit		EO	N/A	8/1	Company	
	85	Independent CPA (change)		N/A	N/A		Company	
	86	Management's Report of Internal Control Over Financial Reporting		N/A	N/A	8/1	Company	
	87	Notification of Adverse Financial Condition		N/A	N/A		Company	
	88	Relief from the five-year rotation requirement for lead audit partner		EO		3/1	Company	
	89	Relief from the one-year cooling off period for independent CPA		EO		3/1	Company	
	90	Relief from the Requirements for Audit Committees		EO		3/1	Company	
	91	Request for Exemption to File Management's Report of Internal Control Over Financial Reporting		N/A	N/A		Company	
		V. STATE REQUIRED FILINGS***						
	101	Corporate Governance Annual Disclosure***		0			Company	
	102	Filings Checklist (with Column 1 completed)		0			State	
	103	Form B-Holding Company Registration Statement		0			Company	
	104	Form F-Enterprise Risk Report ***		0			Company	
	105	ORSA ****		0			Company	
	106	State Filing Fees		0			State	

(1) Checklist	(2) Line #	(3) REQUIRED FILING FOR THE ABOVE STATE	(4) NUMBER OF COPIES*			(5) DUE DATE	(6) FORM SOURCE**	(7) APPLICABL E NOTES
			Domestic		Foreig n			
			State	NAIC	State			
	107	Signed Jurat	xxx	0			NAIC	
	108	Group Capital Calculation (File with lead state only)		0				
	109							

*If XXX appears in this column, this state does not require this filing, if hard copy is filed with the state of domicile and if the data is filed electronically with the NAIC. If N/A appears in this column, the filing is required with the domiciliary state. EO (electronic only filing).

**If Form Source is NAIC, the form should be obtained from the appropriate vendor.

***For those states that have adopted the NAIC Corporate Governance Annual Disclosure Model Act, an annual disclosure is required of all insurers or insurance groups by June 1. The Corporate Governance Annual Disclosure is a state filing only and should not be submitted by the company to the NAIC. Note however that this filing is intended to be submitted to the lead state if filed at the insurance group level. For more information on lead states, see the following NAIC URL: http://www.naic.org/public_lead_state_report.htm.

****For those states that have adopted the NAIC updated Holding Company Model Act, a Form F Filing is required annually by holding company groups. Consistent with the Form B filing requirements, the Form F is a state filing only and should not be submitted by the company to the NAIC. Note however that this filing is intended to be submitted to the lead state. For more information on lead states, see the following NAIC URL: http://www.naic.org/public_lead_state_report.htm

*****For those states that have adopted the NAIC Risk Management and Own Risk and Solvency Assessment Model Act, a summary report is required annually by insurers and insurance groups above a specified premium threshold. The ORSA Summary Report is a state filing only and should not be submitted by the company to the NAIC. Note however that this filing is intended to be submitted to the lead state if filed at the insurance group level. For more information on lead states, see the following NAIC URL: http://www.naic.org/public_lead_state_report.htm

		NOTES AND INSTRUCTIONS (A-K APPLY TO ALL FILINGS)	
	A	Required Filings Contact Person:	
	B	Mailing Address:	
	C	Mailing Address for Filing Fees:	
	D	Mailing Address for Premium Tax Payments:	
	E	Delivery Instructions:	
	F	Late Filings:	
	G	Original Signatures:	
	H	Signature/Notarization/Certification:	
	I	Amended Filings:	
	J	Exceptions from normal filings:	
	K	Bar Codes (State or NAIC):	
	L	Signed Jurat:	
	M	NONE Filings:	
	N	Filings new, discontinued or modified materially since last year:	

**General Instructions
For Companies to Use Checklist**

Please Note: This state's instructions for companies to file with the NAIC are included in this Checklist. The NAIC will not be sending their own checklist this year.

Electronic filing is intended to be filing(s) submitted to the NAIC via the NAIC Internet Filing Site which eliminates the need for a company to submit diskettes or CD-ROM to the NAIC. Companies are not required to file hard copy filings with the NAIC.

Column (1) Checklist

Companies may use the checklist to submit to a state, if the state requests it. Companies should copy the checklist and place an "x" in this column when submitting information to the state.

Column (2) Line #

Line # refers to a standard filing number used for easy reference. This line number may change from year to year.

Column (3) Required Filings

Name of item or form to be filed.

The **Annual Statement Electronic Filing** includes the annual statement data and all supplements due March 1, per the *Annual Statement Instructions*. This includes all detail investment schedules and other supplements for which the *Annual Statement Instructions* exempt printed detail.

The **March.PDF Filing** is the .pdf file for the annual statement, detail for investment schedules and all supplements due March 1.

The **Supplemental Electronic Filing** includes all supplements due April 1, per the *Annual Statement Instructions*.

The **Supplemental.PDF Filing** is the .pdf file for all supplements due April 1.

The **Quarterly Electronic Filing** includes the quarterly statement data.

The **Quarterly.PDF Filing** is the .pdf for quarterly statement data.

The **June.PDF Filing** is the .pdf file for the Audited Financial Statements and Accountants Letter of Qualifications.

Column (4) Number of Copies

Indicates the number of copies that each foreign or domestic company is required to file for each type of form. The Blanks (EX) Task Force modified the 1999 *Annual Statement Instructions* to waive paper filings of certain NAIC supplements and certain investment schedule detail, if such investment schedule data is available to the states via the NAIC database. The checklists reflect this action taken by the Blanks (EX) Task Force. XXX appears in the "Number of Copies" "Foreign" column for the appropriate schedules and exhibits. **Some states have chosen to waive printed quarterly and annual statements from their foreign insurers and to rely upon the NAIC database for these filings. This waiver could include supplemental annual statement filings. The XXX in this column might signify that the state has waived the paper filing of the annual statement and all supplements.**

Column (5) Due Date

Indicates the date on which the company must file the form.

Column (6) Form Source

This column contains one of three words: "NAIC," "State," or "Company," If this column contains "NAIC," the company must obtain the forms from the appropriate vendor. If this column contains "State," the state will provide the forms with the filing instructions (generally, on its web site). If this column contains "Company," the company, or its representative (e.g., its CPA firm), is expected to provide the form based upon the appropriate state instructions or the NAIC *Annual Statement Instructions*.

Column (7) Applicable Notes

This column contains references to the Notes to the Instructions that apply to each item listed on the checklist. The company should carefully read these notes before submitting a filing.

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2025 fall/bwg/checklists/4 titlecklist_2025_filingsmade2026.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/apptf/2025%20fall/bwg/checklists/4%20titlelist_2025_filingsmade2026.docx)