

## ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE

Accounting Practices and Procedures (E) Task Force March 24, 2026, Minutes

Statutory Accounting Principles (E) Working Group March 23, 2026, Minutes (Attachment One)

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

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2025-25; Separate Account Nonadmitted Assets (Attachment One-B)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2025-30; Administrative Services Contracts Disclosure Clarification (Attachment One-C)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2025-31; Update Coverage Gap Reference (Attachment One-D)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2025-31; *INT 05-05: Accounting for Revenues Under Medicare Part D Coverage* (Attachment One-E)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2025-32; Remove Shaded Text (Attachment One-F)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2025-33; Update to Annual Statement Expense Descriptions and Categories (Attachment One-G)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2025-34; Updates on Economic Scenario Generator and Non-Variable Annuities (Attachment One-H)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2025-01; Sale-Leaseback Clarification (Attachment One-I)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2025-23; IMR Proof of Reinvestment (Attachment One-J)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2025-28; Nonadmittance of Long-Term Repos (Attachment One-K)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2025-29; Reporting Clarifications (Attachment One-L)

Memorandum to Kevin Clark, Chair of the Statutory Accounting Principles (E) Working Group, From Commissioner Nathan Houdek, Chair of the Financial Condition (E) Committee, Dated January 12, 2026; Regarding Implementation of 2024-06 (Attachment One-M)

Memorandum to Commissioner Nathan Houdek, Chair of the Financial Condition (E) Committee, and Commissioner Michael T. Caljouw, Vice Chair of the Financial Condition (E) Committee; From Kevin Clark, Chair of the Statutory Accounting Principles (E) Working Group, and Dale Bruggeman, Vice Chair of the Statutory Accounting Principles (E) Working Group; Dated March 23, 2026; Regarding Response on Implementation of Agenda Item 2024-06 (Attachment One-N)

Blanks (E) Working Group March 5, 2026, Meeting (Attachment Two)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2025-17BWG Modified; Effective Annual 2026/1<sup>st</sup> Quarter 2027; Add an Annual General Interrogatory that Indicates the Method Used for Reporting Residuals and Update Notes to Financials (Note 1C6 and 5D) for Consistent Reporting Between SSAP No. 26, SSAP No. 43, and SSAP No. 21 (Attachment Two-A)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2025-18BWG; Effective Annual 2026; Add Instructions for Health General Interrogatory 10.21 through 10.24 to Add Clarifying Instructions and an Example to the Health General Interrogatory Part 2 Instructions; Add a Crosscheck from the General Interrogatory to Exhibit 7, Part 1 (Attachment Two-B)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2025-19BWG Modified; Effective Annual 2026/Quarterly 2027; Add a Code of "S" to the Active Status Column on Schedule T to Identify if a License has been Suspended (Attachment Two-C)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2025-20BWG Modified; Effective Annual 2026; Update Schedule D, Part 6, Section 1, Reporting Categories and Asset Valuation Reserve Lines to Update the Classification of Investment Subsidiaries (Attachment Two-D)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2025-21BWG; Effective Annual 2026; Revise the Definition of Accepted Actuarial Designation Based on the Actuarial Opinion Working Group’s Assessment of the Educational Materials of the Society of Actuaries (SOA) and Casualty Actuarial Society (CAS), Completed in 2025; Specified that the Reserve for Direct and Assumed Unearned Premiums for P&C Long Duration Contracts and the Reserve for Net Unearned Premiums for P&C Long Duration Contracts should be Disclosed in Exhibit A Regardless of Whether the Amounts are Material; Clarified the Instructions on the Reconciliation of Data used by the Appointed Actuary to Schedule P; Clarified Requirements for the Actuarial Report when the Appointed Actuary has Made Use of an Analysis or Opinion Produced by Another Person not Under the Appointed Actuary’s Direction for a Material Portion of the Reserves; Removed the Following Disclosure Item from Exhibit B: “The net reserves for losses and loss adjustment expenses for the Company’s share of voluntary and involuntary underwriting pools’ and associations’ unpaid losses and loss adjustment expenses that are included in reserves shown on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines;” Revised the Label of an Exhibit B Disclosure Item from “The Total Claims Made Extended Loss and Loss Adjustment Expense, and Unearned Premium Reserves” to “Extended Reporting Endorsement Policy Reserve Associated with Claims-Made Contracts” and Added Clarifying Instructions Related to this Item (Attachment Two-E)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2025-22BWG Modified; Effective Annual 2026; Add an Electronic-Only Column to Schedule D, Part 1, Section 1 and 2; Schedule D, Part 2, Sections 1 and 2; Schedule D, Parts 3, 4, and 5; Schedule BA; Schedule DA; Schedule DL; and Schedule E, Part 2, to Identify Whether the Investment is Publicly Registered, Rule 144, Private Placement Security, or not Applicable; Add a New Part to Note 5—Investments to Report the Total Book Adjusted Carrying Value, 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 (Attachment Two-F)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2025-28BWG Modified; Effective Annual 2026/1<sup>st</sup> Quarter 2027; Add Two Investment Characteristics Categories to the Annual Schedule A, Part 1, to Clarify if an Investment is Owned by a Qualifying Statutory Trust; Update the Annual and Quarterly Schedule B Instructions for Reporting Guidance for Mortgages Held in Qualifying Investments in Statutory Trusts and to Add Loan Type Codes to Identify the Mortgage Loans (Attachment Two-G)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2025-30BWG Modified; Effective Annual 2026/1<sup>st</sup> Quarter 2027; Update Notes to Financials Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans to Clarify Reporting Retirement Plan Assets at Net Asset Value (NAV) (Attachment Two-H)

Blanks (E) Working Group Editorial Revisions to the Blanks and Instructions Presented at the March 5, 2026, Meeting (Attachment Two-I)

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 19, 2025; Regarding Schedule S, Part B—Reporting of Modco and Funds Withheld Assets (Attachment Two-J)

Memorandum to Kevin Clark, Chair of the Statutory Accounting Principles (E) Working Group, and Roy Eft, Chair of the Blanks (E) Working Group; Dated Feb. 17, 2026; Regarding Funding Agreements Backing Funding Agreement Backed Notes and Other Structures (Attachment Two-K)

## Draft Pending Adoption

Draft: 4/2/26

Accounting Practices and Procedures (E) Task Force  
San Diego, CA  
March 24, 2026

The Accounting Practices and Procedures (E) Task Force met in San Diego, CA, March 24, 2026. The following Task Force members participated: Amanda Crawford, Chair, represented by Jamie Walker (TX); Larry D. Deiter, Vice Chair, represented by Johanna Nickelson (SD); Mark Fowler represented by Lori Brock (AL); Ricardo Lara represented by Kim Hudson (CA); Michael Conway represented by Rolf Kaumann (CO); Joshua Hershman represented by William Arfanis (CT); Karima M. Woods represented by Sean O'Donnell (DC); Trinidad Navarro represented by Rylenn Brown (DE); Michael Yaworsky represented by Bradley Trim (FL); Doug Ommen represented by Kevin Clark and Daniel Mathis (IA); Dean L. Cameron represented by Eric Fletcher (ID); Holly W. Lambert represented by Roy Eft (IN); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Vicki Lloyd (KY); Michael T. Caljouw represented by John Turchi and Jim McCarthy (MA); Anita G. Fox represented by Kristin Hynes (MI); Grace Arnold represented by Kathleen Orth (MN); Angela L. Nelson represented by Danielle Smith (MO); Mike Chaney represented by Josh Ammerman (MS); Eric Dunning represented by Tadd Wegner (NE); Susan Ochs represented by David Wolf (NJ); Ned Gaines represented by Diana Branciforte (NV); Kaitlin Asrow represented by Bob Kasinow (NY); Judith L. French represented by David Cook (OH); Glen Mulready represented by Ryan Rowe (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); Scott A. White represented by Doug Stolte and Jennifer Blizzard (VA); Kaj Samsom represented by Karen Ducharme (VT); Patty Kuderer represented by Steve Drutz (WA); Nathan Houdek represented by Amy Malm (WI); and Allan L. McVey represented by Justin E. Parr (WV).

### 1. Adopted its 2025 Fall National Meeting Minutes

Lloyd made a motion, seconded by Orth, to adopt the Task Force's Dec. 10, 2025, minutes (*see NAIC Proceedings Fall 2025, Accounting Practices and Procedures (E) Task Force*). The motion passed unanimously.

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

Clark provided the report of the Statutory Accounting Principles (E) Working Group, which met March 23. During this meeting, the Working Group took the following action:

- A. Adopted its 2025 Fall National Meeting minutes.
- B. Adopted the following statutory accounting principle (SAP) concepts and clarifications to statutory accounting guidance:
  - i. *Statement of Statutory Accounting Principles (SSAP) No. 3—Accounting Changes and Corrections of Errors, SSAP No. 51—Life Contracts, and SSAP No. 52—Deposit-Type Contracts*: Adopted revisions provide guidance on the optional implementation period for the *Valuation Manual* and adopted revisions regarding the optional implementation period for the economic scenario generator and non-variable annuities. (Ref #2025-34)
  - ii. *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve*: Adopted proposed concepts for an interest maintenance reserve (IMR) proof of reinvestment developed by the IMR Ad Hoc Group. Directed NAIC staff to continue to work with industry to refine the templates as part of the IMR work. (Ref #2025-23)

## Draft Pending Adoption

- iii. *SSAP No. 22—Leases*: Adopted revisions 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)
  - iv. *SSAP No. 40—Real Estate Investments* and *SSAP No. 90—Impairment or Disposal of Real Estate Investments*, the *Summary of Changes*, and the *How to Use* document: Adopted revisions delete the shaded text instructions and delete previously superseded guidance in SSAP No. 40, currently shown as shaded text. (Ref #2025-32)
  - v. *SSAP No. 47—Uninsured Plans*: Adopted revisions clarify inconsistencies in the disclosure calculation and communicate support for the related annual statement blanks proposal to update note 18B gains/losses on administrative services contracts (ASCs). (Ref #2025-30)
  - vi. *SSAP No. 56—Separate Accounts*: Adopted revisions address nonadmittance for assets held under the “general account basis” in the separate account and communicated support for the Blanks (E) Working Group proposal to incorporate the concept of nonadmitted assets within the separate account balance sheet and corresponding schedules. (Ref #2025-25)
  - vii. *SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*: Adopted revisions allow repurchase agreements with maturity dates of more than one year to be admitted. (Ref #2025-28)
  - viii. *Interpretation (INT) 05-05: Accounting for Revenues Under Medicare Part D Coverage*: Adopted revisions note the Dec. 31, 2024, discontinuation of the coverage gap discount program and add reference to the federal Centers for Medicare & Medicaid Services (CMS) Manufacturer Discount Program. (Ref #2025-31)
  - ix. *Annual Statement Blanks*:
    - a. Adopted revisions communicate support for a blanks proposal to clarify reporting on debt securities, and to improve consistency in reporting. (Ref #2025-29)
    - b. Adopted revisions communicate support for the blanks proposal to update and modernize expense descriptions and categories. (Ref #2025-33)
- C. Exposed the following SAP concepts and clarifications to statutory accounting guidance for a 39-day public comment period ending May 1:
- i. *SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures*: Re-exposed revisions requesting comments on whether to retain the restricted asset codes. (Ref #2025-27)
  - ii. *SSAP No. 15—Debt and Holding Company Obligations*, *SSAP No. 52*, and *Various*: Exposed editorial revisions to: 1) various SSAPs to replace the term “CUSIP” with “Security Identifier;” 2) add “U.S.” before “generally accepted accounting principles” (GAAP) or “GAAP” as appropriate; and 3) remove the word “funding” from the beginning of the paragraph that describes Federal Home Loan Bank (FHLB) agreements. (Ref #2026-03EP)
  - iii. *SSAP No. 52*: Exposed revisions to disclosures and glossary addition to SSAP No. 52 for funding agreement-backed notes (FABNs) and other funding agreement-backed structures. Received a referral from the Macroprudential (E) Working Group to incorporate proposed disclosures for FABNs and other funding agreement-backed structures. The referral included a corresponding blanks proposal. (Ref #2026-01)
  - iv. *SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance* and *Annual Statement Instructions and Blanks*: Exposed revisions to SSAP No. 61 to clarify that funds withheld liabilities should be recorded equal to the book/adjusted carrying value (BACV) of the funds withheld assets. The exposure includes proposed revisions to the Life and Health Annual Statement Instructions on Schedule S (Reinsurance), Parts 3, 4, and 5, and the liabilities page. In addition, proposed to delete some legacy annual statement instructions regarding the use of Securities Valuation Office (SVO) fair values. (Ref #2026-02)

## Draft Pending Adoption

- v. *New SSAP and issue paper*: Exposed a draft SSAP and issue paper to incorporate new statutory accounting guidance allowing an amortized cost measurement method for a qualifying derivative program. Exposure included both the clean SSAP and a version that shows tracked changes from the prior American Council of Life Insurers (ACLI) version. (Ref #2024-15)
  - vi. *New draft issue paper regarding residential mortgage loans held in qualifying statutory trusts*: Exposed the draft issue paper detailing the discussions supporting the adopted statutory trust guidance to allow reporting of qualifying items within the mortgage loan guidance. (Ref #2025-13)
- D. Directed NAIC staff on the following items:
- i. *SSAP No. 61*: Directed NAIC staff to defer an item on reinsurance collateral and IMR until a response is received from the Reinsurance (E) Task Force on whether to utilize the symmetrical or asymmetrical approach. (Ref #2025-22)
  - ii. Directed NAIC staff to work with industry directly in the interim to consolidate and clarify the disclosure requirements in *SSAP No. 1*, *SSAP No. 5—Liabilities, Contingencies and Impairments of Assets*, *SSAP No. 21—Other Admitted Assets*, *SSAP No. 26—Bonds*, and *SSAP No. 43—Asset-Backed Securities* 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. Directed NAIC staff to work with a limited industry focus group (e.g., two to four dedicated industry representatives) to develop proposed revisions in response to the comprehensive review of *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* for subsequent review by the full Working Group. (Ref #2025-26)
- E. Received updates on the following:
- i. Received a Jan. 12 referral from the Financial Condition (E) Committee to take steps to consider: 1) further education of how permitted practices may be used to address transition issues for Ref #2024-06: Risk Transfer Analysis of Combination Reinsurance Contracts; and 2) whether any tools were needed to accommodate states or jurisdictions that do not allow permitted practices as a matter of policy. In response to the Financial Condition (E) Committee referral, the Working Group's chair directed a Jan. 26 distribution of an example permitted practice to clarify permitted practices and encourage uniform reporting among states to the chief financial regulators. A survey was conducted to see whether tools were needed for jurisdictions that, as a policy, do not grant permitted practices. The survey received 47 responses, and all respondents stated that no additional flexibility other than that provided through the permitted practice process was needed. The Working Group concluded that no further steps are needed at this time and directed this response to be sent to the Financial Condition (E) Committee.
  - ii. On Feb. 24, the IMR Ad Hoc Group received an initial version of the revised SSAP No. 7 to reflect Ad Hoc Group discussions. It is anticipated that the revised SSAP, draft issue paper, and documents that propose reporting revisions and revisions to other SSAPs will be presented for exposure to the full Working Group in the interim after the Spring National Meeting.
  - iii. Received an update that NAIC staff will collaborate with interested parties in identifying clarifications to respond to the referral from the Life Risk-Based Capital (E) Working Group, which was received at the 2025 Summer National Meeting. The referral forwarded comments received on proposal 2025-04-L (Other Long-Term Assets) (LR008). Specifically, the ACLI raised questions regarding asset valuation reserve (AVR) equity reporting lines for common stock in subsidiary, controlled, and affiliated entities (SCAs) and other affiliates and requested clarifications to the AVR instructions.
  - iv. 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.

## Draft Pending Adoption

- v. International Association of Insurance Supervisors (IAIS) Accounting and Auditing Working Group (AAWG) activities. Some items of particular interest are that the AAWG discussed whether to classify crypto assets as intangible assets under the insurance capital standard (ICS) or to exclude them from qualifying capital resources and themes identified from the public consultation of the ICS implementation and revisions to Insurance Core Principle (ICP) 9 (Supervisory Review and Reporting) and ICP 20 (Public Disclosure).

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

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

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

- A. Adopted its Nov. 5, 2025, minutes (*see NAIC Proceedings, Fall 2025, Accounting Practices and Procedures (E) Task Force, Attachment Two*).
- B. Adopted eight proposals:
  - i. 2025-17BWG Modified – Add an annual general interrogatory to indicate the method used for reporting residuals and update Notes to Financials (Note 1C6 and 5D) for consistent reporting between SSAP No. 26, SSAP No. 43, and SSAP No. 21.
  - ii. 2025-18BWG – Add clarifying instructions for Health General Interrogatory 10.21 through 10.24 and an example to the Health General Interrogatory Part 2 Instructions. Add a cross-check from the general interrogatory to Exhibit 7, Part 1.
  - iii. 2025-19BWG Modified – Add a code of “S” to the Active Status column on Schedule T to identify if a license has been suspended.
  - iv. 2025-20BWG Modified – Update Schedule D, Part 6, Section 1 reporting categories and AVR lines to update the classification of investment subsidiaries.
  - v. 2025-21BWG – Added clarifications of definitions and requirements within the Property/Casualty (P/C) Actuarial Opinion to gain greater consistency and accuracy in reporting.
  - vi. 2025-22BWG Modified – Add an electronic-only column to the investment schedules to identify whether the investment is publicly registered, Rule 144, private placement security, or not applicable. Add a new part to Note 5 – Investments to report 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.
  - vii. 2025-28BWG Modified – Add two investment characteristics categories to the annual Schedule A, Part 1, to clarify if an investment is owned by a qualifying statutory trust. Update the annual and quarterly Schedule B instructions for reporting guidance for mortgages held in qualifying investments in statutory trusts, and add loan type codes to identify the mortgage loans.
  - viii. 2025-30BWG Modified – Update Notes to Financials Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans to clarify reporting retirement plan assets at net asset value (NAV).
- C. Deferred five proposals with a 53-day public comment period ending April 28.
- D. Re-exposed one proposal and exposed four new items for a 53-day public comment period ending April 28.
- E. Received two memorandums:

## Draft Pending Adoption

- i. Statutory Accounting Principles (E) Working Group memorandum, which references Schedule S, Part 8—Reporting of Modco and Funds Withheld Assets.
- ii. Macroprudential (E) Working Group memorandum, which references FABNs and other structures.

F. Adopted its editorial listing.

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.

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member\\_meetings/e\\_cmte/apptf/2026/2026\\_spring/summary\\_and\\_minutes/apptf\\_minutes\\_3-24-26.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member_meetings/e_cmte/apptf/2026/2026_spring/summary_and_minutes/apptf_minutes_3-24-26.docx)

Draft: 4/2/26

Statutory Accounting Principles (E) Working Group  
San Diego, California  
March 23, 2026

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force met in San Diego, CA, March 23, 2026. The following Working Group members participated: Kevin Clark Chair (IA); Dale Bruggeman, Vice Chair (OH); Sheila Travis and Richard (Hamp) Russell (AL); Kim Hudson, Laura Clements and Monica Macaluso (CA); William Arfanis and Michael Estabrook (CT); Rylynn Brown (DE); Cindy Andersen (IL); Shantell Taylor and Tom Travis (LA); Steve Mayhew and Kristin Hynes (MI); Ned Cataldo (NH); Bob Kasinow (NY); Diana Sherman (PA); Jamie Walker and Rachel Hemphill (TX); Doug Stolte and Jennifer Blizzard (VA); and Amy Malm and Levi Olson (WI).

1. Adopted its 2025 Fall National Meeting Minutes

The Working Group met March 17 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 its Spring National Meeting agenda. No action was taken at the meeting.

Walker made a motion, seconded by Malm, to adopt the Working Group's Dec. 9 minutes (*see NAIC Proceedings – Fall 2025, Accounting Practices and Procedures (E) Task Force, Attachment One*). The motion passed unanimously.

2. Reviewed Comments on Non-Contested Positions

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

A. Ref #2025-25

Clark directed the Working Group to agenda item *2025-25: Separate Account Nonadmitted Assets*. Julie Gann (NAIC) stated that during the 2025 Fall National Meeting, the Working Group exposed revisions to Statement of Statutory Accounting Principles (SSAP) No. 56—*Separate Accounts* that would require book-value separate accounts to follow the same admittance provisions as the general account. She stated that the Working Group also sponsored a Blanks (E) Working Group proposal to incorporate the concept of nonadmitted assets on the balance sheet and the related schedules. Gann stated that separate accounts already include some schedules that identify nonadmitted assets, but these changes would align the treatment with the general account and make it clear on the face of the statements. She stated that interested parties commented in support of the revisions and that NAIC staff recommend moving forward with adoption, as well as supporting the Blanks (E) Working Group proposal, which is scheduled for consideration of adoption during its May meeting.

B. Ref #2025-30

Clark directed the Working Group to agenda item *2025-30: Administrative Services Contracts Disclosure Clarification*. Robin Marcotte (NAIC) stated that this item is a clarification to the administrative services contracts disclosure. She stated that it was exposed at the 2025 Fall National Meeting and includes minor revisions to SSAP No. 47—*Uninsured Plans* disclosure, along with updates to Annual Statement Instructions Note 18B to clarify the

net gain or loss calculation for administrative service contract plans. Marcotte stated that interested parties had no comments on the proposal.

C. Ref #2025-31

Clark directed the Working Group to agenda item *2025-31: Update Coverage Gap*. Marcotte stated that this agenda item updates *Interpretation (INT) 05-05: Accounting for Revenues Under Medicare Part D Coverage* with revisions related to accounting for revenues under Medicare Part D coverage. She stated that the changes note the end of the Coverage Gap Discount Program as of Dec. 31, 2024, and add the appropriate references to the federal Centers for Medicare & Medicaid Services (CMS) Manufacturer Discount Program that began in 2025. Marcotte stated that interested parties had no comments on the proposal.

D. Ref #2025-32

Clark directed the Working Group to agenda item *2025-32: Remove Shaded Text*. Jake Stultz (NAIC) stated that this agenda item removes shaded text that signifies previously superseded guidance. Stultz stated that this approach is no longer used in the main SSAPs, but that *SSAP No. 40—Real Estate Investments* and *SSAP No. 90—Impairment or Disposal of Real Estate Investments* still had shaded text related to superseded language. He stated that the purpose of this agenda item is to clean that up and remove the superseded text in these SSAPs. Stultz stated that interested parties had no comments on the proposal.

E. Ref #2025-33

Clark directed the Working Group to agenda item *2025-33: Update to Annual Statement Expense Descriptions and Categories*. Stultz stated that this agenda item is a cleanup change in the annual statements related to some of the expense descriptions and categories. He stated that NAIC staff received comments over the years that a few of the references were outdated, so this update simply modernizes the language and clarifies the categories. He stated that there are no statutory accounting changes in this agenda item and that the NAIC staff review included whether items needed to be updated from a statutory expense-categorization standpoint, but nothing rose to that level. Stultz stated that these are just updated titles in the annual statement blank. He stated that interested parties submitted one comment, which was about the exclusion of Section 15 from the suggested changes. He stated that there are no revisions to Section 15, so it was omitted from the exposure.

F. Ref #2025-34

Clark directed the Working Group to agenda item *2025-34: Updates on Economic Scenario Generator and Non-Variable Annuities*. Marcotte stated that this item includes exposed 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 there were two separate updates, both tied to coordination with the *Valuation Manual*. Marcotte stated that the first change was related to the economic scenario generator. The revisions expand the existing phase-in disclosures to include the economic scenario generator phase by adding a reference to VM-20, Requirements for Principle-Based Reserves for Life Products. The second change reflected the adopted revisions to VM-22, Requirements for Principle-Based Reserves for Non-Variable Annuities, for non-variable annuities. She stated that those revisions come with an optional implementation period, and when a company adopts them, it results in a change in valuation basis. Marcotte stated that this update simply acknowledges the new guidance, its effective date, and the fact that implementation represents a valuation-basis change. She stated that interested parties did not submit comments.

Walker made a motion, seconded by Sherman, to adopt agenda items 2025-25 (Attachment One-B), 2025-30 (Attachment One-C), 2025-31 (Attachment One-D and Attachment One-E), 2025-32 (Attachment One-F), 2025-33 (Attachment One-G), and 2025-34 (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-A).

#### A. Ref #2025-01

Clark directed the Working Group to agenda item *2025-01: Sale-Leaseback Clarification*. Stultz stated that this agenda item has been exposed several times, most recently at the 2025 Fall National Meeting. He stated that the issue came up after NAIC staff received a question about a situation that looked like a sale-leaseback, but the cash received was so heavily restricted that, in substance, no real sale had occurred. He stated that the question was how to treat these types of transactions and that NAIC staff recommended clarifications that these arrangements should be treated as financing transactions, not sale-leasebacks. Stultz stated that the Working Group exposed the language a few times and made adjustments along the way. In the most recent exposure, interested parties supported the comments that the National Association of Mutual Insurance Companies (NAMIC) and the American Property Casualty Insurance Association (APCIA) submitted. He stated that the joint letter suggested a few minor edits to paragraph 33c and that, after review, NAIC staff recommend adoption with one of the suggested changes. Stultz stated that NAIC staff believe that the first additional suggested clarification referring to the cash/assets not being available for policyholder obligations is redundant and duplicates language from earlier in that sentence and is, therefore, unneeded. However, NAIC staff do recommend adding the language addressing situations where a lessee breaches the terms of the lease. He stated that the proposed language would be added to *SSAP No. 22—Leases*. Stultz stated that this guidance applies to all contracts in effect on or after March 23, 2026. He stated that NAIC staff recommend that the Working Group adopt the revisions to SSAP No. 22.

Jonathan Rodgers (NAMIC) stated that NAMIC and APCIA have submitted comments for multiple iterations of this proposal. He stated that they think the proposed guidance is in a good place now. He stated that they appreciate the Working Group's consideration of some of the suggested edits during the process and agree with the Working Group adopting the current proposed guidance.

Cataldo made a motion, seconded by Bruggeman, to adopt agenda item 2025-01 and the proposed 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 (Attachment One-I). The motion passed unanimously.

#### B. Ref #2025-22

Clark directed the Working Group to agenda item *2025-22: IMR Impact to Reinsurance Collateral*. Gann stated that this agenda item addresses the impact of interest maintenance reserves (IMR) on reinsurance collateral. She stated that at the 2025 Fall National Meeting, the Working Group exposed revisions to *SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance* to clarify how IMR should be reflected in the reinsurance-collateral calculation used to determine whether credit for reinsurance can be taken. Gann stated that this only applies to situations where collateral is required to receive that credit. As of now, SSAP No. 61 only references positive IMR, which is in a liability position. There is no reference to negative IMR in the collateral calculation, likely because net negative IMR has historically been nonadmitted. Gann stated that as the broader IMR discussions progressed, it became clear that the Working Group needed to revisit whether the calculation should continue to include only

positive IMR or whether net negative IMR should also be considered. The Working Group exposed proposed revisions that reflected what is referred to as the asymmetrical approach, meaning only the positive liability IMR would be included. Gann stated that the Working Group also sent a referral to the Reinsurance (E) Task Force. Comments were received from the American Council of Life Insurers (ACLI) and other interested parties supporting a move toward a symmetrical approach. The American Academy of Actuaries (Academy) also supported moving in that direction but suggested adding some guardrails. Gann stated that a response has not yet been received from the Task Force and that NAIC staff recommend that action on this item be deferred until after a response is received.

Hans Avery (ACLI) stated that the ACLI appreciates the Working Group's thoughtful approach to these interrelated IMR issues and the thoughtful write-up that includes both the asymmetrical and symmetrical approaches. He stated that the ACLI recommends symmetrical treatment because it better aligns the value of assets and liabilities. This is most clearly seen with modeled reserves. He stated that under the principles-based reserving (PBR) framework, PBR targets a level of policyholder security and then models out cash flows with explicit recognition of changing interest rate environments. IMR is subtracted from the PBR in the end so that, in aggregate across the company, the targeted level of policyholder security is achieved. Avery stated that excluding IMR from reinsurance collateral would create a mismatch for any PBR reserves. There would also be a mismatch on formulaic reserves. Because the reserve liabilities are valued at a fixed interest rate, while individual assets are reported at book value, the value of the portfolio or the valuation rate for the portfolio will wind up floating as assets are sold and replaced. Avery stated that the replacement assets being recorded with book value equal the market value at that time. So, IMR would need to be included in that equation to balance the assets and liabilities, which is the valuation adjustment characterization that has been used. He stated that in addition to better aligning assets and liabilities, the ACLI believes the symmetrical approach stabilizes collateral requirements through economic cycles. Having the requirements aligned in decreasing interest rate environments and misaligned in increasing interest rate environments is not intuitive. The symmetrical approach prevents any collateral implications from distracting from prudent asset-liability management.

Bruggeman asked for clarification of whether, with PBR, where positive IMR would be subtracted, whether negative IMR would be added to calculate the final reserve amount. Avery stated that Bruggeman's understanding is correct.

Hemphill stated that with PBR, the negative IMR would be added, and it would increase the reserve if it were admitted. She stated that if it is not admitted, it would not be reflected.

Clark stated that if there is an admitted negative IMR, under the asymmetrical treatment, the collateral requirements would be greater than the policyholder reserve as calculated under PBR. He stated that this has already been discussed once at a prior meeting of the Reinsurance (E) Task Force and the Working Group was not planning to take any action at this meeting. He stated that there will be another meeting scheduled soon after the Spring National Meeting, possibly a joint session with the Reinsurance (E) Task Force, Life Actuarial (A) Task Force and the Working Group, to discuss this further. Clark stated that the Working Group will await a response from the Reinsurance (E) Task Force before consideration of adoption.

Hemphill stated that in discussions with the Life Actuarial (A) Task Force, it was raised that reinsurance should not be disincentivized. She stated that it needs to be considered in conjunction with the 10% capital and surplus limitation to ensure there is no incentive or disincentive across the transaction. She stated that because the Academy had proposed cash-flow testing, it is particularly important to note that, for example, when admitting negative IMR, cash-flow testing is not a perfect tool that fixes all things. She stated that if the Working Group decides there is a certain treatment, the Life Actuarial (A) Task Force will ensure it gets reflected in cash-flow testing. She stated that she would warn against deciding based on cash-flow testing.

No action was taken at this meeting pending a response from the Reinsurance (E) Task Force.

C. Ref #2025-23

Clark directed the Working Group to agenda item *2025-23: IMR Proof of Reinvestment*. Gann stated that this agenda item was exposed specifically to gather comments on the proof-of-reinvestment templates. She stated that the idea behind allowing a negative IMR is that the proceeds from selling fixed-income assets have been reinvested in new fixed-income instruments, presumably at a higher yield. Gann stated that one of the long-running discussions within the IMR Ad Hoc Group has been how to verify that reinvestment in a practical way. She stated that there was discussion of one-to-one tracking, but it became clear that it was not feasible across the industry. This led to the development of the proof-of-reinvestment template. Gann stated that if an entity passes the two tests in the template, they would be allowed to report a net negative IMR from a previously positive position. In other words, if they were positive and then experienced losses that pushed them negative, passing the tests would allow them to report that negative amount. Similarly, if they were already negative and had additional losses, passing the tests would allow them to go further negative. She stated that if they fail the proof-of-reinvestment tests, they would not be allowed to report a net negative IMR or go further negative. Instead, those losses would have to be recognized immediately as capital losses in the financial statements. Gann stated that the IMR Ad Hoc Group worked closely with industry on this and brought it to the Working Group for exposure. She stated that the Working Group received supportive comments on the overall concept, along with some feedback on the technical calculation. NAIC staff recommend that the Working Group support the overall concept of the proof-of-reinvestment approach for inclusion in the IMR issue paper and the upcoming statutory accounting guidance. She stated that there will be another exposure of all the documents when the Working Group moves forward with the IMR guidance.

Malm made a motion, seconded by Hudson, to adopt agenda item 2025-23 and the proposed concepts for an IMR proof-of-reinvestment template, developed by the IMR Ad Hoc Group. The motion also directed NAIC staff to continue to work with industry to refine the templates as part of the IMR work (Attachment One-J). The motion passed unanimously.

D. Ref #2025-24

Clark directed the Working Group to agenda item *2025-24: Commitments and Contingencies Disclosures*. Stultz stated that this agenda item was originally exposed at the 2025 Fall National Meeting. The purpose of that exposure was to consolidate and clarify the disclosure requirements for commitments and contingent commitments, and to introduce a new definition of commitments. Stultz stated that interested parties asked for more time and offered to help further develop the material. He stated that NAIC staff recommend that the Working Group direct NAIC staff to continue working with industry on this agenda item and request clarification from state insurance regulators on the risk-based capital (RBC) implications for contingent commitments and contingencies. He stated that currently, the RBC formula applies a 0.01 post-tax factor to contingent liabilities reported in Note 14A(1) of the financial statements, across all lines of business. One issue that led to this agenda item was inconsistencies in how companies report those amounts in the note, which affects the RBC calculation. Following a review of the historical guidance, NAIC staff identified that the original intent of the disclosure was broad. The disclosure was not limited to investments; it also included items such as accounts receivable and other operational contingencies. Stultz stated that NAIC staff are requesting regulator input on how this disclosure should be populated so that the intended amounts flow properly through RBC. NAIC staff also recommend a referral to the Capital Adequacy (E) Task Force to review this from an RBC perspective.

Clark stated that, historically, Iowa has taken a broad view of what should be included in that disclosure. He stated that they have not factored in the likelihood of having to fund the commitment when determining whether it should receive an RBC charge. He stated that the most common items they see reported are commitments to fund various types of investments, such as alternative investments, delayed-draw financing structures, and things along those lines. So, from their standpoint, the scope should remain broad. He stated that Iowa is open to continuing the discussion.

Keith Bell (Travelers), representing interested parties, stated that interested parties had several meetings to discuss this with industry, and all parties understood contingency accounting and gain and loss contingencies. He stated that usually, if there is a lost contingency, it must either be disclosed or something must be recorded. He stated that gain contingencies are generally not recognized until they occur, and, on the other end, unfunded commitments usually impact an asset or an invested asset. He stated that is where they could spend their time trying to improve the definitions and what the accounting would be for contingent commitments.

No motion was made, and the Working Group directed NAIC staff to move forward, working with interested parties.

E. Ref #2025-26

Clark directed the Working Group to agenda item *2025-26: SSAP No. 48 Equity Changes*. Gann stated that at the 2025 Fall National Meeting, the Working Group exposed an extensive conceptual agenda item that walked through several questions related to the accounting and reporting under *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies*. She stated that this originated from an NAIC staff data pull of new acquisition items first required to be reported in 2024. Upon review of the data, it indicated the reporting was varying, noting that gains and losses were handled inconsistently and that investment income was sometimes shown as negative, which does not align with the instructions. Additionally, several other issues surfaced. Gann stated that interested parties submitted comment letters asking for more time and expressed interest in working with NAIC staff. She stated that all parties support bringing more clarity to SSAP No. 48 so that reporting is consistent and reflects the intended treatment. Gann stated that NAIC staff recommend the formation of a small group, comprised of possibly two to four industry representatives, to work with NAIC staff to walk through the standard and develop proposed guidance. She stated that this would be like the approach used for the bond project, though hopefully not as extensive, with the goal of completing a proposed revised SSAP later this year.

Bell stated that this is another item that interested parties have held a series of meetings on. He stated that there was no real objection to this item. However, there was some confusion. He stated that interested parties had very different interpretations as to how the current draft would be applied, and that is why they offered to work with NAIC staff to make it clearer. He stated that in addition to making the guidance and SSAPS clearer, there needs to be better alignment with the annual statement instructions.

No motion was made, and the Working Group directed NAIC staff to move forward, working with interested parties.

F. Ref #2025-27

Clark directed the Working Group to agenda item *2025-27: SSAP No. 1 Modco/FWH Code*. Stultz stated that this agenda item was exposed at the 2025 Fall National Meeting. NAIC staff had previously received comments from industry pointing out inconsistencies in the annual statement reporting blanks, and this agenda item was intended as a cleanup to ensure statutory accounting stayed aligned with the blanks. He stated that the issue arose specifically because of modified coinsurance (modco) and funds-withheld codes. The exposure proposed updating

*SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures* to add modco and funds withheld codes to the restricted asset reporting section. Stultz stated that NAIC staff also coordinated with the Blanks (E) Working Group staff, who exposed a corresponding item to ensure consistency. The Working Group exposure received extensive comments from interested parties, and those comments raised additional internal questions about the direction of this project. A key issue is how the restricted asset column in the investment schedules is being used. For example, an investment might be only 10% restricted, and that raises questions about how meaningful or useful the reporting is if it is not comprehensive or does not reflect the full restricted amount. Stultz stated that, additionally, more robust restricted asset disclosures were added, specifically the expanded Note 5L, to provide clearer guidance, and Schedule S – Reinsurance, Part 8, which was added last year for modco and funds-withheld assets. He stated that NAIC staff are requesting Working Group input on what direction to take going forward, especially considering the newer disclosures in Note 5L and Schedule S, Part 8.

Clark stated that this would be a good opportunity to step back and reconsider things considering the changes made over the past couple of years, both the expanded restricted asset disclosures and the new Schedule S, Part 8 for modco and funds withheld assets. He stated that, given those updates, it is worth revisiting whether this level of granular reporting is still being used and whether it is worth retaining going forward.

Hudson made a motion, seconded by Walker, to re-expose revisions requesting comments on whether to retain the restricted asset codes. The motion passed unanimously.

#### G. Ref #2025-28

Clark directed the Working Group to agenda item *2025-28: Nonadmittance of Long-Term Repos*. Gann stated that this item relates to the non-admittance of long-term repurchase agreements. She stated that NAIC staff were previously directed to take on a broader project to review securities lending and repurchase agreements together and that work was to be done as time allowed. NAIC staff have been busy and have not yet been able to complete that full convergence review. Gann stated that one of the topics that was supposed to be addressed in that broader project was the admittance assessment for long-term repurchase agreements. She stated that long-term securities-lending agreements are admitted. NAIC staff learned that some states have granted permitted practices, and in some cases, companies were simply admitting long-term repos on their own. She stated that when walking through the accounting entries, if a repurchase agreement is treated as non-admitted, the insurer ends up in a worse position than if the agreement had defaulted, because the insurer would retain the cash collateral as an asset in a default scenario. After reviewing this further, NAIC staff have proposed revisions to allow admittance of long-term repurchase agreements, while keeping the non-admittance requirement for reverse repurchase agreements. The proposed revisions to *SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* also clarify how the non-admittance of reverse repos should be reflected in the financial statements, since that question had come up. Gann stated that interested parties supported the proposed revisions and that NAIC staff recommend moving forward with the edits and continuing the broader convergence project on securities lending and repurchase agreements as time allows.

Bell stated that interested parties had discussed this issue and agree with the NAIC staff conclusion. He stated that they reached out to industry to find out if companies were aware of or were willing to admit long-term repo agreements with puttable options. None were identified. Bell stated that although it is clear that the reverse repurchase agreements that are greater than 365 days are not admitted, perhaps there should be an affirmative statement that repurchase agreements are admitted.

Gann stated that originally the footnote stated that repurchase agreements were non-admitted assets. That language was removed, and the footnote was made specific only to reverse repurchase agreements. Gann stated that *SSAP No. 103* already states that assets within its scope are admitted assets, so under that general rule,

long-term repurchase agreements would be admitted unless they are explicitly identified as non-admitted. The revised footnote now makes clear that the non-admittance applies only to reverse repos and has no impact on the admittance of long-term repurchase agreements. She stated that the SSAP No. 103 general admittance guidance, combined with the updated footnote, should make the treatment straightforward.

Bell stated that a quick fix would be to include an i.e., in the last sentence stating that long-term repurchase agreements shall continue to be admitted. He stated this would take the negative and make it an affirmative.

Clark requested comments from Working Group members. He stated that the suggested edit keeps the same meaning, and they could certainly make that change now, or the Working Group could also consider whether any additional clarification is needed when they start the broader repo and securities-lending project, including whether disclosures are needed addressing puttability.

Walker stated that since there is going to be a larger project around this, the Working Group can take it up as part of the broader agenda and determine whether any additional clarification is needed.

Walker made a motion, seconded by Travis, to adopt agenda item 2025-28 and revisions to SSAP No. 103 that allow repurchase agreements with maturity dates of more than one year to be admitted (Attachment One-K). The motion passed unanimously.

#### H. Ref #2025-29

Clark directed the Working Group to agenda item *2025-29: Reporting Clarification*. Gann stated that with the bond project, the Working Group made many revisions to Schedule D (Bonds), added several new columns, and introduced a significant amount of new instruction. She stated that NAIC staff received several questions, and this agenda item identified several of those issues and included some proposed conceptual changes. She stated that after further consideration of those questions and reviewing comments from interested parties, NAIC staff are proposing three edits to the annual statement instructions that are instructional clarifications only and do not change any substantive bond reporting requirements.

Gann stated that the first edit concerns “payment due at maturity” to clarify that this refers to the contractual payment due at the legal maturity date and that the amount is set when the asset is acquired and is not subsequently changed. The second edit is similar and relates to the origination balloon payment percentage. NAIC staff are proposing instructions clarifying that if the information is not available through the secondary market at the time of purchase, companies may use the best available information at that time. The third edit concerns residuals and is not directly tied to the bond project, but it relates to the maturity date reported on Schedule BA. Gann stated that some companies were reporting maturity dates for residuals, while others were not, and the question was which approach was correct. She stated that residuals do not have a contractual maturity date, although the structure itself does. The clarification NAIC staff proposed is that a maturity date should be reported only for Schedule BA items that have a contractual stated maturity date. As a result, residuals will generally no longer be reported with a maturity date. She stated that this is a broad instruction that applies to all of Schedule BA, but the issue arose specifically regarding residuals. Gann stated that SSAP No. 48 items do not have maturity dates, and non-bond debt securities do, so residuals were the gray area.

Gann stated that NAIC staff also propose limiting the payment-due-at-maturity reporting column to certain items on Schedules D-1-1 and D-1-2. She stated that for issuer credit obligations or bonds, the payment due at maturity is essentially par, so the column was duplicating information already reflected elsewhere in the financial statements.

Gann stated that NAIC staff are not proposing revisions to three of the items included in the original agenda item. The first relates to rated notes or feeder funds. There was a question about whether companies were reporting those as issue credit obligations (ICOs). She stated that NAIC staff have learned that companies generally report them as asset-backed securities (ABS), and, therefore, a separate code is not necessary. The second item concerned aggregate deferred interest for bank loans. Gann stated that NAIC staff believe that issue has been addressed and that no further clarification is needed. She stated that the third item involved Schedule BA reporting and ties back to Bell's earlier comment regarding how companies identify underlying characteristics for SSAP No. 48 items. The original question was whether a company could perform a double look-through. For example, if the underlying security is a residential mortgage-backed security (RMBS), could the company look through that security and report the underlying characteristics as residential mortgage loans? Gann stated that NAIC staff do not believe that was the intent, and that issue will be addressed as part of the SSAP No. 48 discussion rather than in this set of reporting revisions.

Gann stated that if the Working Group supports the three proposed changes to the annual statement instructions, it could then sponsor the corresponding Blanks (E) Working Group proposal so that the revisions can be incorporated.

Tip Tipton (ACLI), representing interested parties, expressed appreciation to NAIC staff for working with interested parties on these issues. He stated that with the bond project being implemented this past year, they are constantly evaluating descriptions, and interested parties have provided comments and suggestions to be incorporated. He stated that they also support the other three items that Gann discussed.

Hynes made a motion, seconded by Hudson, to adopt agenda item 2025-29 and the exposed revisions and communicate support for a Blanks (E) Working Group proposal to clarify reporting on debt securities and to improve consistency in reporting (Attachment One-L). The motion passed unanimously.

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

The following items were exposed for a 39-day public comment period ending May 1.

##### A. Ref #2025-13

Clark directed the Working Group to agenda item *2025-13: Residential Mortgage Loans Held in Statutory Trusts*. Stultz stated that last year, the broader work on loans held in statutory trusts was completed. He stated that with this agenda item, NAIC staff are recommending the exposure of the issue paper that documents the process and the discussions that took place throughout that project.

Malm made a motion, seconded by Bruggeman, to expose the draft issue paper on *Qualifying Statutory Trusts* detailing the discussions supporting the adopted statutory trust guidance to allow reporting of qualifying items within the mortgage loan guidance. The motion passed unanimously.

##### B. Ref #2026-01

Clark directed the Working Group to agenda item *2026-01: Disclosure of FABNs and Similar Structures*. Gann stated that this agenda item concerns the disclosure of funding agreement backed notes (FABNs) and similar structures and originated from a referral from the Macroprudential (E) Working Group.

Gann stated that FABNs are debt instruments issued by special purpose vehicles (SPVs) that are formed by life insurance companies. The life insurer issues a funding agreement to the SPV, and the SPV then issues debt

instruments that are held by investors. She stated that the intent of this disclosure is to capture information related to these FABN structures.

Gann stated that when the Macroprudential (E) Working Group first began reviewing FABNs, the term was used in a general sense. After working with industry, NAIC staff learned that there are several different structures within this category, and, therefore, the disclosures capture information for each type. She stated that these include traditional FABNs, funding agreement-backed commercial paper, funding agreement-backed repurchase agreements, funding agreement-backed loans (FABLs), and funding agreement-issued municipal prepaid structures. Gann stated that the disclosures provided by the Macroprudential (E) Working Group cover all these structures.

Gann stated that the NAIC staff proposal reflects the disclosures recommended by the Macroprudential (E) Working Group and that the agenda item includes two additional changes. The first is the addition of a disclosure related to collateral provided by the reporting insurance entity for these structures. She stated that NAIC staff identified collateral as a relevant element for FABNs, as well as for funding agreement backed repurchase agreements and proposed including that information. The second change is a set of revisions to SSAP No. 52 to define each of these structures and to include a glossary. She stated that this will give users of the annual statement instructions a clear reference point for understanding the various structures.

Gann stated that NAIC staff are recommending that the Working Group receive the referral from the Macroprudential (E) Working Group, move this item to the active listing, and expose the proposed SSAP No. 52 disclosures. She stated that the Macroprudential (E) Working Group is also sponsoring a Blanks (E) Working Group proposal related to this project. Gann stated that the intent is for the disclosures to be effective for year-end 2026, so adoption by both the Working Group and the Blanks (E) Working Group will be necessary to ensure that timeline is met.

Kasinow made a motion, seconded by Andersen, to expose revisions to disclosures and a glossary addition to SSAP No. 52 for FABNs and other funding agreement-backed structures and to receive a referral from the Macroprudential (E) Working Group (Attachment One-M) to incorporate proposed disclosures for FABNs and other funding agreement-backed structures. The referral included a corresponding Blanks (E) Working Group proposal. The motion passed unanimously.

C. Ref #2026-02

Clark directed the Working Group to agenda item *2026-02: Valuation of Funds Withheld*. Marcotte stated that this agenda item concerns the valuation of funds withheld and was written specifically for life and health reinsurers because of differences in their annual statement reporting lines. She stated that there is currently a mismatch in the instructions. Assets that are withheld from the reinsurer by the ceding entity are reported in the investment schedules of the ceding entity at statutory book/adjusted carrying value (BACV). However, on the liabilities page, there are two different reporting lines for funds withheld, and at least one of those lines references Schedule S. Marcotte stated that the Schedule S, columns direct the use of fair value and, as a result, an entity could have an asset reported at book value and a corresponding liability reported at fair value if the Schedule S instruction is followed.

Marcotte stated that the recommendation in this agenda item is to expose revisions to the annual statement instructions for Schedule S, Parts 3, 4, and 5, as well as revisions to the liabilities page of the life and health statement and to SSAP No. 61. She stated that the purpose of these revisions is to clarify that the funds withheld liability should equal the book value of the funds withheld assets.

Marcotte stated that NAIC staff also identified some legacy instruction in Schedule S, Parts 4 and 5, related to the use of the NAIC's Securities Valuation Office (SVO) fair values. She stated that those references are proposed for deletion as a cleanup item.

Marcotte stated that because the Schedule S columns are used in calculating collateral shortfalls, NAIC staff also recommend that the Reinsurance (E) Task Force be notified of this exposure and that NAIC staff should be directed to prepare a proposal for exposure at the Blanks (E) Working Group.

Stolte made a motion, seconded by Hudson, to expose revisions to SSAP No. 61 to clarify that funds withheld liabilities should be recorded equal to the BACV of the funds withheld assets. The exposure includes proposed revisions to the Life and Health Annual Statement Instructions on Schedule S, Parts 3, 4, and 5, and the liabilities page. In addition, it includes proposed revisions to delete some legacy annual statement instructions regarding the use of SVO fair values. The motion passed unanimously.

D. Ref #2026-03EP

Clark directed the Working Group to agenda item *2026-03EP: 2026 Spring Editorial and Maintenance Update*. Gann stated that this agenda item is the editorial list for the Spring National Meeting. She stated that *SSAP No. 15 –Debt and Holding Company Obligations* and *SSAP No. 52* include the same paragraph regarding funding agreements, which states that if the funding agreement is, in substance, debt, then it follows *SSAP No. 15*, and if it is, in substance, a funding agreement, then it follows *SSAP No. 52*. However, the introduction to that paragraph refers to all of them as funding agreements, and NAIC staff have received questions from companies that were reporting all items as funding agreements because of that wording. She stated that the proposed edit removes that initial reference so that an item is considered a funding agreement only if it follows *SSAP No. 52*.

Gann stated that NAIC staff are also proposing revisions to eliminate the word "CUSIP" (Committee on Uniform Security Identification Procedures) throughout the statements of statutory accounting principles (SSAPs) and replace it with "security identifier." She stated that this aligns with a project being undertaken by the Investment Designation Analysis (E) Working Group to allow a broader range of security identifiers to be used in the financial statements and to ensure consistent reporting. She stated that there are many references to CUSIP, but CUSIP is not the only identifier permitted, so the terminology should be updated to reflect that.

Gann stated that NAIC staff are proposing to add "U.S." before generally accepted accounting principles (GAAP) references when applicable. She stated that this change is not appropriate in every instance, because there are times when foreign GAAP is referenced, but when the intent is to reference U.S. GAAP, the instructions should state that explicitly.

Sherman made a motion, seconded by Mayhew to expose the editorial revisions for public comment. The motion passed unanimously.

5. Consideration of Maintenance Agenda – Active Listing

A. Ref #2024-15

Clark directed the Working Group to agenda item *2024-15: ALM Derivatives*. Gann stated that this agenda item concerns the asset-liability management (ALM) derivative proposal, which relates to new SSAP guidance allowing amortized cost accounting for qualifying ALM derivatives. She stated that the ACLI drafted the initial proposal, which was exposed for comment last fall. At the 2025 Fall National Meeting, NAIC staff were directed to develop an NAIC issue paper and sample SSAP based on that draft. Gann stated that the materials presented include a

clean version of the proposed *SSAP No. 109—Asset Liability Management (ALM) Derivatives* permitting amortized cost accounting and deferral of gains and losses for effective derivatives, an issue paper outlining the background and rationale, and a tracked-changes version comparing NAIC staff edits to the ACLI draft. She stated that key revisions include removing the ACLI concept that allowed backdating deferred gains or losses when a derivative became ineffective, as NAIC staff determined this would create significant tracking challenges. Gann stated that under the NAIC proposal, derivatives removed from an ineffective program would no longer qualify for deferral, and interested parties have indicated they are comfortable with this change. She stated that guidance related to accelerated amortization and certain disclosures carried over from *SSAP No. 108—Derivatives Hedging Variable Annuity Guarantees* were removed because they do not align with the amortized cost approach under the proposed *SSAP No. 109*. She stated that additional items reviewed during exposure include transition guidance for companies that previously reversed unrealized gains and losses through the IMR under *SSAP No. 86—Derivatives*, allowing a one-time conversion for open qualifying programs so those amounts may be deferred under the new standard. Gann stated that new reporting lines are proposed for Schedule DB, though the schedule should not materially expand because these derivatives are already reported elsewhere, and broader feedback is encouraged on whether Schedule DB disclosures can be streamlined. The proposal also allows admittance of deferred losses arising under these programs, and feedback is requested on whether that admittance should be retained. She stated that NAIC staff recommend exposing all three documents, the issue paper, the clean SSAP, and the tracked-changes SSAP, for public comment.

Bruggeman made a motion, seconded by Travis to expose a draft SSAP and issue paper to incorporate new statutory accounting guidance allowing an amortized cost measurement method for a qualifying derivative program. Exposure included both the clean SSAP and a version that shows tracked changes from the prior ACLI version. The motion passed unanimously.

#### 6. Received a Referral from the Financial Condition (E) Committee Referral and Approved a Response

Marcotte stated that at the 2025 Fall National Meeting, the Financial Condition (E) Committee adopted the updated guidance in agenda item #2024-06 *Risk Transfer Analysis of Combination Reinsurance Contracts* and added a clarification regarding accounting changes following *SSAP No. 3*. She stated that during those discussions, members noted that permitted practices could be used for transitioning agreements, but industry representatives pointed out that some states do not issue permitted practices as a matter of policy. Marcotte stated that the committee issued a referral to the Working Group directing it to consider whether additional education was needed on how permitted practices might address transition issues for the 2026 effective date and whether any tools were necessary for jurisdictions that do not allow permitted practices. In response, the Working Group chair distributed an example permitted practice to chief financial examiners in January to encourage consistent reporting and clarify how permitted practices function, and conducted a survey to determine whether jurisdictions that do not grant permitted practices required additional tools. She stated that the survey received 47 responses, and all respondents indicated that no additional flexibility beyond the existing permitted practices process was needed. Based on this, the Working Group concluded that no further action is required at this time and has drafted a response to the Financial Condition (E) Committee stating this conclusion and noting that, absent further direction, the matter will be considered complete.

Walker made a motion, seconded by Bruggeman, to receive the referral from the Financial Condition (E) Committee (Attachment One-N) and approve the response drafted (Attachment One-O). The motion passed unanimously.

#### 7. Receive an Update on the IMR Ad Hoc Group

Gann stated that the IMR Ad Hoc Group has continued to meet regularly since it was formed in 2023 and is now close to completing its work. The Ad Hoc Group received the draft of *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve*, which incorporates the revised guidance being proposed for IMR accounting by consolidating all relevant accounting guidance into the SSAP and removing it from the annual statement instructions. She stated that the Ad Hoc Group plans to meet March 30, which may be its final meeting. After that, it plans to present the full package to the Working Group for consideration of exposure, which will likely include the draft SSAP, proposed reporting revisions, proposed revisions to other SSAPs, and potentially the issue paper. Gann stated that NAIC staff have completed a review of IMR results from the 2025 financial statements, and the amount of net negative IMR continues to increase both in total across the industry and in the number of companies shifting from a positive to a net negative position. She stated that NAIC staff expect to share the results of this data review soon, along with the memo summary and an Excel file so that regulators can sort by company and review trends, which extend back to approximately 2015 and show how companies have moved into net negative IMR positions over time. Gann stated that NAIC staff expect to have the full packet ready for the Working Group soon, so it can be considered, potentially at the Summer National Meeting.

Clark stated that this item would likely be considered for exposure through an e-vote. He stated appreciation to the members of the IMR Ad Hoc Group, including industry representatives, regulators, and NAIC staff. He noted that this project proved to be extremely complex and required a significant amount of time to work through all the intricacies involved.

#### 8. Discussed a Referral from Life Risk-Based Capital (E) Working Group

Marcotte stated that this item is a referral from the Life Risk-Based Capital (E) Working Group, sent last summer seeking comments on specific asset valuation reserve (AVR) equity reporting lines for common stock and subsidiary, controlled and affiliated entities (SCAs). She stated that the referral forwarded comments received on proposal 2025-04-L Other Long-Term Assets (LR008). Specifically, the ACLI raised questions regarding AVR equity reporting lines for common stock in SCAs and other affiliates and requested clarifications to the AVR instructions. Marcotte stated that AVR line 15 is named SCA Common Stock – Certain Other Subsidiaries, and line 16 is SCA Common Stock – Other, and the intent is to get clarification in determining what is reported in each category. Marcotte stated that some of the original language appears to date back to the equity valuation methods used in earlier SAP guidance or even by the Valuation of Securities (E) Task Force in the 1990s. She stated that NAIC staff were too busy to address this item during the current quarter, but they plan to work with interested parties during the interim to review the historical intent of the categories, determine how that maps to current reporting, and assess whether the existing classifications remain appropriate.

#### 9. Received an Update on U.S. GAAP Exposures

Marcotte said there are no U.S. GAAP items currently exposed by the Financial Accounting Standards Board (FASB) and that NAIC staff will monitor and review future exposures.

#### 6. Received an Update on the IAIS Audit and Accounting Working Group

Gann stated that many of the topics under consideration focus on the implementation of International Financial Reporting Standard (IFRS) 17 *Insurance Contracts*, which is not being adopted in the U.S. However, the International Association of Insurance Supervisors (IAIS) Accounting and Auditing Working Group (AAWG) met Feb. 9 to discuss two items that were included in the Statutory Accounting Principles (E) Working Group's agenda for informational purposes. First, the AAWG is reviewing crypto assets. This is an area of ongoing interest for the

## Draft Pending Adoption

Attachment One  
Accounting Practices and Procedures (E) Task Force  
3/24/26

NAIC, so NAIC staff are monitoring that work closely. Second, the AAWG is evaluating Insurance Core Principle (ICP) 9 (Supervisory Review and Reporting) and ICP 20 (Public Disclosure) for potential incorporation into the insurance capital standard (ICS). It is also reviewing comments received during the public exposure, but it has not released a revised draft. Gann stated that NAIC staff will continue to monitor these developments on behalf of the NAIC from an accounting perspective.

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

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2026/2026 spring/summary and minutes/sapwg/att 1-sapwg minutes 3-23-26 - final.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/apptf/2026/2026%20spring/summary%20and%20minutes/sapwg/att%201-sapwg%20minutes%203-23-26%20-%20final.docx)

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

**TABLE OF CONTENTS**

COMMENTS / DOCUMENT	PAGE REFERENCE
<b>Comment Letters Received for Items Planned for Discussion at the Fall National Meeting</b>	
NAMIC & APCIA – February 13, 2026 <ul style="list-style-type: none"> <li>○ Ref #2025-01: Sale Leaseback Clarification</li> </ul>	2-3
Interested Parties – February 13, 2026 <ul style="list-style-type: none"> <li>○ Ref #2025-01: Sale-Leaseback Clarification</li> <li>○ Ref #2025-22: IMR Impact to Reinsurance Collateral</li> <li>○ Ref #2025-23: IMR Proof of Reinvestment</li> <li>○ Ref #2025-24: Commitments and Contingencies Disclosure</li> <li>○ Ref #2025-25: Separate Account Nonadmitted Assets</li> <li>○ Ref #2025-26: SSAP No. 48 Equity Changes</li> <li>○ Ref #2025-27: SSAP No. 1 Modco/FWH Code</li> <li>○ Ref #2025-28: Nonadmittance of Long-Term Repos</li> <li>○ Ref #2025-29: Reporting Clarifications</li> <li>○ Ref #2025-30: Administrative Services Contracts Disclosure Clarification</li> <li>○ Ref #2025-31: Update Coverage Gap</li> <li>○ Ref #2025-32: Remove Shaded Text</li> <li>○ Ref #2025-33: Update to Annual Statement Expense Descriptions and Categories</li> <li>○ Ref #2025-34: Updates to Economic Scenario Generator and Non-Variable Annuities</li> </ul>	4-11
American Academy of Actuaries – February 13, 2026 <ul style="list-style-type: none"> <li>○ Ref #2025-22: IMR Impact to Reinsurance Collateral</li> </ul>	12-13
ACLI – February 13, 2026 <ul style="list-style-type: none"> <li>○ Ref #2025-22: IMR Impact to Reinsurance Collateral</li> </ul>	14-15
ACLI – February 13, 2026 <ul style="list-style-type: none"> <li>○ Ref #2025-23: IMR Proof of Reinvestment</li> </ul>	16-17



317.875.5250 | F 317.879.8408  
3601 Vincennes Road, Indianapolis, Indiana 46268  
202.628.1558 | F 202.628.1601  
20 F Street N.W., Suite 510 | Washington, D.C. 20001



February 13, 2026

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](mailto:jstultz@naic.org), [rmarcotte@naic.org](mailto: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 1,300-member companies representing 61 percent of the homeowners and 53% of the automobile insurance markets writing more than \$467 billion in annual premiums. For more than 130 years, NAMIC has been the leading voice advancing public policy solutions and regulatory frameworks that promote a strong, competitive market and protect our members and their policyholders.

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 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.

The proposed language to *SSAP No. 22*, paragraph 33c helps to reinforce the concept of “availability” included in *SSAP No. 4 Assets and Nonadmitted Assets*. To meet sale-leaseback accounting requirements, the insurer must have the ability to take the pledged assets back, substitute, invest the cash, and there must be no forfeiture provision for terminating the contract. If those standards are satisfied, assets are still available and a sale can be recognized. The trades agree that if the assets were forfeitable, or otherwise trapped, they would not be available and would become a nonadmitted asset under *SSAP No. 4*, resulting in the transaction being accounted for using the financing method.

The clarification to SSAP No. 22 guidance is helpful in that it provides clarity that if the pledge arrangement itself removes access (or creates forfeiture risk), then it is not a sale-leaseback transaction; it is financing. In effect, the clarification establishes a new category of restricted assets within SSAP No. 22 that fails the availability test. This helps to distinguish between the types of pledged assets that may be involved in leasing arrangements and helps to determine if there is a lack of control and/or potential for forfeiture risk.

To further clarify that the language supports the concept of availability, the trades offer one minor edit to paragraph 33c as follows (**proposed edit in red**).

- c. When cash or assets received by the seller **are effectively restricted (in whole or in part) from being accessed or used to satisfy policyholder obligations until the repayment of the lease and/or such cash or assets (or other assets pledged to the lender under the terms of the agreement that would not be available to satisfy policyholder obligations) would be forfeited to the lessor/lender (in whole or in part) if in the event the seller/lessee breaches the terms of the lease terminates the contract, then such** transactions 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.

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



Jonathan Rodgers  
Policy Vice President  
National Association of Mutual Insurance Companies



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

cc: Julie Gann  
William Oden  
Jason Farr

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

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

February 13, 2026

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

RE: Interested Parties Comments on Items Exposed for Comment by the Statutory  
Accounting Principles Working Group (SAPWG) with Comments due February 13th

Dear Mr. Clark:

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

**Ref #2025-01: Sale-Leaseback Clarification**

The Working Group exposed further revisions to SSAP No. 22, as illustrated in the exposure draft, under the Fall 2025 Updated Staff Recommendation. The exposed revisions incorporate certain aspects of the changes recommended by the NAMIC/APCIA comment letter and include additional NAIC staff changes to further clarify the intent and scope of the proposed guidance and the effective date.

Interested parties believe the clarification to the SSAP No. 22 guidance is helpful in that it removes the ambiguity of the prior guidance and makes it clear that if the pledge arrangement removes access (or creates forfeiture risk), then the transaction is not a sale-leaseback transaction; rather it is financing. The proposed changes create a new category of restricted assets within SSAP No. 22 that fails the availability test. This helps to distinguish between the types of pledged assets that may be involved in leasing arrangements and helps to determine if there is a lack of control and/or potential for forfeiture risk. We support the minor edit proposed in the comment letter submitted by the National Association of Mutual Insurance Companies and

American Property Casualty Insurance Association.

### **Ref #2025-22: IMR Impact to Reinsurance Collateral**

The Working Group exposed revisions to SSAP No. 61 to clarify how IMR that has been derecognized as part of a reinsurance transaction should impact the reinsurance collateral required to receive credit for reinsurance. The exposed revisions reflect the asymmetrical proposal, in which derecognized positive IMR increased collateral requirements, but that derecognized negative IMR does not decrease collateral requirements. Comments on the symmetrical and asymmetrical approaches as well as the proposed revisions are requested.

Interested parties recommend symmetrical treatment of IMR in collateral calculations as it is consistent with the prudent use of reinsurance as a risk-management tool as discussed in the comment letter from the American Council of Life Insurers.

### **Ref #2025-23: IMR Proof of Reinvestment**

The Working Group exposed the proposed concepts and templates for the IMR Proof of Reinvestment developed by the IMR Ad Hoc Group, as shown above, for Working Group and industry consideration. These concepts and disclosures are anticipated to be included in the issue paper and revised SSAP developed as part of the IMR long-term project.

Interested parties support the Proof of Reinvestment included with the exposure draft and the suggested technical corrections provided in the letter from the American Council of Life Insurers.

### **Ref #2025-24: Commitments and Contingencies Disclosures**

The Working Group exposed revisions, as detailed in the exposure draft, to the annual statement instructions, *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures*, *SSAP No. 5—Liabilities, Contingencies and Impairments of Assets*, *SSAuP No. 21—Other Admitted Assets*, *SSAP No. 26—Bonds*, and *SSAP No. 43—Asset-Backed Securities*. Exposed revisions 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.

Interested parties has had several conference calls to discuss this exposure draft and concluded that the definitions need to be clarified and that there is some complexity in the differences of definitions that are likely to cause a lack of consistency in industry's application of the exposure as currently drafted. We would like to extend our offer to work with NAIC staff on the exposure draft once we get past 2025 year-end reporting.

### **Ref #2025-25: Separate Account Nonadmitted Assets**

The Working Group exposed revisions to SSAP No. 56 to address nonadmittance for assets held under the “general account basis” in the separate account, and to support the separate account annual statement revisions to incorporate the concept of nonadmitted assets within the separate account balance sheet and corresponding schedules.

Interested parties support the exposed revisions.

### **Ref #2025-26: SSAP No. 48 Equity Changes**

The Working Group exposed this agenda item with a request for feedback on the above noted aspects and the application of existing guidance.

Interested parties has had several conference calls to discuss this exposure draft and had conflicting interpretations of how this draft would be applied. Given the complexity and the extent of systems changes this item could have on company’s reporting systems, we would like to extend our offer to work with NAIC staff on the exposure draft once we get past 2025 year-end reporting.

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

The Working Group exposed revisions to *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures* to expand paragraph 23.b to add a reporting code for assets held under a modco and funds withheld arrangements.

Interested parties continue to recommend that the assets assigned to Modco and FWH agreements be reported in the aggregate but not subject to individual restricted asset coding of any kind in the detailed investment schedules. We would appreciate the opportunity to work with NAIC staff and regulators to arrive at an acceptable compromise on this issue, along the lines of our work on Schedule S – Part 8.

In addition, we recommend limiting possible changes to only Life/Fraternal reporting entities, which would be consistent with how Schedule S – Part 8 was created and where almost all the Modco/ Funds Withheld reinsurance agreements are reported.

For Property & Casualty insurers, Modco / Funds Withheld reinsurance agreements are rarely used and when they are, the assets represent the cash for the ceded premium the ceding insurer holds onto rather than paying the assuming insurer. These assets remain commingled in the ceding insurer’s general investment portfolio managed by the ceding insurer. Accordingly, the agreement does not require and does not result in restricted assets that are specifically identifiable and/or potentially managed by the assuming reinsurer or its affiliates. It appears that P&C companies were inadvertently scoped into Note 5L in the Blanks proposal and will not be able to complete the schedule.

We recommended that the Blanks proposal be re-exposed or deferred to allow the Working Group item to be adopted.

### **Ref #2025-28: Nonadmittance of Long-Term Repos**

The Working Group exposed revisions to *SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* to allow long-term repurchase agreements to be admitted. The revisions also clarify that reverse repurchase agreements with maturity dates in excess of one-year shall continue to be nonadmitted and provide guidance for how the nonadmittance should be reflected.

Interested parties agree that conceptually long-term repurchase agreements should be admitted assets. We reached out to industry to ask whether companies have longer dated repurchase agreements that can be puttable and received responses that the companies were not aware of any repurchase agreements with those terms.

### **Ref #2025-29: Reporting Clarifications**

The Working Group exposed this agenda item to modify and/or clarify guidance for the reporting of certain components in the investment schedules, particularly for aspects related to debt securities predominantly incorporated with the implementation of the principles-based bond definition. Reporting entities are requested to identify additional reporting components that could use clarification as they complete the year-end 2025 reporting under the provisions of the bond definition.

Interested parties offer the following comments on this item:

#### 1. Payment Due at Maturity:

- Please clarify that the payment at maturity refers to the contractual / legal maturity date (vs. anticipated repayment date) and represents the amount specified in the contract (i.e., the contractual payment due at contractual maturity).
- Interested parties prefer that the amount remain unchanged on an ongoing basis unless additional lots are purchased or existing lots are sold. If the amount represents the contractual payment due (vs. anticipated repayment due) at maturity, it should not change except as a result of such transactions.
- We have no objection if the NAIC chooses to limit the disclosures to certain subcategories in Schedule D – Part 1 as identified in the proposal.
- If it is anticipated that the field will change after acquisition, IPs would request further conversation with NAIC staff.

#### 2. Origination Balloon Payment %:

- We agree that the origination date should be used when available; for instruments purchased in the secondary market, the acquisition date should be used instead. We also recommend retaining the statement that transition is subject to best efforts.

- Please clarify that the amounts refer to contractual amounts due at the contractual maturity date, rather than expected amounts due based on the anticipated repayment date.

3. Rated Notes or Rated Feeder Funds:

- Interested parties agree that if a feeder fund does not qualify as an operating company under the bond standard and payments from the underlying collateral are used to service the debt, the instrument would not be reported as an ICO. Insurers apply their own accounting policies to determine whether an investment is classified as an ICO or ABS, and the industry is not aware of any instances in which debt issued by a feeder fund has been reported as an ICO. If the NAIC wishes to clarify this point in the bond standard, the industry has no objection.
- We prefer to avoid introducing a new characteristic code, as this matter is not considered significant and would add complexity to an already detailed Schedule D. If the NAIC instead requires that all debt issued by feeder funds be reported as ABS, the industry would not object, though defining a “feeder fund” may be beneficial. The industry is willing to work with the NAIC as needed.

4. Aggregate Deferred Interest:

- Industry has not observed that bank loans generally have payment dates extending beyond 12 months (other than PIK).
- Accordingly, we have no comments on this requirement, as it is already addressed in the annual statement instructions and insurers will comply beginning in 2025.
- Bank loans that meet the applicable definition are reported as ICO. The bank loans reported as ICO do not have multiple bank loans as underlying collateral; if they did, industry believes they would not qualify as ICO.

5. Schedule BA – Residuals Maturity Date:

- Insurers do not consider the residual maturity date to be a relevant data point for several reasons. Contractual maturity dates are often set far into the future solely to ensure eventual payoff and to avoid perpetual classification. In practice, insurers expect residual interests to be settled well before the contractual maturity date.
- For insurers applying a cost recovery method, the contractual maturity date is not relevant.
- Residual interests are structured to receive cash flows for which both the timing and amount are uncertain; therefore, the residual maturity date is not a relevant data point.

6. Schedule BA – Investments in Joint Ventures, Partnerships or Limited Liability Companies (Including Non-Registered Private Funds) with Underlying Assets Having Characteristics of Mortgage Loans:

Interested parties believe a principles-based approach should be considered for this issue and provide the following rationale:

- The NAIC proposes that the intent of Schedule BA reporting is to use a 'single-level look-through' (e.g., an SSAP No. 48 investment holds RMBS/CMBS and thus an insurer

should not look through the RMBS/CMBS and conclude it has “underlying characteristics of mortgage loans”). Interested Parties agree that, in the specific example provided, the cash flows used to pay down the SSAP No. 48 investment are from bonds (i.e., RMBS/CMBS). However, use of ‘single-level look-through’ in all cases may not properly reflect the nature and risk of the assets that will ultimately support an insurer’s investment. As an example, an insurer may own equity in a Limited Partnership (LP) which owns equity in a fund (the fund may be an LP also) that owns only real estate. The underlying fund (an LP) owns real estate that produces lease income, which is ultimately passed through to the investor. If an insurer stops the analysis at the ‘single-level-look-through’, it would conclude that the underlying risk is equity in a fund. In reality, the insurer is assuming real estate risk through this structure. Structures can be multilayered for tax, legal and other commercial reasons. Interested Parties support using a principles-based approach for the determination of how to report the underlying characteristics of investments in the LP based on the nature of the cash flows that will service the investment.

- Similarly, regarding the proposal to “explicitly exclude debt securities, including RMBS/CMBS from the SSAP No. 48 reporting category for investments with ‘underlying characteristics of mortgage loans,’” we believe a principles-based approach should be applied to determine the underlying characteristics and resulting classification. For example, IPs are concerned that in the example provided, some small amount of RMBS/CMBS in a mortgage fund may “taint” the classification of the SSAP No. 48 investment in a fund that, in substance, has ‘underlying characteristics of mortgage loans’ (i.e., where the cash flows generated to pay off the investment are primarily mortgage loans). Given the classification as having ‘underlying characteristics of XXXX’ has a direct impact on RBC, we believe it is important to properly reflect the risk associated with the underlying assets that are generating cash flows to pay the investment.

In summary, interested parties support the development of a principles-based approach that considers the substance of a reporting entity’s investment for determining the classification of SSAP No. 48 investments as having ‘underlying characteristics of XXX’. We are willing to work with NAIC staff as this is developed.

### **Ref #2025-30: Administrative Services Contracts Disclosure Clarification**

The Working Group exposed revisions to *SSAP No. 47—Uninsured Plans* and the related annual statement note 18B to correct the net gain or loss calculation on Administrative Services Contract plans.

Interested parties have no comments on this item.

### **Ref #2025-31: Update Coverage Gap**

The Working Group exposed revisions to *INT 05-05: Accounting for Revenues Under Medicare Part D Coverage* to note the December 31, 2024, end of the Coverage Gap Discount program and add relevant references to the CMS Manufacturer’s Discount Program which began in 2025.

Interested parties have no comment on this item.

**Ref #2025-32: Remove Shaded Text**

The Working Group exposed revisions to *SSAP No. 40—Real Estate Investments*, *SSAP No. 90—Impairment or Disposal of Real Estate Investments*, 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.

Interested parties have no comments on this item.

**Ref #2025-33: Update to Annual Statement Expense Descriptions and Categories**

The Working Group exposed revisions to update and modernize the expense descriptions and categories in the annual reporting blanks, as detailed in Exhibit 1 for P&C, Exhibit 2 for Life/Fraternal, Exhibit 3 for Health, and Exhibit 4 for Title of this Form A. This agenda item does not result in changes to statutory accounting.

Interested parties do not have any concerns with the edits in Exhibit 1, however we did not see a Section 15 which relates to Computer Software (which is shown in the Index).

**Ref #2025-34: Updates on Economic Scenario Generator and Non-Variable**

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

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

Interested parties have no comments on this item.

\* \* \* \*

Thank you for considering interested parties' comments. We look forward to working with you and the Working Group on these items. We would recommend working with NAIC staff prior to a blanks exposure to refine clarity as much as possible prior to the exposure. If you have any questions in the interim, please do not hesitate to contact either one of us.

Sincerely,

D. Keith Bell

Rose Albrizio

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



February 13, 2026

Dale Bruggerman  
Chairperson  
Statutory Accounting Principles (E) Working Group  
National Association of Insurance Commissioners

Subject: [SAPWG 2025-22 IMR Impact to Reinsurance Collateral](#) Public Exposure

Dear Chair Bruggerman:

On behalf of the Reinsurance Working Group (RWG) of the American Academy of Actuaries,<sup>1</sup> we appreciate the opportunity to provide comments to the Statutory Accounting Principles (E) Working Group (SAPWG) regarding SAPWG 2025-22 IMR Impact to Reinsurance Collateral (SAPWG 2025-22) exposure following the NAIC's Fall 2025 National Meeting. The RWG believes this is an important issue and appreciates SAPWG's consideration of public comments.

In response to the SAPWG 2025-22 exposure, we offer the following commentary in an effort to help balance the posting of collateral, based on the economics of a transaction, with the regulators' need to ensure that policyholder interests are protected.

Reinsurance that meets all regulatory requirements passes risk from the insurer to the reinsurer. As a result, the risk remaining on the cedent's balance sheet is reduced. Under those circumstances, we consider it appropriate that a cedent's surplus could be enhanced using such a reinsurance agreement.

Further, we recognize that reinsurance has proved to be an effective risk mitigation tool and believe that any changes to collateral requirements should avoid disincentivizing insurance companies from implementing appropriate reinsurance solutions.

At the same time, we appreciate the concern about negative IMR being used to reduce collateral below the level of policy reserves. Rather than an all-or-nothing approach to negative IMR, we would propose the following:

1. Allow negative IMR as part of the collateral calculation.
2. In order to allow collateral to be less than policy reserves, require the ceding company actuary to demonstrate, such as by using asset adequacy analysis (AAA), that the level of collateral would be sufficient to mature the reinsurer's liabilities under moderately adverse scenarios. This tested level of collateral would be floored at the policy reserves minus the absolute value of the negative IMR. The AAA could be done on a standalone basis at the

---

<sup>1</sup> The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

treaty level. The results may be aggregated with those of other reinsurance agreements if the collateral may be used to meet the reinsurer's obligations under the other reinsurance agreements.

3. If no testing is performed, then the collateral would be floored at the policy reserves.
4. Posted collateral less than that developed by the cedent's actuary would result in a reduction in the reserve credit equal to the difference between the test collateral amount and the amount actually held.

In the case of Certified Reinsurers, where collateral is required for less than 100% of the ceded policy reserves, the calculations would be done based upon 100% of the ceded policy reserves and then the appropriate percentage would be applied.

We appreciate the opportunity to share these comments and look forward to the continued collaborative conversations between SAPWG and interested stakeholders. If you have any questions or would like to discuss these comments further, please contact Will Behnke, the Academy's policy project manager, risk management and financial reporting ([behnke@actuary.org](mailto:behnke@actuary.org)).

Sincerely,

Jeremy Starr, MAAA, FSA  
Chairperson  
Reinsurance Working Group  
American Academy of Actuaries



February 13, 2026

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

Re: SAPWG Ref #2025-22 – IMR Impact to Reinsurance Collateral

Dear Chair Clark,

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide comments on the Statutory Accounting Principles Working Group (SAPWG) Ref #2025-22 regarding the impact of the Interest Maintenance Reserve (IMR) on reinsurance collateral requirements.

ACLI recommends symmetrical treatment of IMR in collateral calculations because it supports the prudent use of reinsurance as a risk-management tool. Under this approach IMR can both increase and decrease required collateral, which has several important benefits:

- The symmetrical approach better aligns the market value of assets and liabilities.
- The symmetrical approach stabilizes collateral requirements through economic cycles.
- The symmetrical approach prevents collateral implications from distracting from prudent and timely asset-liability management.

We also suggest SAPWG consider the risk that asymmetrical treatment of IMR in collateral calculations could exacerbate the impact of market cycles. By only allowing IMR to increase collateral, the asymmetrical approach would make reinsurance comparatively more expensive when interest rates increase. By introducing conditions that make certain periods more or less favorable for reinsurance transactions, an asymmetrical approach could unintentionally encourage non-economic decision-making. These potential effects do not appear to be addressed in the exposure document.

On the balance, ACLI expects the symmetrical approach to create more capital stability and more competitive pricing for consumers. We recognize regulators' focus on ensuring the sufficiency of collateral supporting reinsurance recoverables. ACLI fully supports collateral sufficiency, and we welcome continued dialogue on the treatment of IMR within reinsurance collateral determinations.

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

---

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

ACLI appreciates SAPWG's thoughtful consideration of this issue. We support SAPWG's continued efforts to ensure that the statutory treatment of IMR remains economically grounded, promotes sound risk management, and reflects the practical realities of life insurer investment portfolios.

Sincerely,



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



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

cc: Julie Gann, NAIC



February 13, 2026

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

Re: SAPWG Ref #2025-23 - IMR Proof of Reinvestment

Dear Chair Clark,

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide comments on the concepts outlined in agenda item SAPWG Ref #2025-23 – IMR Proof of Reinvestment.

We support SAPWG’s continued efforts to ensure that the statutory treatment of IMR remains economically grounded, promotes sound risk management, and reflects the practical realities of life insurer investment portfolios.

#### **SAPWG Ref #2025-23 – IMR Proof of Reinvestment**

ACLI supports the Proof of Reinvestment included with the exposure. By definition, IMR is a valuation adjustment to maintain consistency between insurance liabilities (the assumptions which are unchanged from origin), and the assets needed to support them (where assumptions can essentially be revisited any time there are fixed income realizations).

In a rising interest rate environment, with reinvestment, trading results in a reclassification between two on balance sheet items – unrealized losses reported as part of amortized cost and realized losses reported as negative IMR. The company is in the same financial and solvency position as realized losses are offset by higher yields, the present value of which is equal and opposite in amount, and the company has no significant change in its ability to meet its policyholder obligations.

Companies have many reasons to trade fixed income investments whether for appropriate duration management, credit reasons, asset allocation, tax reasons, etc., all of which can put the company in an equal or better position to meet policyholder obligations versus not trading.

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

---

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

The exposed “proof of reinvestment” is adequately conservative, while appropriately balancing simplicity and accuracy. ACLI is very appreciative of the diligent efforts that went into this proof of reinvestment so the original rationale of IMR can be fulfilled and fixed income trading gains and losses do not inappropriately distort solvency or reported surplus.

Further, the table highlighting different scenarios is very helpful in clarifying when the proof of reinvestment is “required” (scenarios 1 & 3) and not required (scenarios 2, 4 & 5) which will help ensure consistent application in practice. It is ACLI’s understanding that when scenarios 1 & 3 occur, the proof is only required if a company wants to defer losses to negative IMR. Therefore, the final guidance should include explicit language so that this is clearly articulated should a company not want to defer losses by completing the proof of reinvestment.

Lastly, ACLI notes the following technical corrections to the proof of reinvestment that appear to have been lost in reformatting:

1. Lines 5 and 6 should be updated from “internal systems” to the new footnote that was noted in the exposure.
2. Lines 7 and 19 should use similar nomenclature such as line 3 (e.g., sum of lines x + y).
3. Line 13 includes the “^” symbol which was meant to include the further clarification as follows:  
  
^ Column 11 is for disability business that includes both long and short-term disability. RBC is determined based on this differentiation in LR 19 where total earned premiums are broken out between long and short-term and are a close approximation of column 11 premiums in aggregate. Only the long-term premium categories (i.e., lines 21 through 26) included in LR 19 are to be subtracted for purposes of this test.
4. Line 23 should be changed from \$4,792,000 to \$4,791,600.
5. Line 24 nomenclature should be changed from “line 14 – less 23” to “line 14 – line 23” and the numbers should be changed from \$19,166,000 TO \$19,166,400.
6. Line 25 should be changed from “Line 3 – Line 7 – Line 14” to “Line 3 – Line 7 – Line 24” and \$49,587,000 should be changed to \$54,378,600
7. Line 28 should be changed from “Line 17 – Line 18” to “Line 26 – 27”.
8. In the last row of the table, “lines 25 & 28” should be changed to “lines 30 and 31”.

We have similar comments related to the separate account proof reinvestment such as eliminating unneeded lines – e.g., line 10 commissions, expenses which is from the cash flow statement which does not exist for separate accounts as well as other nomenclature suggestions that do not change the

substance of the proof. Rather than highlight them here, we can point those out to NAIC staff to ensure the proof is specific to separate accounts, without changing the substance of what was exposed for comment. Lastly, related to the separate account proof, ACLI understands the note at the bottom of the separate account proof related to “transfer of IMR from the general account to separate account” also works from the separate account to the general account and a similar note should be included in the general account proof.

ACLI believes the proof of reinvestment strikes the right balance between rigor and practicality and reinforces IMR’s conceptual role in statutory accounting and appreciates SAPWG’s thoughtful consideration of this important issue. We reiterate our support for the proof of reinvestment requirements, which we believe will strengthen the statutory framework, enhance alignment with economic reality, and provide a sound basis for evaluating negative IMR.

We welcome the opportunity to discuss these comments further and to support SAPWG’s continued work in this area.

Sincerely,

A handwritten signature in cursive script that reads "Shannon Jones".

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

cc: Julie Gann, NAIC

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

**Issue: Separate Account Nonadmitted Assets**

**Check (applicable entity):**

	P/C	Life	Health
Modification of Existing SSAP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input 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 present the proposed change to capture nonadmitted assets on the separate account blank for assets held at the general account basis (often referred to as “book-value” separate accounts). This change is proposed for all insulated and non-insulated separate account filings.

The concept to add reporting for nonadmitted assets is driven from the IMR Ad Hoc Group discussions and the assessment of a long-term approach for IMR. Under historical concepts, net negative IMR on the separate account blank was immediately charged to surplus and eliminated from the financial statements. With the provisions permitted in *INT 23-01: Net Negative (Disallowed) IMR*, net negative IMR in the separate account previously charged against surplus is permitted to be reinstated and reported as an admitted asset if the company had not fully reached the 10% admittance limit in the general account. The IMR Ad Hoc group noted that this process is not sustainable as a long-term solution for recognizing IMR in the separate account. If a change was not incorporated to report nonadmitted assets, then assessment would occur on limiting the recognition/admittance of net negative IMR in the separate account to the extent of current year realized losses. Meaning, if a company had exceeded the admittance threshold for the current year, remaining net negative IMR would be charged to surplus, without potential for reinstatement in future years. Whereas, if nonadmitted assets were reported, then net negative IMR that exceeded the admittance threshold could be reported as a nonadmitted asset, with future admittance permitted when the reporting entity goes below the admittance limit.

With the discussion, it was also noted that the “general account basis” separate account assets pertain to general account products that have been segregated within a separate account. The assets backing these products shall be subject to the same admittance provisions as if they were held in the general account. With the current separate account reporting, there is no mechanism to identify whether the assets qualify as admitted assets. The addition of the nonadmitted reporting columns on the balance sheet will enable regulators to identify and assess the presence of nonadmitted assets for these “general account basis” assets. Although the guidance in SSAP No. 56, paragraph 18 indicates that assets that do not qualify for admittance are not permitted in a book value separate account, this restriction may not be realistic with the various admittance requirements. (For example, a previously admittable asset transferred to the separate account could subsequently not qualify for admittance.) Incorporating guidance that requires identification of nonadmitted assets would allow for identification of these assets and be consistent with the general account reporting.

Separate account assets held at fair value generally represent products where the contract holder bears the investment risk, often with investment directives determined by the contract holder. These assets are not proposed to be subject to the nonadmitted reporting requirements.

To incorporate reporting to identify nonadmitted assets in the separate account blank, the following reporting revisions are expected:

- Asset Page – Modification to add “Nonadmitted Assets” and “Net Admitted General Account Assets” as columns 2 & 3 explicitly for column 1 assets reported on the “General Account Basis”. Assets held at the “Fair Value Basis” will be reported as column 4, and the “Total of General Account Admitted and Fair Value” will be column 5.
- Summary of Operations – A new line 22 will be added for “Change in Nonadmitted Assets” within the surplus account.
- New Page – “Exhibit of Nonadmitted Assets” – This will detail the current and prior total nonadmitted assets, and the change in nonadmitted assets. This page is consistent with what is reported on the life blank for nonadmitted assets.

A review of instances in which nonadmitted amounts are reported on the general account life blank was completed and the following items were noted, resulting in a conclusion that additional separate account blank revisions are not needed:

- Each separate account investment schedule “Verification Between Years” already includes the “deduct total nonadmitted assets” reporting line consistent with the general account life blank.
- The separate account preferred stock and common stock schedules (Schedule D-2-1 and Schedule D-2-2) already captures nonadmitted declared and unpaid dividends consistent with the general account life blank.
- The general account Schedule D-6-1 (Valuation of Shares of Subsidiary, Controlled or Affiliated Companies) includes a column for the nonadmitted portion, as well as a footnote for nonadmitted goodwill, but this schedule is identified as not applicable to separate accounts.
- The general account life blank Exhibit 3 – Health Care Receivables includes a nonadmitted column, but this schedule is not captured in the separate account blank.
- The general account life blank includes the 5-Year Historical Data. This page tracks total nonadmitted assets. This schedule is not captured in the separate account blank. For the general account life blank, the amount reported on line 21 (total admitted assets) is explicit that it excludes separate account assets. However, the amount reported on lines 52 (total nonadmitted) & 53 (total admitted) reflect totals that include separate account assets.

#### **Existing Authoritative Literature:**

- **SSAP No. 4—Assets and Nonadmitted Assets**  
This statement establishes the definition of an asset for use in statutory accounting and establishes the criteria for consistent treatment of admitted assets. This statement is noted to be a common area (all applicable) SSAP.

- **SSAP No. 56—Separate Accounts**

This statement establishes principles for accounting and reporting for separate accounts. The statement only addresses limited situations for nonadmittance (uncollected separate account management fees and policy loans.) Revisions added in 2025 (agenda item 2024-10: SSAP No. 56 – Book Value Separate Account) added guidance to better define separate assets permitted to be held in the general account.

- **Various Investment SSAPs**

The various investment SSAPs have provisions required to be met for admittance. Examples include sufficient qualifying collateral for collateral loans in SSAP No. 21 and audited financial statements supporting the equity value under both SSAP No. 48 and SSAP No. 97.

**Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups):** The following details discussions that have occurred for the IMR project as well as the recent revisions to SSAP No. 56 for book value separate accounts:

- Agenda Item 2023-14: *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve* establishes a broad project to capture accounting guidance for AVR and IMR in SSAP No. 7. The IMR ad hoc group was created from this agenda item and has been meeting regularly since October 2023. In accordance with this agenda item, in August 2025, the Working Group agreed with a resulting conclusion from the IMR Ad Hoc Group to eliminate the concept of hypothetical IMR in the issue paper and proposed edits to SSAP No. 7. Consistent with other IMR topics, when the issue paper and SSAP No. 7 revisions are exposed, future revisions can be considered prior to final adoption and implementation.
- Agenda Item 2023-15: IMR/AVR Specific Allocations adopted revisions to the A/S instructions for year-end 2024 to remove the guidance that prescribes the specific allocation of non-interest related losses to IMR. The revisions addressed both mortgage loans and the guidance for debt securities. For debt securities, the guidance directs AVR reporting if there is an acute credit event that negatively impacts the price of the security that has not yet been reflected in the CRP ratings/SVO feed at the time of the sale where the resulting gains/loss was predominantly credit related.
- Agenda Item 2023-29: IMR / AVR Preferred Stock adopted revisions to the A/S instructions for year-end 2024 to remove the guidance that directed all preferred stock to be allocated between IMR/AVR based on NAIC designations, and to clarify that perpetual preferred stock as well as all mandatorily convertible preferred stock shall be reported through the AVR.
- Agenda Item 2024-15: Asset Liability Management Derivatives was developed to consider new statutory accounting guidance to permit the deferral of realized gains/losses for interest-rate hedging derivatives that do not qualify as effective hedges under *SSAP No. 86—Derivatives*. This item was initially exposed at the 2024 Summer National Meeting, but an extended comment period was provided until November 8, 2024. Then, due to the extent of comments and the complexity of the topic, the Working Group deferred direction to staff to move forward. Further discussion, along with a review of data reported for IMR derivatives is anticipated, before the Working Group directs staff to move forward.
- Agenda Item 2025-13: IMR Definition was developed to establish a broad definition of IMR. This definition was “adopted” by the Working Group on August 11, 2025, but consistent with other IMR topics, the

definition will be included in the issue paper and revisions to SSAP No. 7, which will also be exposed, and future revisions could be considered prior to final adoption and implementation.

- Agenda item 2024-10: SSAP No. 56 – Book Value Separate Account: Revisions adopted February 25, 2025 clarified the measurement guidance, with additional provisions permitting general account basis (“book value”) separate accounts.

**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 new SAP concept and expose revisions to SSAP No. 56—*Separate Accounts* to explicitly address nonadmittance for assets held under “general account basis” in the separate account, and to expose the proposed separate account annual statement revisions to incorporate the concept of nonadmitted assets within the separate account balance sheet and corresponding schedules. With exposure, it is recommended that the Working Group sponsor a corresponding blanks proposal. These revisions are proposed to be effective January 1, 2027.

**Proposed Revisions to SSAP No. 56:**

**Measurement of Separate Account Assets**

17. Assets supporting separate account contracts, except for contracts captured in paragraph 18, shall be reported at fair value, as determined under SSAP No. 100—*Fair Value*. Assets held in the separate account that reflect seed money from the general account shall follow all provisions of the SSAP to which the asset would be applicable if held in the general account. Assets that would not qualify for admittance in the general account are not permitted to be used as seed money in the separate account.

18. Assets supporting the following separate account contracts are permitted to be reported as if the assets were held in the general account. This measurement method is referred to as “book value” or general account basis. For these assets, measurement shall follow all provisions of the SSAP to which the asset would be applicable if held in the general account. Although Aassets that ~~would do~~ not qualify for admittance in the general account shall not be transferred to a separate account, as detailed in paragraph 19, assets in the separate account that do not qualify for admittance in the general account are not permitted to be admitted in a book value separate account. Separate account contracts that do not qualify in the following categories are not permitted at book value without a permitted or prescribed practice from the state of domicile.

- a. Assets supporting fund accumulation contracts (GICs), which do not participate in underlying portfolio experience, with a fixed interest rate guarantee, purchased under a retirement plan or plan of deferred compensation or established or maintained by an employer, will be recorded as if the assets were held in the general account.
- b. With approval of the state insurance regulator, assets supporting insulated or non-insulated separate account contracts that are similar to contracts generally found in the

general account<sup>1</sup>, but do not directly pass all investment experience of the underlying assets to the policyholder may be recorded as if the assets were held in the general account. Unlike traditional separate account contracts, these contracts do not have investment directives determined by the contract holder and investment performance results are not attributed to a specific contract holder. The general account may serve as an overall backstop or may provide an implied guarantee, although a distinct performance guarantee may not be specified (such as a minimum crediting rate, death benefit, etc.). Examples of contracts expected to be captured within this provision include, but are not limited to, pension risk transfer (PRT) contracts, bank-owned life insurance (BOLI) and registered index-linked annuity (RILA) contracts.

19. [Assets reported on the general account basis \(referred to as “book value”\) detailed in paragraph 18 shall adhere to nonadmitted asset reporting provisions as if the assets were held in the general account. These provisions include compliance with SSAP No. 4—Assets and Nonadmitted Assets, applicable state investment limitations as well as specific statutory provisions detailed throughout the various statements of statutory accounting principles \(SSAPs\) within the NAIC Accounting Practices and Procedures Manual.](#)

#### **Separate Account Annual Statement Revisions:**

- Asset Page – Modification to add “Nonadmitted Assets” and “Net Admitted General Account Assets” as columns 2 & 3 explicitly for column 1 assets reported on the “General Account Basis”. Assets held at the “Fair Value Basis” will be reported as column 4, and the “Total of General Account Admitted and Fair Value” will be column 5.
- Summary of Operations – A new line 22 will be added for “Change in Nonadmitted Assets” within the surplus account.
- New Page – “Exhibit of Nonadmitted Assets” – This will detail the current and prior total nonadmitted assets, and the change in nonadmitted assets. This page is consistent with what is reported on the life blank for nonadmitted assets.

**Staff Review Completed by:** Julie Gann, NAIC Staff—September 2025

#### **Status:**

On December 9, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions to SSAP No. 56 to address nonadmittance for assets held under the “general account basis” in the separate account, and to support the separate account annual statement revisions to incorporate the concept of nonadmitted assets within the separate account balance sheet and corresponding schedules.

On March 23, 2026, the Statutory Accounting Principles (E) Working Group adopted the exposed revisions to SSAP No. 56—*Separate Accounts*, as illustrated above, to address nonadmittance for assets held under the “general

---

<sup>1</sup> The inclusion of this guidance does not imply support for these contracts within the separate account instead of the general account. The domiciliary state insurance regulator is responsible for assessing and approving separate account contract classification in accordance with state statutes.

account basis” in the separate account, and to support the separate account annual statement revisions to incorporate the concept of nonadmitted assets within the separate account balance sheet and corresponding schedules.

[https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2026/2026 Spring/Summary and Minutes/SAPWG/Att 1B-25-25 - SA Nonadmit.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/APPTF/2026/2026%20Spring/Summary%20and%20Minutes/SAPWG/Att1B-25-25%20-%20SA%20Nonadmit.docx)

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

**Issue: Administrative Services Contracts Disclosure Clarification**

**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:**

The purpose of this agenda item is to provide clarifications to the Administrative Services Contracts (ASC) disclosure in *SSAP No. 47—Uninsured Plans* and the related annual statement note 18B. Under an Administrative Services Contract plan the reporting entity pays claims from its own bank accounts, and only subsequently receives reimbursement from the uninsured plan sponsor. The purpose of annual statement note 18B is to disclose the gain or loss from ASC contracts. However, the existing disclosure wording and annual statement instructions have resulted in inconsistent reporting.

The queries that NAIC staff received were regarding annual statement cross checks and instructions for the table which data captures the required disclosure. The existing note and the annual statement instructions are excerpted below in the “Existing Authoritative Literature” section. Although the *SSAP No. 47* disclosure does not have a formula, the existing data captured Note 18B includes a formula that does not result in a net gain or loss on the ASC contract. After review, NAIC staff are recommending updates to the disclosure in *SSAP No. 47* and updates to the annual statement instructions and data captured table for note 18B to more accurately reflect the objective of showing the profitability of ASC contracts.

**Existing Authoritative Literature:**

*SSAP No. 47—Uninsured Plans:*

**Revenue/Expense Recognition**

5. The administrator’s statement of operations shall exclude all income and expenses related to claims, losses, premiums, and other amounts received or paid on behalf of uninsured ASO or uninsured ASC plans. An administrator acting as a provider of services, that provides such services through a salaried network, where the cost allocation of the service provided to insured vs. uninsured plans cannot be reasonably determined, shall report medical and hospital expenses on a gross basis by type of expense and report revenue from uninsured plans on a gross basis as fee for service income.

6. Commissions, expenses, and taxes paid by the administrator to administer such plans shall be reported on a gross basis by type of expense. Where the only functions provided are administrative, administrative fees and related reimbursements from the plan shall be deducted from general expenses. Reporting entities filing the health blank should deduct administrative fees and related reimbursements from general administrative expenses or claim adjustment expenses if the administrative services provided include services for claim adjustment expenses as defined in *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses*. Where the reporting entity provides both administration and health care services

directly, income from Medicare or similarly structured cost based reimbursement contracts is not recorded as premium but is recorded as revenue in the appropriate category. Health care services rendered as “medical and hospital” categorized by type and administrative expenses by type of expense shall be reported on an incurred basis.

7. Income from cost based reimbursement contracts is recorded as revenue because the service provided is for the direct delivery of care to recipients. There are risks associated with these plans in that all costs incurred under the contract may not be reimbursable and revenues may be adjusted based on subsequent challenges of costs included in filed cost reports. In addition, revenue may also be adjusted based on the performance under the terms of the contract or other external factors.

### **Amounts Receivable**

8. Amounts receivable from uninsured plans for (a) claims and other costs paid by the administrator on behalf of the third party at risk and (b) fees related to services provided by the administrator to the plan meet the definition of assets as set forth in *SSAP No. 4—Assets and Nonadmitted Assets*. A receivable shall not be recorded for unpaid claims. A receivable related to Medicare or a similarly structured cost based reimbursement contract shall only be recorded when services have been rendered.

### **Disclosures**

13. The statutory financial statements shall provide the following (bolding added):

- a. Information with regard to the profitability to the administrator of all ASO plans and the uninsured portions of partially insured plans for which the reporting entity serves as an ASO administrator;

For the total and each category separately provided: (i) net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses, (ii) total net other income or expense (including interest paid to or received from plans), and (iii) total net gain or loss from operations and (iv) the claim payment volume;

- b. **Information with regard to the profitability to the administrator of all ASC plans and the uninsured portions of partially insured plans for which the reporting entity serves as an ASC administrator;**

**For the total and each category separately provided: (i) gross reimbursement for medical cost incurred, (ii) gross administrative fees accrued, (iii) other income or expense (including interest paid to or received from plans), (iv) gross expenses incurred (claims and administrative), and (v) total net gain or loss from operations.**

- c. Information with regards to Medicare or similarly structured cost based reimbursement contracts shall include: (i) major components of revenue by payor, (ii) receivables from payors with account balances the greater of 10% of gross amounts receivable relating to uninsured accident and health plans or \$10,000, (iii) recorded allowances and reserves for adjustment of recorded revenues, (iv) adjustments to revenue resulting from audit of receivables related to revenues recorded in the prior period.

## **Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans**

### Instruction:

Provide information with regard to the profitability to the reporting entity of uninsured accident and health plans and the uninsured portions of partially insured plans for which the reporting entity serves as an Administrative Services Only (ASO) or an Administrative Services Contract (ASC) plan administrator.

#### **A. ASO Plans**

For ASO plans, provide the following information with regard to the profitability to the reporting entity of all ASO plans and the uninsured portions of partially insured plans for which the reporting entity serves as an administrator.

For the total and each category separately provide:

- Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses
- Total net other income or expense (including interest paid to or received from plans)
- Total net gain or loss from operations
- The claim payment volume

#### **B. ASC Plans**

**For ASC plans, provide information with regard to the profitability to the reporting entity of all ASC plans and the uninsured portions of partially insured plans for which the reporting entity serves as an ASC administrator.**

For the total and each category separately provide:

- **Gross reimbursement for medical cost incurred**
- **Gross administrative fees accrued**
- **Other income or expense (including interest paid to or received from plans)**
- **Gross expenses incurred (claims and administrative)**
- **Total net gain or loss from operations.**

Illustration:

**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.**

A. ASO Plans

The gain from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans was as follows during 20\_\_:

	<u>ASO Uninsured Plans</u>	<u>Uninsured Portion of Partially Insured Plans</u>	<u>Total ASO</u>
a. Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$ _____	\$ _____	\$ _____
b. Total net other income or expenses (including interest paid to or received from plans)	\$ _____	\$ _____	\$ _____
c. Net gain or (loss) from operations (a+b)	\$ _____	\$ _____	\$ _____
d. Total claim payment volume	\$ _____	\$ _____	\$ _____

**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.**

B. ASC Plans

The gain from operations from Administrative Services Contract (ASC) uninsured plans and the uninsured portion of partially insured plans was as follows during 20\_\_:

	<u>ASC Uninsured Plans</u>	<u>Uninsured Portion of Partially Insured Plans</u>	<u>Total ASC</u>
a. Gross reimbursement for medical cost incurred	\$ _____	\$ _____	\$ _____
b. Gross administrative fees accrued	\$ _____	\$ _____	\$ _____

c. Other income or expenses (including interest paid to or received from plans)	\$ _____	\$ _____	\$ _____
d. Gross expenses incurred (claims and administrative) (a+b+c)	\$ _____	\$ _____	\$ _____
e. Total net gain or loss from operations	\$ _____	\$ _____	\$ _____

*Drafting Note: The formula shaded above has been identified as problematic. Lines a, b include reimbursement amounts and do not represent gross expense incurred.*

**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):**

An annual statement vendor comment prompted a cross check to be added to Note 18B in 2022. This cross check was identified as problematic in 2023 and disabled.

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

None

**Convergence with International Financial Reporting Standards (IFRS):** Not applicable

**Staff Review Completed by:** Robin Marcotte – NAIC Staff

**Staff Recommendation:**

NAIC staff recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to SSAP No. 47 and the related annual statement note 18B as illustrated below. The main reason for this clarification is to have a resulting that details the net gain or loss on the ASC plans. With the exposure, NAIC staff will also prepare a Blanks proposal for simultaneous exposure.

Because the insurer pays the claims on an ASC contract and is subsequently reimbursed, the note is data capturing gross inflows for reimbursements and gross administrative fees accrued. The existing other income interest line could reflect both inflows and outflows. To make the data capture easier, the other amounts/ interest received are proposed to be reported on a separate line from the other amounts/ interest paid by the insurer. The formula in the annual statement instructions is also proposed to be updated. The proposed revisions should result in consistent reporting of net gains from operations on ASC contracts.

**Proposed Revisions to SSAP No. 47:**

**Disclosures**

13. The statutory financial statements shall provide the following (bolding added):
  - a. Information with regard to the profitability to the administrator of all ASO plans and the uninsured portions of partially insured plans for which the reporting entity serves as an ASO administrator.

For the total and each category separately provided: (i) net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses; (ii) total net other income or expense (including interest paid to or received from plans); (iii) total net gain or loss from operations; and (iv) the claim payment volume.

- b. Information with regard to the profitability to the administrator of all ASC plans and the uninsured portions of partially insured plans for which the reporting entity serves as an ASC administrator.

For the total and each category separately provided: (i) gross reimbursement for medical cost incurred; (ii) gross administrative fees accrued; (iii) other ~~income or expense~~ amounts received by the insurance reporting entity (including interest paid to the insurer or received from ASC plans); (iv) other amounts paid by the insurance reporting entity (including interest paid to or on behalf of the ASC plans); (v) gross expenses incurred (claims and administrative); and (vi) total net gain or loss from operations.

- c. Information with regards to Medicare or similarly structured cost based reimbursement contracts shall include: (i) major components of revenue by payor; (ii) receivables from payors with account balances the greater of 10% of gross amounts receivable relating to uninsured accident and health plans or \$10,000; (iii) recorded allowances and reserves for adjustment of recorded revenues; and (iv) adjustments to revenue resulting from audit of receivables related to revenues recorded in the prior period.

**Proposed Revisions to Annual statement Instructions:**

*Drafting Note: The formula has been updated to better reflect net gain or loss on the ASC plans.*

Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

Instruction:

Provide information with regard to the profitability to the reporting entity of uninsured accident and health plans and the uninsured portions of partially insured plans for which the reporting entity serves as an Administrative Services Only (ASO) or an Administrative Services Contract (ASC) plan administrator.

**B. ASC Plans**

For ASC plans, provide information with regard to the profitability to the reporting entity of all ASC plans and the uninsured portions of partially insured plans for which the reporting entity serves as an ASC administrator.

For the total and each category separately provide:

- Gross reimbursement for medical cost incurred
- Gross administrative fees accrued

- Other ~~income or expense~~ amounts received by the insurance reporting entity (including interest paid to the insurer or received from ASC plans)
- Other amounts paid by the insurance reporting entity (including interest paid to or on behalf of the ASC plans)
- Gross expenses incurred (claims and administrative)
- Total net gain or loss from operations.

Illustration:

**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.**

B. ASC Plans

The gain from operations from Administrative Services Contract (ASC) uninsured plans and the uninsured portion of partially insured plans was as follows during 20\_\_:

	<u>ASC Uninsured Plans</u>	<u>Uninsured Portion of Partially Insured Plans</u>	<u>Total ASC</u>
a. Gross reimbursement for medical cost incurred	\$ _____	\$ _____	\$ _____
b. Gross administrative fees accrued	\$ _____	\$ _____	\$ _____
c. Other <del>income or expenses</del> amounts received by the insurance reporting entity (including interest paid to the insurer or received from ASC plans)	\$ _____	\$ _____	\$ _____
d. <u>Other amounts paid by the insurance reporting entity (including interest paid to or on behalf of the ASC plans)</u>	\$ _____	\$ _____	\$ _____
e. Gross expenses incurred (claims and administrative) <del>(a+b+c-d)</del>	\$ _____	\$ _____	\$ _____
ef. Total net gain or loss from operations <u>(a+b+c)-(d+e)</u>	\$ _____	\$ _____	\$ _____

**Status:**

On December 9, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions to SSAP No. 47—*Uninsured Plans* and the related annual statement note 18B to correct the net gain or loss calculation on Administrative Services Contract plans.

On March 23, 2026, the Statutory Accounting Principles (E) Working Group adopted the exposed revisions to SSAP No. 47 and communicated support for the related annual statement blanks proposal to update Note 18B gains/losses on administrative services contracts (ASCs), as illustrated above.

<https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2026/2026 Spring/Summary and Minutes/SAPWG/Att 1C-25-30 - ASC disclosure clarification.docx>

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

**Issue: Update Coverage Gap Reference**

**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:**

The objective of this agenda item is to update references to the Coverage Gap Discount Program within *INT 05-05: Accounting for Revenues Under Medicare Part D Coverage*. In accordance with the Inflation Reduction Act of 2022, the Coverage Gap Discount Program ended as of December 31, 2024. It has been replaced by the Manufacturer Discount Program, and corresponding updates to INT 05-05 are proposed to reflect this change.

The CMS Manufacturer Discount Program is a new Medicare Part D program that began on January 1, 2025. It requires participating pharmaceutical manufacturers to sign an agreement with the Centers for Medicare & Medicaid Services (CMS) to make their drugs eligible for Medicaid coverage. The participating drug manufacturers are required to provide discounts on eligible medications. After discussion with health industry representatives, the new program is also proposed to follow the guidance in *SSAP No. 47—Uninsured Plans*.

**Existing Authoritative Literature:**

**INT 05-05 references the Coverage Gap Discount Program as follows (bolding added for emphasis):**

4. The Emerging Accounting Issues (E) Working Group reached a consensus to adopt the following guidance as it applies to the various funds to be received under the Medicare Part D program. The funds should be accounted for in accordance with one of the three SSAP's outlined below:
  - a. Specific funds received as reimbursements (or advance payments) for uninsured claims under a partially uninsured plan should be accounted for under SSAP No. 47. These funds include "reinsurance payments," "**Coverage Gap Discount Program**" payments and "low-income subsidy (cost-sharing portion)." These funds are paid by the government for a portion of claims above the out-of-pocket threshold or relate to prescription drug plan (PDP) payments for all or a portion of the deductible, the coinsurance and the co-payment amounts for low-income beneficiaries. CMS provides advance funding to the Part D sponsors. The Part D sponsor uses those advances to provide point-of-sale drug discounts to participants. CMS invoices the prescription drug manufacturers. The payment reconciliation process ensures that the Part D sponsor is paid dollar for dollar for coverage gap discounts advanced at the point of sale, based on accepted prescription drug event (PDE) data, and that any unused excess advances from the government are repaid. The Coverage Gap Discount Program does not apply to low-income beneficiaries.
  - b. Specific funds received by the PDP sponsor from either the Medicare Part D enrollee or the government as payment for standard coverage that will be subject to retrospective premium adjustments should be accounted for under SSAP No. 66. These funds include "direct subsidy,"

“low-income subsidy (premium portion),” “beneficiary premium (standard coverage portion),” “Part D payment demonstration” and “risk corridor payment adjustment.” The funds noted above have a final policy amount that is calculated based on the loss experience of the insured during the term of the policy, therefore should be treated as such.

- c. Specific funds received as premiums for coverage that is not retrospectively rated should be accounted for under SSAP No. 54. These funds include “beneficiary premium (supplemental benefit portion)” as these payments are considered to be standard premium payments that do not meet the definitions under SSAP No. 47 or SSAP No. 66 as defined in paragraph 4.a. and paragraph 4.b. of this interpretation.

#### **INT 05-05 Status**

6. On August 4, 2018, the Statutory Accounting Principles (E) Working Group updated this interpretation to **add a description of the Coverage Gap Discount Program**, amend existing guidance on program payments and update definitions.

#### **Appendix – Commonly Used Terms for Medicare Part D Coverage**

**Coverage Gap Discount Program** – The federal Affordable Care Act amended the Health Care and Education Act of 2010 (H. R. 4872) (HCERA) in 2011 to establish a discount program that would make manufacturer discounts available to applicable Medicare beneficiaries receiving applicable covered Part D drugs while in the coverage gap. Part D sponsors must provide the discounts for the applicable drugs in the coverage gap at point-of-sale. CMS coordinates the collection of discount payments from manufacturers and payment to Part D sponsors that provided the discount to applicable beneficiaries through a contractor. The coordination involves a standard process for paying Part D sponsors based on new information submitted to CMS on prescription drug event data. The Coverage GAP Discount Program is reconciled quarterly.

**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 Review Completed by:** Robin Marcotte – NAIC staff, October 2025

**Staff Recommendation:** NAIC staff recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to INT 05-05: *Accounting for Revenues Under Medicare Part D Coverage* to note the December 31, 2024, end of the Coverage Gap Discount Program and add relevant references to the CMS Manufacturer’s Discount Program. The revisions to INT 05-05 are shown as a separate attachment. The new Manufacturer’s Discount Program is also proposed to follow the guidance in SSAP No. 47—*Uninsured Plans*.

#### **Status:**

On December 9, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions to INT 05-05: *Accounting for Revenues Under Medicare Part D Coverage* to note the December 31, 2024, end of the Coverage

Gap Discount Program and add relevant references to the CMS Manufacturer's Discount Program which began in 2025.

On March 23, 2026, the Statutory Accounting Principles (E) Working Group adopted the exposed revisions to INT 05-05, as discussed above.

[https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2026/2026 Spring/Summary and Minutes/SAPWG/Att 1D-25-31 - Update Coverage Gap Reference.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/APPTF/2026/2026%20Spring/Summary%20and%20Minutes/SAPWG/Att1D-25-31-Update%20Coverage%20Gap%20Reference.docx)

## Interpretation of the Emerging Accounting Issues (E) Working Group and Statutory Accounting Principles (E) Working Group

### INT 05-05: Accounting for Revenues Under Medicare Part D Coverage

#### INT 05-05 Dates Discussed

September 28, 2005; December 3, 2005; March 24, 2018; August 4, 2018; [December 9, 2025](#); [March 23, 2026](#)

#### INT 05-05 References

##### Current:

*SSAP No. 47—Uninsured Plans*

*SSAP No. 54—Individual and Group Accident and Health Contracts*

*SSAP No. 66—Retrospectively Rated Contracts*

*SSAP No. 84—Health Care and Government Insured Plan Receivables*

#### INT 05-05 Issue

1. The Medicare Modernization Act of 2003 (MMA) created a new program, commonly known as Medicare Part D, whereby Medicare recipients may obtain prescription coverage offered by insurers who have been approved by the Centers for Medicare and Medicaid Services (CMS). Insurers who offer Medicare Part D coverage will, starting in January 2006, receive several different types of funds relating to the program. Some of these funds relate to portions of the coverage that require an annual reconciliation, resulting in the return of any excess funds received. Other funds may be received (or may be required to be returned) to offset experience that is especially unfavorable (or, respectively, favorable).
2. How should the various components of the funds received or receivable by an insurer from Medicare Part D coverage be accounted for?

#### INT 05-05 Discussion

3. The attached appendix provides a listing of terms to which CMS ascribes a specific meaning. This list has been enhanced to include other terms in order to facilitate consistent application for accounting and the NAIC's risk-based capital (RBC) formula. It should be noted that the terms included in the attached appendix are, for the most part, defined by CMS. Consequently, the term "reinsurance payment" does not represent actual reinsurance as defined by *SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance*.
4. The Emerging Accounting Issues (E) Working Group reached a consensus to adopt the following guidance as it applies to the various funds to be received under the Medicare Part D program. The funds should be accounted for in accordance with one of the three SSAP's outlined below:
  - a. Specific funds received as reimbursements (or advance payments) for uninsured claims under a partially uninsured plan should be accounted for under SSAP No. 47. These funds include "reinsurance payments," "~~Coverage Gap Discount Program~~" "[Manufacturer Discount Program](#)" payments, and "low-income subsidy (cost-sharing portion)." These funds are paid by the government for a portion of claims above the out-of-pocket threshold or relate to prescription

drug plan (PDP) payments for all or a portion of the deductible, the coinsurance and the co-payment amounts for low-income beneficiaries. CMS provides advance funding to the Part D sponsors. The Part D sponsor uses those advances to provide point-of-sale drug discounts to participants. CMS invoices the prescription drug manufacturers. The payment reconciliation process ensures that the Part D sponsor is paid dollar for dollar for coverage gap discounts advanced at the point of sale, based on accepted prescription drug event (PDE) data, and that any unused excess advances from the government are repaid. The Coverage Discount Gap Program does not apply to low-income beneficiaries.

- b. Specific funds received by the PDP sponsor from either the Medicare Part D enrollee or the government as payment for standard coverage that will be subject to retrospective premium adjustments should be accounted for under SSAP No. 66. These funds include “direct subsidy,” “low-income subsidy (premium portion),” “beneficiary premium (standard coverage portion),” “Part D payment demonstration” and “risk corridor payment adjustment.” The funds noted above have a final policy amount that is calculated based on the loss experience of the insured during the term of the policy, therefore should be treated as such.
- c. Specific funds received as premiums for coverage that is not retrospectively rated should be accounted for under SSAP No. 54~~R~~. These funds include “beneficiary premium (supplemental benefit portion)” as these payments are considered to be standard premium payments that do not meet the definitions under SSAP No. 47 or SSAP No. 66 as defined in paragraph 4.a. and paragraph 4.b. of this interpretation.

5. The collectibility and any nonadmission of amounts receivable from the government insured or uninsured plans are addressed in SSAP No. 84, paragraph 22, and SSAP No. 47, paragraph 10 and paragraph 11, respectively.

#### INT 05-05 Status

- 6. On August 4, 2018, the Statutory Accounting Principles (E) Working Group updated this interpretation to add a description of the Coverage Gap Discount Program, amend existing guidance on program payments and update definitions. [The Coverage Gap Discount Program ended on December 31, 2024, and its replacement, the Manufacturer Discount Program, began in 2025. Guidance on the Manufacturer Discount Program was added on March 23, 2026.](#)
- 7. ~~No f~~urther discussion is planned.

## Appendix – Commonly Used Terms for Medicare Part D Coverage

The federal Centers for Medicare and Medicaid Services (CMS) oversees the Medicare Part D prescription drug coverage, including coverage provided through a stand-alone prescription drug plan (PDP) and coverage provided as part of a Medicare Advantage plan. CMS ascribed specific meaning to most of the following terms. Other terms have been defined below in order to facilitate consistent application.

**Beneficiary Premium (Standard Coverage Portion)** – The amount received from the Part D enrollee (directly, or from CMS after being withheld from Social Security benefits) as payment for the standard coverage. This includes any late enrollment penalties that the PDP sponsor receives for an enrollee. The beneficiary premium is accounted for as health premium.

**Beneficiary Premium (Supplemental Benefit Portion)** – The amount received from the Part D enrollee (directly, or from CMS after being withheld from Social Security benefits) as payment for supplemental benefits. The beneficiary premium is accounted for as health premium.

**Coverage Gap Discount Program** – The federal Affordable Care Act amended the Health Care and Education Act of 2010 (H. R. 4872) (HCERA) in 2011 to establish a discount program that would make manufacturer discounts available to applicable Medicare beneficiaries receiving applicable covered Part D drugs while in the coverage gap. Part D sponsors must provide the discounts for the applicable drugs in the coverage gap at point-of-sale. CMS coordinates the collection of discount payments from manufacturers and payment to Part D sponsors that provided the discount to applicable beneficiaries through a contractor. The coordination involves a standard process for paying Part D sponsors based on new information submitted to CMS on prescription drug event data. The Coverage GAP Discount Program is reconciled quarterly. [The Coverage Gap Discount Program ended on December 31, 2024, and was replaced by the new Manufacturer Discount Program in 2025. This INT previously directed readers to SSAP No. 47 for the Coverage GAAP Discount Program.](#)

**Coverage Year Reconciliation** – A reconciliation made after the close of each calendar year to determine the amounts that a PDP sponsor is entitled to for the low-income subsidy (cost-sharing portion), the reinsurance payment, and the risk corridor payment adjustment. To the extent that interim payments (if any) from CMS exceeded the amounts determined by the reconciliation, the PDP sponsor must return the excess to the government; to the extent that interim payments (if any) from CMS fell short of the amounts determined by the reconciliation, the government will make an additional payment to the PDP sponsor. The coverage year reconciliation results in the low-income subsidy (cost-sharing portion) and the reinsurance payment being essentially a self-insured (by the government) component of the Part D coverage, subject to SSAP No. 47. The coverage year reconciliation also results in the treatment of the risk corridor payment adjustment as a retrospective premium adjustment, subject to SSAP No. 66.

**Direct Subsidy** – The amount the government pays to the PDP sponsor for the standard coverage. These payments are accounted for as health premium.

**Low-Income Subsidy (Cost-Sharing Portion)** – The amount the government pays to the PDP sponsor for additional benefits provided to low-income enrollees. The additional benefits may include payment for some or all of the deductible, the coinsurance, and the co-payment above the out-of-pocket threshold. These payments are accounted for as payments made under a self-insured plan.

**Low-Income Subsidy (Premium Portion)** – The amount the government pays to the PDP sponsor for low-income enrollees in lieu of part or all of the beneficiary premium (standard coverage portion). These payments are accounted for as health premium.

[Manufacturer Discount Program](#) – [The Inflation Reduction Act of 2022 ended the Coverage Gap Discount Program effective December 31, 2024, and replaced it with the Manufacturer Discount Program beginning January 1, 2025. The CMS Manufacturer Discount Program is a Medicare Part D program and requires participating pharmaceutical manufacturers to offer discounts on applicable drugs. The program requires manufacturers to sign an agreement with the Centers for Medicare and Medicaid Services \(CMS\) to make their drugs eligible for coverage. For certain manufacturers, discounts will be phased in over several years. Discounts are available for both low-income and non-low-income enrollees. Enrollees will still be responsible for 100% of their drug costs until any applicable deductible is met. The manufacturer discount does not count towards the enrollee's incurred costs and is not applied until the enrollee has incurred costs exceeding the annual deductible.](#)

**PDP Sponsor** – The entity that provides stand-alone Part D coverage (as opposed to Part D coverage provided through a Medicare Advantage plan).

**Reinsurance Payment** – An amount paid by the government for benefit costs above the out-of-pocket threshold (see “Standard Coverage”). Generally, when costs exceed the out-of-pocket threshold, the government pays a specified percentage of the costs, the enrollee pays a percentage (or the specified co-payments which are updated based on cost trends for generic and for brand-name prescriptions), and the PDP sponsor pays the remainder. The amount paid by the government is treated as a claim payment made by a self-insured benefit plan rather than as revenue to the PDP sponsor, and the claims do not flow through the PDP sponsor’s income statement. In cases where the government prepays the reinsurance payment on an estimated basis, the prepayment is treated as a deposit, which again does not pass through the PDP sponsor’s income statement. The amount paid by the enrollee is paid directly to the pharmacy; therefore there is no required accounting for this amount by the PDP sponsor.

**Part D Payment Demonstration** – A payment from the government to a PDP sponsor participating in CMS’s Part D Payment Demonstration. The payment demonstration is a special arrangement in which the PDP sponsor receives a predetermined per-enrollee capitation payment and the government no longer provides reinsurance for the specified percentage (example 80%) of costs in excess of the out-of-pocket threshold. Rather, the PDP sponsor assumes the risk for the specified percentage (example 80%) of costs, in addition to its normal percentage (example 15%) share of costs in excess of this threshold. However, risk corridor protection does still apply to this specified percentage (example 80%) share of costs. These payments are accounted for as health premium.

**Reinsurance Coverage** – The Medicare Part D provision under which the PDP sponsor may receive a reinsurance payment. This does not include payments under the Part D Payment Demonstration.

**Risk Corridor Payment Adjustment** – An amount by which the government adjusts its payments to the PDP sponsor, based on how actual benefit costs vary from the costs anticipated in the PDP sponsor’s bid for the Part D contract (the “target amount” of costs). The government establishes thresholds for symmetric risk corridors around the target amount, using percentages of the target amount. If actual costs exceed the target amount but are less than the first threshold upper limit, then no adjustment is made. Risk corridor payment adjustments are accounted for as retrospective premium adjustments on retrospectively rated contracts.

**Risk Corridor Protection** – The Medicare Part D provision under which the PDP sponsor may receive (or pay) a Risk Corridor Payment Adjustment. Most employer plans providing Medicare Part D are not eligible for Risk Corridor Protection.

**Standard Coverage** – The Part D benefit design that conforms to certain standards prescribed by the government. The standard coverage comprises: no coverage for an annual initial deductible; coverage net of a coinsurance provision (the percentage of costs are payable by the insured) for costs up to an initial coverage limit; a range beyond the initial coverage limit (sometimes called the “coverage gap”) in which the insured drug manufacturers and the PDP sponsor (for example, by 2020 insureds who are eligible for drug manufacturer discounts will pay 25% for qualifying brand and generic drugs, the PDP sponsor will be responsible for 25% of qualifying brand and 75% of generic drugs, and the drug manufacturer will be responsible for 50% of qualifying brand drugs); and an annual out-of-pocket threshold above which the insured pays the greater of a specified co-payment or a specified percentage of the drug cost. The various limits and thresholds are set at specified dollar amounts, which will be increased in later years based on the growth in drug expenditures. Wherever the term “standard coverage” is used as part of these instructions, the same treatment would be applied to coverage that has been approved as actuarially equivalent coverage. With respect to amounts above the out-of-pocket threshold, see the definitions of “Reinsurance Payment” and “Part D Payment Demonstration.”

**Supplemental Benefits** – Benefits in excess of the standard coverage. These benefits typically will cover some portion of the deductible, the co-payments, or the coverage gap between the initial coverage limit and the out-of-pocket threshold. Supplemental benefits are part of an enrollee’s Part D coverage, so they are not placed in the “Other” category in the RBC formula. However, they are not subject to either the reinsurance payment or the risk corridor payment adjustment, so they receive less favorable RBC treatment than the standard coverage.

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2026/2026 spring/summary and minutes/sapwg/att 1e-25-31 - int 05-05.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/apptf/2026/2026%20spring/summary%20and%20minutes/sapwg/att%201e-25-31-int%2005-05.docx)

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

**Issue: Remove Shaded Text**

**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:** The *Accounting Practices and Procedures Manual* (APPM) historically used shaded text to indicate substantive revisions as deleted text in the Statements of Statutory Accounting Principles (SSAPs). This approach is no longer used for SSAPs. However, *SSAP No. 40—Real Estate Investments* 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. This agenda item proposes revisions to eliminate the shaded and superseded guidance shown within SSAP No. 40. These revisions would also update references within the APPM which detail using the shaded method to show previously superseded SSAP guidance.

*Appendix H – Superseded SSAPs and Nullified Interpretations* will continue to reflect nullified guidance as shaded text.

**Existing Authoritative Literature:**

*Summary of Changes (Bolding added for emphasis)*

Section 1 summarizes revisions that result in a new SSAP or new SAP concept to statutory accounting principles. Revisions that introduce original or modified accounting principles can be reflected in an existing or new SSAP. When revisions that result in a new SAP concept are made to an existing SSAP, the effective date is identified in the Status section, New SSAPs and new SAP concepts that revise existing SSAPs are commonly accompanied by a corresponding issue paper that reflects the tracked revisions for historical purposes. **If language in an existing SSAP is superseded, that language is shaded and the new or revised SSAP is referenced.** Completely superseded SSAPs and nullified interpretations are included in Appendix H.

*How to Use This Manual (Bolding added for emphasis)*

The cover page of each SSAP contains a STATUS section that can affect the implementation of each SSAP. The STATUS section contains the following:

AFFECTS/AFFECTED BY – A useful tool for tracking relationships between statements and interpretations is contained within these sections. The “affects” section is used when a SSAP has previously been amended to reflect new SAP concepts or superseded by other issued SSAPs. Nullified INTs are also noted in this section. **Readers are referenced to another SSAP in the “affected by” section if the SSAP has been superseded or amended with a new SAP concept or with the issuance of a new SSAP. Text within paragraphs amended with new SAP concepts or superseded may also be “shaded” to notify readers that revised guidance is available.**

*SSAP No. 40—Real Estate Investments*

11. Properties occupied by the company and properties held for the production of income shall be carried at depreciated cost less encumbrances unless events or circumstances indicate the carrying amount of the asset (amount prior to reduction for encumbrances) may not be recoverable. Paragraph 5 of *FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of* (FAS 121), provides examples of events or changes in circumstances which indicate that the recoverability of the carrying amount of properties occupied by the company or properties held for the production of income should be assessed. If the events or changes in circumstances set forth in paragraph 5 of FAS 121 are present or if other events or changes in circumstances indicate that the carrying amount of properties occupied by the company or properties held for the production of income may not be recoverable, the entity shall determine whether an impairment loss must be recognized in accordance with paragraph 6 of FAS 121. Property occupied by the company shall be evaluated using the asset grouping approach of paragraph 8 of FAS 121. An impairment loss is measured as the amount by which the individual carrying amounts exceed the fair value of properties occupied by the company or properties held for the production of income. Fair value is determined in accordance with paragraph 13 of this statement. If the fair value of the asset is less than the carrying value, the asset shall be written down to the fair value thereby establishing a new cost basis. The new cost basis shall not be changed for subsequent recoveries in fair value. The adjustment shall be recorded in the statement of operations as a realized loss.

12. Properties that the reporting entity has the intent to sell or is required to sell shall be classified as properties held for sale and carried at the lower of depreciated cost or fair value less encumbrances and estimated costs to sell the property consistent with paragraph 16 of FAS 121. The intent to sell a property exists when management, having the authority to approve the action, has committed to a plan to dispose of the asset, either by sale or abandonment. Fair value of the asset shall be determined in accordance with paragraph 13 of this statement. Subsequent revisions to the fair value of the asset shall be accounted for in accordance with paragraph 17 of FAS 121.

25. An entity that recognizes an impairment loss shall disclose all of the following in financial statements that include the period of the impairment write-down:

- a. A description of the impaired assets and the facts and circumstances leading to the impairment;
- b. The amount of the impairment loss and how fair value was determined; and
- c. The caption in the statement of operations in which the impairment loss is aggregated.

**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 recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose 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.

**Staff Review Completed by:** William Oden, NAIC Staff – October 2025

**Proposed revisions to *Summary of Changes*:**

Section 1 summarizes revisions that result in a new SSAP or new SAP concept to statutory accounting principles. Revisions that introduce original or modified accounting principles can be reflected in an existing or new SSAP. When revisions that result in a new SAP concept are made to an existing SSAP, the effective date is identified in the Status section, New SSAPs and new SAP concepts that revise existing SSAPs are commonly accompanied by a corresponding issue paper that reflects the tracked revisions for historical purposes. ~~If language in an existing SSAP is superseded, that language is shaded and the new or revised SSAP is referenced.~~ Completely superseded SSAPs and nullified interpretations are shaded and included in[moved to](#) Appendix H.

**Proposed revisions to *How to Use This Manual*:**

The cover page of each SSAP contains a STATUS section that can affect the implementation of each SSAP. The STATUS section contains the following:

AFFECTS/AFFECTED BY – A useful tool for tracking relationships between statements and interpretations is contained within these sections. The “affects” section is used when a SSAP has previously been amended to reflect new SAP concepts or superseded by other issued SSAPs. Nullified INTs are also noted in this section. Readers are referenced to another SSAP in the “affected by” section if the SSAP has been superseded or amended with a new SAP concept or with the issuance of a new SSAP. ~~Text within paragraphs amended with new SAP concepts or superseded may also be “shaded” to notify readers that revised guidance is available.~~

***Appendix H – Superseded SSAPs and Nullified Interpretations:***

Appendix H contains superseded SSAPs and nullified interpretations and is posted for public reference on the Statutory Accounting Principles (E) Working Group web page at [https://content.naic.org/cmte\\_e\\_app\\_sapwg.htm](https://content.naic.org/cmte_e_app_sapwg.htm). Nullified guidance is shown as shaded text in Appendix H.

**Proposed Revisions to SSAP No. 40—*Real Estate Investments*** - delete the paragraphs previously shown as shaded, with subsequent paragraphs to be renumbered, and add additional references to SSAP No. 90.

Status

Affected by..... ~~Paragraphs 11, 12 and 25 superseded by~~ SSAP No. 90

5. Real estate investments shall be reported in accordance with the following balance sheet categories, with parenthetical disclosure of the amount of related encumbrances. [Guidance is included in SSAP No. 90—\*Impairment or Disposal of Real Estate Investments\* on classifying real estate to be disposed of other than by sale, for determining costs to sell, and for reporting disposal gains and losses as well as other than temporary impairments:](#)

- a. Properties occupied by the company – depreciated cost, less encumbrances;
- b. Properties held for the production of income – depreciated cost, less encumbrances; and
- c. Properties held for sale – lower of depreciated cost or fair value, less encumbrances and estimated costs to sell the property. (Paragraph 21 of SSAP No. 90—~~*Impairment or Disposal of Real Estate Investments*~~ provides criteria that must be met for this real estate classification.)

6. Any real estate which is owned by and is more than 50% occupied by the reporting entity and its affiliates shall be considered property occupied by the company. "More than 50% occupied" shall mean that the square footage occupied by the reporting entity and its affiliates totals more than 50% of the rentable square footage of the property, including common areas. This shall include property occupied by the company which is not necessarily home office (e.g., claims processing, data processing and branch centers). Property which does not meet this 50% requirement shall be classified as property held for the production of income or property held for sale, consistent with SSAP No. 90.

7. Encumbrances represent outstanding mortgages or other debt related to the real estate investment and any unpaid accrued acquisition or construction costs. Participating mortgage loan liabilities are addressed in paragraphs 22-24. Interest expense shall be included in investment expenses.

8. The cost of real estate represents the fair value of the consideration exchanged plus any costs incurred to place the real estate asset in usable condition, including but not limited to, brokerage fees, legal fees, demolition, clearing and grading, fees of architects and engineers, any additional expenditures made for equipment and fixtures that are made a permanent part of the structure and certain interest costs as provided for in SSAP No. 44—*Capitalization of Interest*. Where cost includes both land and building, the cost shall be allocated among the assets purchased based on the relative values determined using appraisals, as described in paragraph 13. The cost shall be reduced by any amounts received for sales of rights or privileges in connection with the property or by any cash recoveries received after acquiring title to the property. The cost of real estate which has been foreclosed upon shall be initially established in accordance with SSAP No. 36—*Troubled Debt Restructuring* and SSAP No. 37—*Mortgage Loans*. The cost of contributed real estate shall be initially established in accordance with SSAP No. 95—*Nonmonetary Transactions* as a nonreciprocal transfer.

9. Internal preacquisition costs classified as nonoperating at the date of a property acquisition (that otherwise meet the requirements of paragraph 4 of FAS 67) shall be capitalized. If the entity subsequently determines that the property should have been classified as operating at the date of acquisition, such costs should be charged to expense and any additional costs shall be expensed as incurred. If internal preacquisition costs classified as operating at the date of acquisition were expensed as incurred, and the entity subsequently determines that the property should have been classified as nonoperating, the expensed costs shall remain as originally reported and shall not be reclassified to capitalized costs.

10. The cost of property included in real estate investments, other than land, shall be depreciated over the estimated useful life, not to exceed fifty years. Depreciation expense shall be included in investment expenses.

~~11. Properties occupied by the company and properties held for the production of income shall be carried at depreciated cost less encumbrances unless events or circumstances indicate the carrying amount of the asset (amount prior to reduction for encumbrances) may not be recoverable. Paragraph 5 of FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of (FAS 121), provides examples of events or changes in circumstances which indicate that the recoverability of the carrying amount of properties occupied by the company or properties held for the production of income should be assessed. If the events or changes in circumstances set forth in paragraph 5 of FAS 121 are present or if other events or changes in circumstances indicate that the carrying amount of properties occupied by the company or properties held for the production of income may not be recoverable, the entity shall determine whether an impairment loss must be recognized in accordance with paragraph 6 of FAS 121. Property occupied by the company shall be evaluated using the asset grouping approach of paragraph 8 of FAS 121. An impairment loss is~~

~~measured as the amount by which the individual carrying amounts exceed the fair value of properties occupied by the company or properties held for the production of income. Fair value is determined in accordance with paragraph 13 of this statement. If the fair value of the asset is less than the carrying value, the asset shall be written down to the fair value thereby establishing a new cost basis. The new cost basis shall not be changed for subsequent recoveries in fair value. The adjustment shall be recorded in the statement of operations as a realized loss.~~

~~12. — Properties that the reporting entity has the intent to sell or is required to sell shall be classified as properties held for sale and carried at the lower of depreciated cost or fair value less encumbrances and estimated costs to sell the property consistent with paragraph 16 of FAS 121. The intent to sell a property exists when management, having the authority to approve the action, has committed to a plan to dispose of the asset, either by sale or abandonment. Fair value of the asset shall be determined in accordance with paragraph 13 of this statement. Subsequent revisions to the fair value of the asset shall be accounted for in accordance with paragraph 17 of FAS 121.~~

## Disclosures

~~23. — Refer to SSAP No. 90 for disclosures on the impairment or disposal of real estate investments.~~

~~25. — An entity that recognizes an impairment loss shall disclose all of the following in financial statements that include the period of the impairment write-down:~~

- ~~a. — A description of the impaired assets and the facts and circumstances leading to the impairment;~~
- ~~b. — The amount of the impairment loss and how fair value was determined; and~~
- ~~c. — The caption in the statement of operations in which the impairment loss is aggregated.~~

## Effective Date and Transition

35. This statement is effective for years beginning January 1, 2001. 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—Accounting Changes and Correction of Errors*. Guidance in paragraph 8 was originally contained in *INT 99-16: EITF No. 97-11: Accounting for Internal Costs Relating to Real Estate Property Acquisitions* and was effective October 4, 1999. Guidance in paragraph 15 was originally contained in *INT 99-25: Accounting for Capital Improvements* and was effective December 6, 1999. Guidance in paragraphs 18-20 was previously included within *SSAP No. 77—Real Estate Sales* and was effective for years beginning January 1, 2002. [Effective January 1, 2006, SSAP No. 90—Impairment or Disposal of Real Estate Investments superseded paragraph 11, 12 and 25 of this statement. The superseded guidance was shown as shaded text until date TBD, when those paragraphs were deleted and subsequent paragraphs were renumbered.](#) The original guidance included in this standard from *SSAP No. 77* is retained for historical purposes in Issue Paper No. 106. Guidance related to EITF 06-8 referenced in paragraph 30 was incorporated from *INT 08-02: EITF 06-8: Applicability of the Assessment of a Buyer's Continuing Investment under FASB Statement No. 66 for Sales of Condominiums* and was effective for periods beginning May 31, 2008. The guidance reflected in paragraph 30 adopting *EITF 07-6: Accounting for the Sale of Real Estate Subject to the Requirements of FASB Statement No. 66, When the Agreement Includes a Buy-Sell Clause* was incorporated from *INT 08-07:*

*EITF 07-6, Accounting for the Sale of Real Estate Subject to the Requirements of FASB Statement No. 66 When the Agreement Includes a Buy-Sell Clause*, and was effective September 22, 2008.

**Proposed Revisions to SSAP No. 90—Impairment or Disposal of Real Estate Investments**

Status

Affects..... ~~Supersedes paragraphs 11, 12 and 25 of~~ SSAP No. 40~~R~~

**SCOPE OF STATEMENT**

~~2. This statement supersedes SSAP No. 40R—Real Estate Investments, paragraphs 11, 12 and 25.~~

**Effective Date and Transition**

42. The provisions of this statement shall be applied to all assets on the books of the reporting entity within the scope of this statement for reporting periods beginning on and after January 1, 2006. The guidance within paragraphs 18-20 was originally amended with the adoption of SSAP No. 95, included in that statement, and effective for fiscal periods beginning after January 1, 2007. The original guidance included in this SSAP with tracked changes showing the amendments from SSAP No. 95 are retained for historical purposes within Issue Paper No. 127.

43. Effective January 1, 2006, SSAP No. 90 superseded paragraph 11, 12 and 25 of SSAP No. 40—Real Estate Investments. The superseded guidance was shown as shaded text until date TBD, when those paragraphs were deleted and subsequent paragraphs were renumbered.

**Status:**

On December 9, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions to *SSAP No. 40—Real Estate Investments*, *SSAP No. 90—Impairment or Disposal of Real Estate Investments*, 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.

On March 23, 2026, the Statutory Accounting Principles (E) Working Group adopted revisions to SSAP No. 40, SSAP No. 90, the *Summary of Changes*, and the *How to Use This Manual* document to remove the superseded text that had been shown as shaded prior to this adoption. The final adopted changes are illustrated below.

**Revisions to *Summary of Changes*:**

Section 1 summarizes revisions that result in a new SSAP or new SAP concept to statutory accounting principles. Revisions that introduce original or modified accounting principles can be reflected in an existing or new SSAP. When revisions that result in a new SAP concept are made to an existing SSAP, the effective date is identified in the Status section, New SSAPs and new SAP concepts that revise existing SSAPs are commonly accompanied by a corresponding issue paper that reflects the tracked revisions for historical purposes. ~~If language in an existing SSAP is superseded, that language is shaded and the new or revised SSAP is referenced.~~ Completely superseded SSAPs and nullified interpretations are shaded and included in moved to Appendix H.

**Revisions to *How to Use This Manual*:**

The cover page of each SSAP contains a STATUS section that can affect the implementation of each SSAP. The STATUS section contains the following:

AFFECTS/AFFECTED BY – A useful tool for tracking relationships between statements and interpretations is contained within these sections. The “affects” section is used when a SSAP has previously been amended to reflect new SAP concepts or superseded by other issued SSAPs. Nullified INTs are also noted in this section. Readers are referenced to another SSAP in the “affected by” section if the SSAP has been superseded or amended with a new SAP concept or with the issuance of a new SSAP. ~~Text within paragraphs amended with new SAP concepts or superseded may also be “shaded” to notify readers that revised guidance is available.~~

**Appendix H – Superseded SSAPs and Nullified Interpretations:**

Appendix H contains superseded SSAPs and nullified interpretations and is posted for public reference on the Statutory Accounting Principles (E) Working Group web page at [https://content.naic.org/cmte\\_e\\_app\\_sapwg.htm](https://content.naic.org/cmte_e_app_sapwg.htm). Nullified guidance is shown as shaded text in Appendix H.

**Revisions to SSAP No. 40—Real Estate Investments** - Delete the paragraphs previously shown as shaded, with subsequent paragraphs to be renumbered, and add additional references to SSAP No. 90.

Status

Affected by ..... ~~Paragraphs 11, 12 and 25 superseded by~~ SSAP No. 90

5. Real estate investments shall be reported in accordance with the following balance sheet categories, with parenthetical disclosure of the amount of related encumbrances. Guidance is included in SSAP No. 90—Impairment or Disposal of Real Estate Investments on classifying real estate to be disposed of other than by sale, for determining costs to sell, and for reporting disposal gains and losses as well as other than temporary impairments:

- a. Properties occupied by the company – depreciated cost, less encumbrances;
- b. Properties held for the production of income – depreciated cost, less encumbrances; and
- c. Properties held for sale – lower of depreciated cost or fair value, less encumbrances and estimated costs to sell the property. (Paragraph 21 of SSAP No. 90—~~Impairment or Disposal of Real Estate Investments~~ provides criteria that must be met for this real estate classification.)

~~11. — Properties occupied by the company and properties held for the production of income shall be carried at depreciated cost less encumbrances unless events or circumstances indicate the carrying amount of the asset (amount prior to reduction for encumbrances) may not be recoverable. Paragraph 5 of FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of (FAS 121), provides examples of events or changes in circumstances which indicate that the recoverability of the carrying amount of properties occupied by the company or properties held for the production of income should be assessed. If the events or changes in circumstances set forth in paragraph 5 of FAS 121 are present or if other events or changes in circumstances indicate that the carrying amount of properties occupied by the company or properties held for the production of income may not be recoverable, the entity shall determine whether an impairment loss must be recognized in accordance with paragraph 6 of FAS 121. Property occupied by the~~

~~company shall be evaluated using the asset grouping approach of paragraph 8 of FAS 121. An impairment loss is measured as the amount by which the individual carrying amounts exceed the fair value of properties occupied by the company or properties held for the production of income. Fair value is determined in accordance with paragraph 13 of this statement. If the fair value of the asset is less than the carrying value, the asset shall be written down to the fair value thereby establishing a new cost basis. The new cost basis shall not be changed for subsequent recoveries in fair value. The adjustment shall be recorded in the statement of operations as a realized loss.~~

~~12. — Properties that the reporting entity has the intent to sell or is required to sell shall be classified as properties held for sale and carried at the lower of depreciated cost or fair value less encumbrances and estimated costs to sell the property consistent with paragraph 16 of FAS 121. The intent to sell a property exists when management, having the authority to approve the action, has committed to a plan to dispose of the asset, either by sale or abandonment. Fair value of the asset shall be determined in accordance with paragraph 13 of this statement. Subsequent revisions to the fair value of the asset shall be accounted for in accordance with paragraph 17 of FAS 121.~~

#### Disclosures

~~23. — Refer to SSAP No. 90 for disclosures on the impairment or disposal of real estate investments.~~

~~25. — An entity that recognizes an impairment loss shall disclose all of the following in financial statements that include the period of the impairment write-down:~~

~~c. — A description of the impaired assets and the facts and circumstances leading to the impairment;~~

~~d. — The amount of the impairment loss and how fair value was determined; and~~

~~e. — The caption in the statement of operations in which the impairment loss is aggregated.~~

#### Effective Date and Transition

35. This statement is effective for years beginning January 1, 2001. 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—*Accounting Changes and Correction of Errors*. Guidance in paragraph 8 was originally contained in INT 99-16: EITF No. 97-11: *Accounting for Internal Costs Relating to Real Estate Property Acquisitions* and was effective October 4, 1999. Guidance in paragraph 15 was originally contained in INT 99-25: *Accounting for Capital Improvements* and was effective December 6, 1999. Guidance in paragraphs 18-20 was previously included within SSAP No. 77—*Real Estate Sales* and was effective for years beginning January 1, 2002. [Effective January 1, 2006, SSAP No. 90—\*Impairment or Disposal of Real Estate Investments\* superseded paragraphs 11, 12, and 25 of this statement. The superseded guidance was shown as shaded text until March 23, 2026, when those paragraphs were deleted and subsequent paragraphs were renumbered.](#) The original guidance included in this standard from SSAP No. 77 is retained for historical purposes in Issue Paper No. 106. Guidance related to EITF 06-8 referenced in paragraph 30 was incorporated from INT 08-02: EITF 06-8: *Applicability of the Assessment of a Buyer's Continuing Investment under FASB Statement No. 66 for Sales of Condominiums* and was effective for periods beginning May 31, 2008. The guidance reflected in paragraph 30 adopting EITF 07-6: *Accounting for the Sale of Real Estate Subject to the Requirements of FASB Statement No. 66, When the Agreement Includes a Buy-Sell Clause* was incorporated

from INT 08-07: EITF 07-6, *Accounting for the Sale of Real Estate Subject to the Requirements of FASB Statement No. 66 When the Agreement Includes a Buy-Sell Clause*, and was effective September 22, 2008.

**Revisions to SSAP No. 90—Impairment or Disposal of Real Estate Investments**

Status

Affects..... ~~Supersedes paragraphs 11, 12 and 25 of~~ SSAP No. 40R

**SCOPE OF STATEMENT**

~~2. This statement supersedes SSAP No. 40R—Real Estate Investments, paragraphs 11, 12 and 25.~~

**Effective Date and Transition**

43. Effective January 1, 2006, SSAP No. 90 superseded paragraphs 11, 12, and 25 of SSAP No. 40—Real Estate Investments. The superseded guidance was shown as shaded text until March 23, 2026, when those paragraphs were deleted and subsequent paragraphs were renumbered.

<https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2026/2026 Spring/Summary and Minutes/SAPWG/Att 1F-25-32 - Shaded text.docx>

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

**Issue: Update to Annual Statement Expense Descriptions and Categories**

**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:** NAIC staff have received informal comments from industry that several of the expense categories that are included in the annual statements are outdated and need to be updated to reflect the current types of expenses that exist for companies. Many of the changes are directly driven by changes in technology over the past 30 years and include the removal of items such as telegrams, cables, radiograms and teletypes that have been replaced in practical usage by email and other electronic communication. The updated descriptions also clarify some expenses related to computer technology that were not clear in the prior descriptions. The intent of this agenda item is only to update the existing schedules and classifications of expenses with current descriptions and does not intend to change statutory accounting for these expenses.

During the creation of this agenda item, NAIC staff from the Statutory Accounting Principles (E) Working Group worked with staff from the Blanks (E) Working Group to ensure that the groups were in alignment on this issue, and external groups were consulted to ensure that the changes made were clear and reflected the modern descriptions of the expense that exist.

**Existing Authoritative Literature:** Expenses are included throughout the *Accounting Practices and Procedures Manual*, but the specific information on the expense reporting classifications are included in each of the annual statement blanks.

**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 recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to update and modernize the expense descriptions and categories in the annual reporting blanks, as detailed in Exhibit 1 for P&C, Exhibit 2 for Life/Fraternal, Exhibit 3 for Health, and Exhibit 4 for Title of this Form A. This agenda item does not propose any changes to statutory accounting, only changes to the annual statement blanks. With exposure of this agenda item, it is recommended that the Working Group sponsor a blanks proposal to incorporate these changes.

**Staff Review Completed by:** Jake Stultz, NAIC Staff – October 2025

**Status:**

On December 9, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions to update and modernize the expense descriptions and categories in the annual reporting blanks, as detailed in Exhibit 1 for P&C, Exhibit 2 for Life/Fraternal, Exhibit 3 for Health, and Exhibit 4 for Title of this Form A. This agenda item does not result in changes to statutory accounting.

On March 23, 2026, the Statutory Accounting Principles (E) Working Group adopted this agenda item, which communicates support for the blanks proposal to update and modernize expense descriptions and categories for the revisions detailed in Exhibit 1. This agenda item does not result in changes to statutory accounting.

<https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2026/2026 Spring/Summary and Minutes/SAPWG/Att 1G-25-33 - Expense Category Update.docx>

**Exhibit 1**  
**APPENDIX**

**INSTRUCTIONS FOR UNIFORM CLASSIFICATIONS OF EXPENSES OF**  
**PROPERTY AND CASUALTY INSURERS**

For the purpose of establishing uniformity in classifications of expenses of property and casualty insurers recorded in statements and reports filed with and statistics reported to Insurance Departments, all such insurers shall observe the instruction set forth below. Refer to *SSAP No. 63—Underwriting Pools* for accounting guidance.

**LIST OF OPERATING EXPENSE CLASSIFICATIONS FOR ANNUAL STATEMENT PURPOSES**

1. Claim Adjustment Services
  - 1.1 Direct
  - 1.2 Reinsurance Assumed
  - 1.3 Reinsurance Ceded
2. Commission and Brokerage
  - 2.1 Direct excluding contingent
  - 2.2 Reinsurance Assumed excluding contingent
  - 2.3 Reinsurance Ceded excluding contingent
  - 2.4 Contingent—Direct
  - 2.5 Contingent—reinsurance assumed
  - 2.6 Contingent—reinsurance ceded
  - 2.7 Policy and Membership Fees
3. Allowances to Managers and Agents
4. Advertising
5. Boards, Bureaus, and Associations
6. Surveys and Underwriting Reports
7. Audit of Assureds' Records
8. Salary and Related Items
  - 8.1 Salaries
  - 8.2 Payroll taxes

9. Employee Relations and Welfare
10. Insurance
11. Directors' Fees
12. Travel and Travel Items
13. Rent and Rent Items
14. Equipment
15. Cost or Depreciation of EDP Equipment and Software
16. Printing and Stationery
17. Postage, ~~and~~ Telephone ~~and Telegraph, Exchange and Express~~
18. Legal and Auditing
20. Taxes, Licenses and Fees
  - 20.1 State and Local Insurance Taxes deducting guaranty association credits
  - 20.2 Insurance Department Licenses and Fees
  - 20.3 Guaranty Association Assessments
  - 20.4 Other (excluding Federal Income and Real Estate)
21. Real Estate Expenses
22. Real Estate Taxes
24. Miscellaneous

**RULES RELATING TO OPERATING EXPENSE CLASSIFICATIONS**

**1. CLAIM ADJUSTMENT SERVICES**

**1.1 Direct**

Include: The Following Expenses When in Connection With the Investigation and Adjustment of Policy Claims:

Independent Adjusters: Fees and expenses of independent adjusters or settling agents

Legal: Fees and expenses of lawyers for legal services in the defense, trial, or appeal of suits, or for other legal services

Bonds: Premium costs of bonds

Appeal Costs and Expenses: Appeal bond premiums, charges for printing records, charges for printing briefs, court fees and incidental to appeals

General Court Costs and Fees: Entry fees and other court costs, and other fees not includible in Losses (Note: Interest and costs assessed as part of or subsequent to judgment are includible in Losses.)

Medical Testimony: Fees and expenses of medical witnesses of attendance or testimony at trials or hearings ("Medical" includes physicians, surgeons, chiropractors, chiropodists, dentists, osteopaths, veterinarians, and hospital representatives.)

Expert Witnesses: Fees and expenses of expert witnesses for attendance or testimony at trials or hearings

Lay Witnesses: Fees and expenses of lay witnesses for attendance or testimony at trials or hearings

Services of Process: Constables, sheriffs, and other fees and expenses for service of process, including subpoenas

Transcripts of Testimony: Stenographers' fees and fees for transcripts of testimony

Medical Examinations: Fees for medical examinations, fees for performing autopsies, fees for impartial examination, x-rays, etc., for the purpose of trial and determining questions of liability (This does not include fees for medical examinations, x-rays, etc., made to determine necessary treatment, or made solely to determine the extent or continuation of disability, or first aid charges, as such fees and charges are includible in Losses.)

Miscellaneous: Costs of appraisals, expert examinations, surveys, plans, estimates, photographs, maps, weather reports, detective reports, audits, credit or character reports, watchmen (Charges for hospital records and records of

- other kinds, notary fees, certified copies of certificates and legal documents, charges for Claim Adjustment Services by underwriting syndicates, pools, and associations)
- Exclude: Compensation to employees (see Salaries)
- Expenses of salaried employees (see Travel and Travel Items)
- Items includible in Allowances to Managers and Agents
- Payments to State Industrial Commissions (see Taxes, Licenses, and Fees)
- Payments to claim adjusting organizations except where the expense is billed specifically to individual companies (see Boards, Bureaus, and Associations)
- Cost of services of medical examiners for underwriting purposes (see Surveys and Underwriting Reports)
- Salvage and subrogation recovery expense, rewards, lost and found advertising, expenses for disposal of salvage (Such expenses shall be deducted from salvage.)
- Any expenses which by these instructions are includible elsewhere
- Separation of Claim Adjustment Services:
- The Statistical Plans filed by certain rating bureaus contain definitions of "Allocated Loss Adjustment Expenses" which exclude for rating purposes certain types of claim adjustment services as defined herein. For the lines of business thus affected, companies that are members of such rating bureaus shall maintain records necessary to the reporting of Claim Adjustment Services—Direct, as follows:
- a. As defined in Statistical Plans
  - b. Other than as defined in Statistical Plans

**1.2 Reinsurance Assumed**

Include: Claim adjustment expenses in bills rendered by ceding companies

**1.3 Reinsurance Ceded**

Include: Claim adjustment expenses billed to assuming entities

**2. COMMISSION AND BROKERAGE**

**2.1 Direct excluding contingent**

Include: All payments, reimbursements and allowances, on direct writings, computed as a percentage of premiums for production, management, or other services to:

Managers	Office Agents
Supervising General Agents	Brokers

General Agents	Solicitors
Regional and District Agents	Other producers and agents
Local Agents	

Commissions and brokerage to employees when the activities for which the commissions are paid are not a part of their duties as employees.

Exclude: Compensation to employees except as noted above (see Salaries)

Allowances, reimbursements and payments not computed as a percentage of premiums (see Allowances to Managers and Agents)

Expenses involved in transactions between insurance companies (see Joint Expenses; Commission and Brokerage—Reinsurance Assumed and Ceded; Expenses for Account of Another, and Income from Special Services)

Contingent commission (see Commission and Brokerage—Contingent)

Fees of investment counsel (see Legal and Auditing)

Expenses includible in Boards, Bureaus, and Associations

Taxes on premiums (see Taxes, Licenses, and Fees)

Commission received for special services such as loss adjustment and inspection not related to policies issued by the company (see Income from Special Services)

## **2.2 Reinsurance Assumed excluding contingent**

Commission and allowances of every nature on reinsurance assumed including tax and board allowances and reinsurance brokerage, except contingent commission, should be included in Commission and Brokerage—Reinsurance Assumed

Exception: Where commission and allowances under reinsurance assumed take the form of accurate proportions of actual expenses incurred, as in some quota share and pooling arrangements, entries shall be made to the actual expenses.

## **2.3 Reinsurance Ceded excluding contingent**

Commission and allowances of every nature on reinsurance ceded including tax and board allowances and reinsurance brokerage, except contingent commission, shall be included in Commission and Brokerage—Reinsurance Ceded.

Exception: Where commission and allowances under reinsurance ceded take the form of accurate proportions of actual expenses incurred, as in some quota share and pooling agreements, entries shall be made to the actual expenses.

Commissions and fee allowances received from FEMA should be reported consistent with reinsurance ceding commissions. Refer to *SSAP No. 62R—Property and Casualty Reinsurance*.

Examples Relating to the Treatment of Commission on Reinsurance Assumed and Reinsurance Ceded

1. Company A cedes business to Company B under a treaty specifying a commission of 35% and an allowance for taxes and board fees of 5%. On the statement filed by Company A, both the 35% and the 5% shall be entered in Commission and Brokerage—Reinsurance Ceded. On the statement filed by Company B, both the 35% and the 5% shall be entered in Commission and Brokerage—Reinsurance Assumed.
  
2. Company A cedes 10% of all of its business to Company B under an agreement whereby Company B pays 10% of all actual expenses on such business incurred by Company A. Assume the expenses of Company A on the business reinsured as follows:

	Paid on Written Business
Commission and Brokerage - Direct	\$ 100,000
Salaries	30,000
Rent and Rent Items	7,000
Printing and Stationary	7,000
Postage, etc.	5,000
Surveys and Underwriting Reports	8,000
	<u>0</u>
Total	<u>\$ 157,000</u>

(NOTE: These are not intended to show the complete list of expenses involved but are given only for illustrative purposes.)

On the statement filed by Company A the commission and allowances by Company B shall be credited as follows:

	Paid on Written Business
Commission and Brokerage - Ceded	\$ 10,000
Salaries	3,000
Rent and Rent Items	700
Printing and Stationary	700
Postage, etc.	500
Surveys and Underwriting Reports	800
Total	<u>\$ 15,700</u>

On the statement filed by Company B the commission and allowances made to Company A shall be debited as follows:

	Paid on Written Business
Commission and Brokerage – Reinsurance Assumed	\$ 10,000
Salaries	3,000
Rent and Rent Items	700
Printing and Stationary	700
Postage, etc.	500
Surveys and Underwriting Reports	800
Total	<u>\$ 15,700</u>

**2.4 Contingent Direct**

Contingent or profit commission paid

Contingent or profit commission received

Contingent commission to employees when the activities for which the contingent commission is paid is not a part of their duties as employees

**2.5 Contingent reinsurance assumed**

**2.6 Contingent reinsurance ceded**

**2.7 Policy and Membership Fees**

Include: Policy and membership fees retained by or paid to agents

Policy and membership fees to employees when the activities for which the policy and membership fees are paid are not a part of their duties as employees

**3. ALLOWANCES TO MANAGERS AND AGENTS**

Include: Net allowances, reimbursements and payments for expenses of every nature, not computed as a percentage of premiums, to managers, agents, brokers, solicitors, and other producers

Exclude: Compensation to employees (see Salaries)

Expenses of salaried employees (see Travel and Travel Items)

Expenses of management where one insurance company has been appointed manager for another (see Joint Expenses; Commission and Brokerage—Reinsurance Assumed and Ceded; and Expenses for Account of Another)

Contingent commission (see Commission and Brokerage—Contingent)

Policy and membership fees (see Commission and Brokerage—Policy and Membership Fees)

Expenses in connection with owned real estate (see Real Estate Expenses)

Amounts representing exact reimbursements for Losses, Taxes, Licenses and Fees, Boards, Bureaus and Associations, and Advertising, where only the minimum space required by law is taken

Amounts representing exact reimbursements for Claim Adjustment Services, Surveys and Underwriting Reports and Audit of Assureds' Records when these services are performed by others than employees of managers, agents, brokers, solicitors or other producers

#### 4. ADVERTISING

- Include:
- Services of advertising agents
  - Public relations counsel
  - Space in newspapers, periodicals, billboards, programs, and other publications [including electronic formats](#)
  - Circulars, pamphlets, calendars, and literature issued for advertising or promotional purposes
  - Drawings, plates, etchings, etc., in connection with advertising
  - All charges for printing, paper, etc., in bills covering advertising
  - Media [b](#)roadcasts (e.g., radio, television, etc.)
  - Prospect and mailing lists
  - Signs, frames, medals, etc., for agents
  - Souvenirs for general distribution
  - House organs [\(in-house periodical or employee periodical\)](#) and similar publications distributed to others than employees
  - Advertising required by law when more than the minimum space required to comply with the law is taken
- Exclude:
- Compensation to employees (see Salaries)
  - Items includible in Travel and Travel Items, Claim Adjustment Services, and Boards, Bureaus, and Associations
  - Cost of literature, booklets, placards, signs, etc., issued solely for accident and loss prevention (see Surveys and Underwriting Reports)
  - Advertising and business development expenses allowed, reimbursed or paid to managers, agents, brokers, solicitors, and other producers (see Allowances to Managers and Agents)
  - Cost of help wanted advertising (see Employee Relations and Welfare)
  - Cost of advertising in connection with owned real estate (see Real Estate Expenses)
  - Cost of house organs [\(in-house periodical or employee periodical\)](#) and similar publications for the use of employees (see Printing and Stationery)
  - Donations to organized charities (see Miscellaneous)
  - Cost of souvenirs not generally distributed (see Travel and Travel Items)

## 5. **BOARDS, BUREAUS, AND ASSOCIATIONS**

- Include: Dues, assessments, fees and charges of:
- Underwriting boards, rating organizations, statistical agencies, inspection and audit bureaus
  - Underwriters' advisory and service organizations
  - Accident and loss prevention organizations
  - Claim organizations
- Specific payments to boards, bureaus and associations for rate manuals, revisions, fillers, rating plans, and experience data
- Exclude: Cost of inspection, engineering, or accident and loss prevention billed specifically to individual companies (see Surveys and Underwriting Reports)
- Loss adjustment expenses billed specifically to individual companies (see Claim Adjustment Services)
- Allowances under reinsurance contracts for board and bureau expenses (see Commission and Brokerage—Reinsurance Assumed and Ceded)
- Payments to State Industrial Commissions (see Taxes, Licenses, and Fees)
- Payments into State Security Funds (see Taxes, Licenses, and Fees)
- Commission and Brokerage, Claim Adjustment Services, and Taxes, Licenses and Fees of underwriting syndicates, pools, and associations
- Cost of Survey, credit, moral hazard, character, and commercial reports obtained for underwriting purposes (see Surveys and Underwriting Reports)
- Cost of commercial reporting services (see Surveys and Underwriting Reports)
- Dues and subscriptions to social or civic clubs or affairs (see Travel and Travel Items)
- Dues and subscriptions to accounting, legal, actuarial or similar societies and associations (see Travel and Travel Items)

## 6. **SURVEYS AND UNDERWRITING REPORTS**

- Include: Survey, credit, moral hazard, character, and commercial reports obtained for underwriting purposes
- Commercial reporting services
- Appraisals for underwriting purposes
- Fire records
- Inspection, engineering, and accident and loss prevention billed specifically  
Literature, booklets, placards, signs, etc., issued solely for accident and loss prevention

Maps and corrections

Services of medical examiners for underwriting purposes

Exclude: Compensation to employees (see Salaries)

Expenses of salaried employees (see Travel and Travel Items)

Items includible in Boards, Bureaus, and Associations, Claim Adjustment Services, and Allowances to Manager and Agents

Cost of character or credit reports on employees or applicants for employment (see Employee Relations and Welfare)

Fees for physical examination of employees or applicants for employment (see Employee Relations and Welfare)

Income from inspections, which shall be classified in accordance with the instruction "Income from Special Services"

## 7. AUDIT OF ASSURED'S RECORDS

Include: Auditing fees and expenses of independent auditors for auditing payrolls and other premium bases

Exclude: Compensation to employees (see Salaries)

Expenses of salaried employees (see Travel and Travel Items)

Items includible in Claim Adjustment Services

Items includible in Allowances to Managers and Agents

## 8. SALARY AND RELATED ITEMS

### 8.1 Salaries

Include: Salaries, bonus, overtime, contingent compensation, pay while on leave, dismissal allowance, pay while training and other compensation of employees

Commission and brokerage to employees when the activities for which the commission is paid are a part of their duties as employees

Exclude: Salaries or wages of janitors, caretakers, maintenance workers and agents paid in connection with owned real estate (see Real Estate Expenses)

### 8.2 Payroll Taxes

Include: [Employer FICA, FUTA, SUTA, and other federal state and local payroll taxes](#) ~~Old age benefit taxes~~

~~Unemployment insurance taxes~~

Exclude: Payroll taxes includible in Real Estate Taxes

**9. EMPLOYEE RELATIONS AND WELFARE**

**A. Pensions and Insurance Benefits for Employees**

Include: Cost of retirement insurance

Payments or appropriations to funds irrevocably devoted to the payment of pensions or other employees' benefits

Pensions or other retirement allowances

Accident, health and hospitalization insurance for employees

Group life insurance for employees

Workers' compensation insurance

Payments to or on behalf of employees under self-insurance

Any other insurance for the benefit of employees

Exclude: Cost of insurance on lives of employees when the ~~company~~ reporting entity is the beneficiary

Payments or appropriations to pension funds not irrevocably devoted to the payment of pensions or other employees' benefits (such payments or appropriations shall not appear among expenses.)

Items includible in Real Estate Expenses

All other types of insurance premiums

**B. All Other**

Include: Advertising—help wanted

Training and welfare of employees

Physical examinations of employees or applicants for employment

Character or credit reports on employees or applicants for employment

Gatherings, outings and entertainment for employees

Visiting nurse service for or on behalf of employees

Medical and hospital bills for employees (not covered by 9A)

Direct payments, other than salaries, to employees for injury and sickness  
(not covered by 9A)

~~Supper money~~ Overtime meals

Donations to or on behalf of employees

Food and catering for employees

Exclude: Salaries, bonus, overtime, contingent compensation, pay while on leave, dismissal allowances, pay while training and other compensation of employees (see Salaries)

Items includible in Real Estate Expenses

Cost of house organs (in-house periodical or employee periodical) and similar publications (see Advertising, and Printing and Stationery)

#### 10. INSURANCE

Include: Fidelity or surety bonds covering employees and agents

Burglary, and robbery insurance premiums

Public liability insurance premiums (Excluding owned Real Estate)

Premiums for insurance on office contents

Cost of insurance on automobiles

All other insurance premiums not specifically provided for in other operating accounts

Exclude: Items includible in Employee Relations and Welfare

Items includible in Real Estate expenses

#### 11. DIRECTORS' FEES

Include: Directors' fees and other compensation of directors for attendance at board or committee meetings

Other fees, compensation, and expenses paid to directors

Exclude: Commission to directors for the production of business (see Commission and Brokerage—Direct)

#### 12. TRAVEL AND TRAVEL ITEMS

Include: Transportation, hotel, meals, postage, shipping, delivery, telephone, ~~telegraph, express~~ and incidental living expenses of employees while traveling

Expenses for transfer of employees

Depreciation, repairs and other operating expenses of automobiles

Rent of automobiles

Fees for automobile ~~license plates~~ [registration](#)

Cost of transportation, hotel, meals and entertainment of guests

Cost of favors and presents given or extended to others than employees

Cost of souvenirs not generally distributed

Dues and subscriptions to social or civic clubs or affairs

Dues and subscriptions to accounting, legal, actuarial, or similar societies and associations

Exclude: Items includible in Salaries, Advertising, Commission and Brokerage, Taxes, Licenses and Fees, Boards, Bureaus and Associations, and Equipment

Cost of gatherings, outings, etc., and entertainment for employees (see Employee Relations and Welfare)

Travel and Travel Items expenses paid, reimbursed, or allowed to managers, agents, brokers, solicitors and other producers (see Allowances to Managers and Agents)

Items includible in Real Estate Expenses

Donations to organized charities (see Miscellaneous)

Cost of souvenirs for general distribution (see Advertising)

### 13. RENT AND RENT ITEMS

Include: Rent of home office and branch offices

Rent for space occupied in buildings owned

Light, heat, power and water charges in leased premises

Interest, taxes, etc., paid in lieu of rent for leased premises

Cost of alternations and repairs of leased premises

Rent of storage, safekeeping and warehouse space

Rent of safe deposit boxes

Rent of post office boxes

Time clock service charges

Cost of cleaning, towels, ice, water, electric lamp replacements and other expenses incidental to office maintenance

Exclude: Compensation to employees (see Salaries)

Rent of automobiles (see Travel and Travel Items)

Rent allowed, reimbursed, or paid to managers, agents, brokers, solicitors and other producers (see Allowances to Managers and Agents)

Items includible in Real Estate Expenses

Rent income from owned real estate

#### 14. EQUIPMENT

Include: Rent and repairs of furniture, equipment, and office machines (including printers' equipment, postage machines and data processing equipment)

Depreciation on furniture, equipment and office machines (including printers' equipment, postage machines and data processing equipment)

Exclude: Compensation to employees (see Salaries)

Rent, repairs and depreciation of automobiles (see Travel and Travel Items)

Cost of insurance on automobiles (see Insurance)

Cost of alterations and repairs of leased premises (see Rent and Rent Items)

Equipment expenses allowed, reimbursed or paid to managers, agents, brokers, solicitors and other producers (see Allowances to Managers and Agents)

Items includible in Real Estate Expenses

#### 16. PRINTING AND STATIONERY

Include: Printing, stationery and office supplies such as: letterhead, envelopes, paper stock, printed forms or manuals, adding machine tape, ~~carbon paper~~, binders and posts, ~~photostatic~~ copies, pencils, pens, leads, ink, glue, stamps and stamp pads, staplers, staples, clips and pins, desk top equipment (calendars, trays, etc.), waste baskets, analysis pads, ledgers, journals, minute books, etc.

Policies and policy forms

House organs ([in-house periodical or employee periodical](#)) and similar publications for the use of employees

Books, newspapers and periodicals including investment, tax and legal publications and services [whether in print or electronic format](#)

Exclude: Compensation to employees (see Salaries)

Specific payments to boards, bureaus and associations for rate manuals, revisions, fillers, rating plans and experience data (see Boards, Bureaus and Associations)

Literature, booklets, placards, signs, etc., issued solely for accident and loss prevention (see Surveys and Underwriting Reports)

Items includible in Claim Adjustment Services

Items includible in Advertising

Printers' equipment in company owned printing departments (see Equipment)

Printing and stationery allowed, reimbursed or paid to managers, agents, brokers, solicitors and other producers (see Allowances to Managers and Agents)

House organs ([in-house periodical or employee periodical](#)) and similar publications distributed to others than employees (see Advertising)

Commercial reporting services (see Surveys and Underwriting Reports)

Items includible in Real Estate Expenses

**17. POSTAGE, ~~AND~~ TELEPHONE ~~AND TELEGRAPH, EXCHANGE AND EXPRESS~~**

Include: ~~Express, Freight,~~ [shipping, delivery,](#) and cartage

Postage

Cost of telephone ~~and telegrams, cable, radiograms and teletype~~

Bank charges for collection and exchange

Exclude: Compensation to employees (see Salaries)

Rent, repairs and depreciation of postage machines (see Equipment)

Postage, [shipping, delivery, and](#) telephone, ~~telegraph and express~~ of employees while traveling (see Travel and Travel Items)

Postage, [shipping, delivery, and](#) telephone ~~and telegraph, exchange, and express~~ allowed, reimbursed or paid to managers, agents, brokers, solicitors and other producers (see Allowances to Managers and Agents)

Profits or losses resulting from exchange on remittances to Home Office by a United States Branch. Such profits or losses shall not be included in expenses

Items includible in Real Estate Expenses

Rent of post office boxes (see Rent and Rent Items)

## 18. LEGAL AND AUDITING

- Include:
- Legal retainers, fees and other legal expenses (except on losses and salvage)
  - Auditing fees of independent auditors for examining records of home and branch offices
  - Cost of services of tax experts
  - Fees of investment counsel
  - Registrar fees
  - Custodian fees
  - Trustees' fees
  - Transfer agent fees
  - Fees and expenses of others than employees, for collecting balances
  - Notary fees
- Exclude:
- Compensation to employees (see Salaries)
  - Expenses of salaried employees (see Travel and Travel Items)
  - Items includible in Claim Adjustment Services
  - Items includible in Real Estate Expenses
  - Cost of auditing of assureds' records (see Audit of Assureds' Records)

## 20. TAXES, LICENSES AND FEES

### 20.1 State and Local Insurance Taxes deducting guaranty association assessment association credits

- Include:
- State, county and municipal taxes, licenses and fees based upon premiums
  - Fire Patrol assessments
  - Payments to State Industrial (or other) Commissions for administration of Workers' Compensation or other State Benefit Acts (including assessments for administering Financial Responsibility Laws) regardless of basis of assessment
  - Net payments to State Security Funds, Reopened Case Funds, Second Injury Funds and other State Funds, when construed by the ~~company~~-[reporting entity](#) as operating expenses, regardless of basis of assessment

Exclude: Allowances for taxes under reinsurance contracts (see Commission and Brokerage Reinsurance Assumed and Ceded)

## **20.2 Insurance Department Licenses and Fees**

Include: Agents' licenses  
Certificates of authority, compliance, deposit, etc.  
Filing fees  
Fees and expenses of examination by insurance departments or other governmental agencies

Exclude: Items includible in Claim Adjustment Services

## **20.4 All Other (Excluding Federal Income and Real Estate)**

Include: Qualifying bond premiums  
Statement publication fees  
Advertising required by law  
Personal property taxes  
State income taxes  
Capital stock taxes  
Business or corporation licenses or fees (not includible under 20.1 or 20.2)  
Marine profits taxes  
Documentary stamps on reinsurance  
Any other taxes not assignable under 20.1, 20.2, and 20.3 and not otherwise excluded

Exclude: Cost of advertising required by law where more than minimum space required to comply with the law is taken. Such expense shall be included in Advertising.  
Real estate taxes, licenses and fees (see Real Estate Taxes)  
Items includible in Claim Adjustment Services  
Fees for automobile license plates (see Travel and Travel Items)  
Federal income tax  
Sales taxes, etc., included on invoices of vendors. Such taxes are to follow allocation of cost of items purchased.

**21. REAL ESTATE EXPENSES**

Include: Salaries, wages and other compensation of janitors, caretakers, maintenance workers and agents paid in connection with owned real estate

Cost of operating and maintaining owned real estate

Cost of insurance in connection with owned real estate

Cost of advertising in connection with owned real estate

**22. REAL ESTATE TAXES**

Include: Taxes, licenses and fees on owned real estate

**24. MISCELLANEOUS**

Expenses not listed as includible in other operating expense classifications, and not analogous thereto, shall be included in "Miscellaneous." Specifically, the following shall be included:

Cost of tabulating service when such service is rendered by outside organizations

Amounts received and handled in accordance with the Instruction "Income from Special Services"

Donations to organized charities

Differences between actual amounts paid, and amounts apportioned in accordance with the Instruction "Joint Expenses"

**GENERAL INSTRUCTIONS IN CONNECTION WITH OPERATING EXPENSE CLASSIFICATIONS**

**A. Joint Expenses**

Whenever personnel or facilities are used in common by two or more companies, or whenever the personnel or facilities of one company are used in the activities of two or more companies, the expenses involved shall be apportioned in accordance with the instructions relating to Joint Expenses, and such apportioned expenses shall be allocated by each company to the same operating expense classifications as if the expenses had been borne wholly. Any difference between the actual amount paid, and the amount of such apportioned expenses shall be included in the operating expense classification "Miscellaneous."

This instruction does not apply to the allocation of the following, which are covered by separate instructions herein:

Reinsurance commission and allowances (see Commission and Brokerage—Reinsured Assumed and Ceded)

Commission and brokerage paid to managers and agents (see Commission and Brokerage—Direct)

Allowances to managers and agents (see Allowances to Managers and Agents)

Expenses allocable in accordance with the instruction "Income from Special Services"

**B. Expenses for Account of Another**

Whenever expenses are paid by one company for account of another, the payments shall not appear among the expenses reported by the former and shall be included by the latter in the same expense classifications as if originally paid by it.

**C. Income from Special Services**

Whenever an insurance company receives compensation for sales or services, such as loss adjustment or inspection not related to policies written by the company, and such compensation is not calculated as a joint expense reimbursement, the amount thereof shall be included in the operating expense classification "Miscellaneous." Where an insurance company pays the compensation, allocation shall be made to the expense classification dictated by the nature of the expense.

Reinsurance commission and allowances (see Commission and Brokerage—Reinsurance Assumed and Ceded)

Expenses incurred for the benefit of companies in the same group or fleet are covered by the instruction "Joint Expenses."

**D. Analogous Items**

The lists of expenses includible in the operating expense classifications are representative and do not exclude analogous items that are omitted from the lists.

## INDEX

The references are to sections; the letters in parentheses indicate lettered paragraphs of the section.

Accident and loss prevention billed specifically, Sec. 6  
Accident and loss prevention literature, Sec. 6  
Accident and loss prevention organizations, Sec. 5  
Accident insurance for employees, Sec. 9  
Accounting societies, dues and subscriptions to, Sec. 12  
Actuarial societies, dues and subscriptions to, Sec. 12  
Adding machine tape, Sec. 16  
Adjusters, Sec. 1 (A)  
Adjustment services, Sec. 1  
Advertising, operating expense classification, Sec. 4  
Advertising, help wanted, Sec. 9  
Advertising in connection with owned real estate, Sec. 21  
Advertising required by law when only the minimum space required by law is taken, Sec. 20 (D)  
Advertising required by law when more than the minimum space required by law is taken, Sec. 4  
Advisory organizations, Sec. 5  
Agents' allowances, reimbursements and payments computed as percentage of premiums, Sec. 2 (A)  
Agents' allowances, reimbursements and payments not computed as percentage of premiums, Sec. 3  
Agents' licenses, Sec. 20 (B)  
Allocated loss adjustment expenses, Sec. 1 (A)  
Alterations and repairs of leased premises, Sec. 13  
Analogous items, General Sec. (D)  
Analysis pads, Sec. 16  
Appeal costs relating to claim adjustment, Sec. 1 (A) 5  
Appraisals relating to claim adjustment, Sec. 1 (A)  
Appraisals for underwriting purposes, Sec. 6  
Assessments for fire patrol, Sec. 20 (A)  
Assessments of boards, bureaus and associations, Sec. 5  
Associations, underwriting, Sec. 5  
Attorneys' fees relating to claim adjustment, Sec. 1 (A)  
Attorneys' fees, Sec. 18  
Audit Bureaus, Sec. 5  
Audit of assureds' records, Sec. 7  
Auditing relating to claim adjustment, Sec. 1 (A)  
Auditing fees of independent auditors for auditing payroll and other premium basis, Sec. 7  
Auditing fees of independent auditors for examining records, home and branch offices, Sec. 18  
Automobiles, depreciation, rent repairs and expenses of, Sec. 12  
Automobile license plates, Sec. 12  
Bank charges for collection and exchange, Sec. 17  
Billboards, Sec. 4  
Binders and posts, Sec. 16  
Board allowances, reinsurance, Sec. 2 (B) (C)  
Boards, bureaus, and associations, Sec. 5  
Bonds covering employees, Sec. 10  
Bonds, premium cost, relating to claim adjustment, Sec. 1 (A)  
Bonus to employees, Sec. 8 (A)  
Booklets for accident and loss prevention, Sec. 6

Books, newspapers, and periodicals [whether in print or electronic format](#), including investment, tax and legal publications and services, Sec. 16

Branch office rent, Sec. 13

Broadcasts, Sec. 4

Brokerage to employees when the activities for which the commissions are paid is not a part of their duties as employees, Sec. 2 (A)

Brokerage to employees when the activities for which the commissions are paid is a part of their duties as employees, Sec. 8 (A)

Brokerage, direct, Sec. 2 (A)

Brokerage, reinsurance assumed, Sec. 2 (B)

Brokerage, reinsurance ceded, Sec. 2 (C)

Brokers' allowances, reimbursements and payments computed as a percentage of premiums, Sec. 2 (A)

Brokers' allowances, reimbursements and payments not computed as a percentage of premiums, Sec. 3

Bureaus, Sec. 5

Business licenses, Sec. 20 (B)

~~Cables, Sec. 17~~

Calendars for advertising purposes, Sec. 4

Capital stock taxes, Sec. 20 (D)

~~Carbon paper, Sec. 16~~

Cartage, ~~express~~ and freight, Sec. 17

Catering for employees, Sec. 9

Certificates of compliance, Sec. 20 (B)

Charges for claim adjustment services of underwriting pools, syndicates and associations, Sec. 1 (A)

Character reports for underwriting purposes, Sec. 6

Character reports for employees, Sec. 9

Charities, contributions to, Sec. 24

Circulars, advertising in, Sec. 4

Civic clubs, dues and subscriptions to, Sec. 12

Claim adjustment services, Sec. 1

Claim adjustment services, separation of, Sec. 1 (A)

Claim organizations, Sec. 5

Cleaning costs, Sec. 13

Collection charges of banks, Sec. 17

Collection fees and expenses of others than employees for collecting balances, Sec. 18

Commercial reports, Sec. 6

Commercial reporting services, Sec. 6

Commission and brokerage, operating expense classifications, Sec. 2

Commission and brokerage, direct, Sec. 2 (A)

Commission and brokerage, reinsurance assumed, Sec. 2 (B)

Commission and brokerage, reinsurance ceded, Sec. 2 (C)

Commission and brokerage, tax and board allowances, Sec. 2 (B) (C)

Commission and brokerage, reinsurance brokerage, Sec. 2 (B) (C)

Commission and brokerage, contingent or profit, Sec. 2 (D)

Commission and brokerage, policy and membership fees, Sec. 2 (E)

Commission under quota share and pool agreements, Sec. 2 (B) (C)

Compensation insurance, Sec. 9

Compensation to janitors, caretakers, etc., paid in connection with owned real estate, Sec. 21

Compensation to employees, Sec. 8 (A)

[Computer software - Sec. 15](#)

Contingent commission, Sec. 2 (D)

Contributions to employees, Sec. 9

Contributions to organized charities, Sec. 24  
[Copies, Sec. 16](#)  
Copies of certificates and documents relating to claim adjustment, Sec. 1 (A)  
Corporation licenses, Sec. 20 (B)  
Court costs relating to claim adjustment, Sec. 1 (A)  
County and municipal taxes, licenses and fees, Sec. 20 (A)  
Credit or character reports relating to claim adjustment, Sec. 1 (A)  
Credit or character reports for underwriting purposes, Sec. 6  
Credit or character reports on employees or applicants for employment, Sec. 9  
Custodian fees, Sec. 18  
Data processing services, Sec. 24  
Depreciation of automobiles, Sec. 12  
Depreciation of furniture, equipment and office machines, Sec. 14  
Desk top equipment, Sec. 16  
Detective reports relating to claim adjustment, Sec. 1 (A)  
Direct claim adjustment services, Sec. 1 (A)  
Direct commission and brokerage, Sec. 2 (A)  
Directors' fees, Sec. 11  
Directory listings, Sec. 4  
Dismissal allowances to employees, Sec. 8  
District agents, payments to, Sec. 2 (A) and Sec. 3  
Documentary stamps on reinsurance, Sec. 20 (D)  
Documents relating to claim adjustment, Sec. 1 (A)  
Donations to employees, Sec. 9  
Donations to organized charities, Sec. 24  
Drawings in connection with advertising, Sec. 4  
Dues and subscriptions to accounting, legal, actuarial or similar societies, Sec. 12  
Dues to social clubs or affairs, Sec. 12  
Dues to boards, bureaus, and associations, Sec. 5  
Electronic data processing equipment, Sec. 14  
Electric lamp replacements, Sec. 13  
Employees, commission and brokerage to, Sec. 2 and Sec. 8 (A)  
Employees' expenses while traveling, Sec. 12  
Employee relations and welfare, Sec. 9  
Engineering billed specifically, Sec. 6  
Entertainment for employees, Sec. 9  
Entertainment of guests, Sec. 12  
Entry fees relating to claim adjustment, Sec. 1 (A)  
Envelopes, Sec. 16  
Equipment, rent, repairs, depreciation and insurance of, Sec. 14  
Etchings in connection with advertising, Sec. 4  
Examinations, medical, relating to claim adjustment, Sec. 1 (A)  
~~Exchange, Sec. 17~~  
Expenses for account of another, General Sec. (B)  
Experience data, Sec. 5  
Expert witnesses relating to claim adjustment, Sec. 1 (A)  
~~Express, freight and cartage, Sec. 17~~  
~~Express, freight and cartage of employees while traveling, Sec. 12~~  
Favors and presents given to others than employees, Sec. 12  
Fees and expenses of others than employees for collecting balances, Sec. 18  
Fees for automobile license plates, Sec. 12

Fees for insurance department examinations, Sec. 20 (B)  
Fees, medical, relating to claim adjustment, Sec. 1 (A)  
Fees, notary, relating to claim adjustment, Sec. 1 (A)  
Fees, notary, Sec. 18  
Fees of boards, bureaus and associations, Sec. 5  
Fees paid to directors, Sec. 11  
Fees, taxes, and licenses, Sec. 20  
Fidelity bonds covering employees, Sec. 10  
Filing fees, Sec. 20 (B)  
Fire patrol assessments, Sec. 20 (A)  
Fire records, Sec. 6  
Food for employees, Sec. 9  
Frames for agents, Sec. 4  
Freight, ~~express~~ and cartage, Sec. 17  
[Freight and cartage of employees while traveling, Sec. 12](#)  
Furniture, depreciation, rent, repairs and insurance of, Sec. 14  
Gatherings for employees, Sec. 9  
General agents, payments to, Sec. 2 (A) and Sec. 3  
Gifts to employees, Sec. 9  
Glue, Sec. 16  
Group life insurance for employees, Sec. 9  
Guests, cost of transportation, hotel, meals and entertainment, Sec. 12  
Heat, light, power and water charges in leased premises, Sec. 13  
Health insurance for employees, Sec. 9  
Help wanted advertising, Sec. 9  
Home office rent, Sec. 13  
Hospital bills of employees, Sec. 9  
Hospital records relating to claim adjustment, Sec. 1 (A)  
Hospitalization insurance for employees, Sec. 9  
Hotel expenses for guests, Sec. 12  
Hotel expenses for employees while traveling, Sec. 12  
House organs ([in-house periodical](#)) distributed to others than employees, Sec. 4  
House organs ([employee periodical](#)) for use of employees, Sec. 16  
Income from special services, General Sec. (C)  
Income taxes, state, Sec. 20 (D)  
Independent adjusters, Sec. 1 (A)  
Industrial commissions, Sec. 20 (A)  
Injury payments to employees, Sec. 9  
Inspection billed specifically, Sec. 6  
Inspection bureaus, Sec. 5  
Insurance department examinations, Sec. 20 (B)  
Insurance department licenses and fees, Sec. 20 (B)  
Insurance, accident, Sec. 9  
Insurance, automobile, Sec. 10  
Insurance, compensation, Sec. 9  
Insurance, health, Sec. 9  
Insurance, in connection with owned real estate, Sec. 21  
Insurance, on office contents, Sec. 10  
Insurance, public liability, Sec. 10  
Insurance, retirement, Sec. 9  
Interest, taxes, etc., paid in lieu of rent for leased premises, Sec. 13

Investment counsel fees, Sec. 18  
Joint expenses, General Sec. (A)  
Journals, Sec. 16  
Lawyers' expenses relating to claim adjustment, Sec. 1 (A)  
Lawyers' fees and expenses, Sec. 18  
Leased premises, cost of alterations and repairs, Sec. 13  
Leased premises, interest, taxes, etc., paid in lieu of rent, Sec. 13  
Leased premises, light, heat, power and water charges, Sec. 13  
Leave pay for employees, Sec. 8 (A)  
Ledgers, Sec. 16  
Legal and auditing, Sec. 18  
Legal expenses relating to claim adjustment, Sec. 1 (A)  
Legal expenses, Sec. 18  
Legal societies, dues and subscriptions to, Sec. 12  
Letterhead, Sec. 16  
Licenses, taxes and fees, Sec. 20  
License plates, automobile, Sec. 12  
Life insurance for employees, Sec. 9  
Light, heat, power and water charges in leased premises, Sec. 13  
Literature for accident and loss prevention, Sec. 6  
Literature for advertising purposes, Sec. 4  
Local agents, payments to, Sec. 2 (A) and Sec. 3  
Local insurance taxes, Sec. 20 (A)  
Loss adjustment expenses, Sec. 1  
Loss prevention billed specifically, Sec. 6  
Loss prevention literature, Sec. 6  
Loss prevention organizations, Sec. 5  
Machines, depreciation, rent, repairs and insurance of, Sec. 14  
Mailing lists, Sec. 4  
Maintaining owned real estate, Sec. 21  
Managers, payments to, Sec. 2 (A) and Sec. 3  
Maps relating to claim adjustment, Sec. 1 (A)  
Maps and corrections, Sec. 6  
Marine profits taxes, Sec. 20 (D)  
Meals for employees while traveling, Sec. 12  
Meals for guests, Sec. 12  
Medals for agents, Sec. 4  
Medical bills of employees, Sec. 9  
Medical examinations relating to claim adjustment, Sec. 1 (A)  
Medical examiners, services of, for underwriting purposes, Sec. 6  
Medical testimony relating to claim adjustment, Sec. 1 (A)  
Membership and policy fees, Sec. 2 (E)  
Minute books, Sec. 16  
Miscellaneous, Sec. 24  
Moral hazard reports, Sec. 6  
Municipal and county taxes, licenses and fees, Sec. 20 (A)  
Newspapers [including electronic subscriptions](#), advertising in, Sec. 4  
Newspapers, books, periodicals, etc., [whether in print or electronic format](#), including investment, tax and legal publications and services, Sec. 16  
Notary fees, Sec. 18  
Notary fees relating to claim adjustment, Sec. 1 (A)

Nurse service to employees, Sec. 9  
Office agents, payments to, Sec. 2 (A) and Sec. 3  
Office machines, depreciation, rent repairs and insurance of, Sec. 14  
Office maintenance expense, Sec. 13  
Old age benefit taxes, Sec. 8 (B)  
Operating expenses of owned real estate, Sec. 21  
Overtime, Sec. 8 (A)  
[Overtime Meals, Sec. 9](#)  
Outings for employees, Sec. 9  
Pamphlets, advertising in, Sec. 4  
Paper in bills covering advertising, Sec. 4  
Paper stock, Sec. 16  
Payroll audit, Sec. 7  
Payroll taxes, Sec. 8 (B)  
Pencils and pens, Sec. 16  
Pensions, Sec. 9  
Periodicals, advertising in, Sec. 4  
Periodicals, newspapers, books, etc., [whether in print or electronic format](#), including investment, tax and legal publications and services, Sec. 16  
Personal property taxes, Sec. 20 (D)  
Photographs relating to claim adjustment, Sec. 1 (A)  
~~Photo-static copies, Sec. 16~~  
Physical examinations of employees, Sec. 9  
Pins, Sec. 16  
Placards for accident and loss prevention, Sec. 6  
Plates in connection with advertising, Sec. 4  
Policies and policy forms. Sec. 16  
Policy and membership fees, Sec. 2 (G)  
Policy claims, investigation and adjustment, Sec. 1 (A)  
Pools and associations, Sec. 5  
Pool and quota share agreements, Sec. 2 (B) (C)  
Post office boxes, rent of, Sec. 13  
Postage machines, Sec. 14  
Postage, [shipping, and delivery](#), expenses incurred by employees while traveling, Sec. 12  
Postage, ~~and~~ telephone, ~~telegraph, exchange and express~~, Sec. 17  
Power, light, heat and water charges in leased premises, Sec. 13  
Premium cost of bonds relating to claim adjustment, Sec. 1 (A)  
Premium taxes, licenses and fees, Sec. 20 (A)  
Premiums for insurance on office contents, Sec. 10  
Presents and favors given to others than employees, Sec. 12  
Printed forms, Sec. 16  
Printers' equipment, rent, repairs, depreciation and insurance of, Sec. 14  
Printing and stationary, Sec. 16  
Printing and stationary relating to claim adjustment, Sec. 1 (A)  
Printing in bills covering advertising, Sec. 4  
Process, service of, relating to claim adjustment, Sec. 1 (A)  
Producers, payments to, Sec. 2 (A) and Sec. 3  
Profit commission, Sec. 2 (D)  
Programs, advertising in, Sec. 4  
Prospect lists, Sec. 4  
Public liability insurance premiums, Sec. 10

Public relations counsel, Sec. 4  
Publication fees, Sec. 20 (D)  
Publications, advertising in, Sec. 4  
Publications such as house organs ([in-house periodical or employee periodical](#)), for use of employees, Sec. 16  
Qualifying bond premiums, Sec. 20 (D)  
Quota share and pool arrangements, Sec. 2 (B) (C)  
Radio broadcasts, Sec. 4  
~~Radiograms, Sec. 17~~  
Rate manuals, Sec. 5  
Rating organizations, Sec. 5  
Rating plans, Sec. 5  
Real estate expenses, Sec. 21  
Real estate taxes, Sec. 22  
Regional agents, payments to, Sec. 2 (A) and Sec. 3  
Registrar fees, Sec. 18  
Reinsurance assumed, claim adjustment services, Sec. 1 (B)  
Reinsurance assumed, commission and brokerage, Sec. 2 (B)  
Reinsurance ceded, claim adjustment services, Sec. 1 (C)  
Reinsurance ceded, commission and brokerage, Sec. 2 (C)  
Rent and rent items, Sec. 13  
Rent of furniture, equipment and office machines, Sec. 14  
Rent of automobiles, Sec. 12  
Reopened case funds, Sec. 20 (A)  
Repairs and alterations in leased premises, Sec. 13  
Repairs of automobiles, Sec. 12  
Repairs of furniture, equipment and office machines, Sec. 14  
Retirement allowances, Sec. 9  
Retirement insurance, Sec. 9  
Safe deposit boxes, rent of, Sec. 13  
Safekeeping, storage and warehouse space, rent of, Sec. 13  
Salaries, operating expense classification, Sec. 8 (A)  
Salaries, paid in connection with owned real estate, Sec. 21  
Second injury funds, Sec. 20 (A)  
Security funds, Sec. 20 (A)  
Service organizations, Sec. 5  
Services, tabulating, rendered by outside organizations, Sec. 24  
Sickness payments to employees, Sec. 9  
Signs for accident and loss prevention, Sec. 6  
Signs for agents, Sec. 4  
Solicitors, payments to, Sec. 2 (A) and Sec. 3  
Souvenirs for general distribution, Sec. 4  
Souvenirs not generally distributed, Sec. 12  
Social clubs, dues and subscriptions to, Sec. 12  
Space occupied in buildings owned, Sec. 13  
Stamp pads, Sec. 16  
Staples and staplers, Sec. 16  
State income taxes, Sec. 20 (D)  
State industrial commissions, Sec. 20 (A)  
State insurance taxes, Sec. 20 (A)  
State licenses and fees, Sec. 20 (B)  
State premium taxes, licenses and fees, Sec. 20 (A)

State security funds, Sec. 20 (A)  
Statement publication fees, Sec. 20 (D)  
Stationery, Sec. 16  
Statistical services, Sec. 24  
Statistical agencies, Sec. 5  
Stenographers' fees relating to claim adjustment, Sec. 1 (A)  
Stock taxes, Sec. 20 (D)  
Storage, safekeeping and warehouse space, rent of, Sec. 13  
Subpoenas relating to claim adjustment, Sec. 1 (A)  
Subscriptions to accounting, legal, actuarial and similar societies, Sec. 12  
Subscription to social or civic clubs or affairs, Sec. 12  
~~Supper money, Sec. 9~~  
Surety bonds covering employees, Sec. 10  
Survey reports relating to claim adjustment, Sec. 1 (A)  
Surveys and underwriting reports, Sec. 6  
Syndicates, underwriting, Sec. 5  
Tabulating services, Sec. 24  
Tax allowances, reinsurance, Sec. 2 (B) (C)  
Tax expert services, Sec. 18  
Taxes, interest, etc., paid in lieu of rent for leased premises, Sec. 13  
Taxes, licenses and fees, Sec. 20  
Taxes, real estate, Sec. 22  
Telephone ~~and telegraph~~, Sec. 17  
Telephone ~~and telegraph~~ expenses of employees while traveling, Sec. 12  
~~Teletype, Sec. 17~~  
Television broadcasts, Sec. 4  
Time clock service charges, Sec. 13  
Towels, Sec. 13  
Training of employees, Sec. 9  
Training pay of employees, Sec. 9  
Transcripts of testimony relating to claim adjustment, Sec. 1 (A)  
Transfer agents' fees, Sec. 18  
Transfer of employees, Sec. 12  
Transfer taxes, Sec. 20 (D)  
Transportation of guests, Sec. 12  
Transportation of employees, Sec. 12  
Travel and travel items, Sec. 12  
Traveling expenses of employees, Sec. 12  
Trustees' fees, Sec. 18  
Underwriters' boards, Sec. 5  
Underwriting reports, Sec. 6  
Unemployment insurance taxes, Sec. 8 (B)  
Visiting nurse service, Sec. 9  
Wages paid in connection with owned real estate, Sec. 21  
Warehouse, storage and safekeeping space, rent of, Sec. 13  
Wastebasket, Sec. 16  
Water, light, heat and power in leased premises, Sec. 13  
Watchman expenses relating to claim adjustment, Sec. 1 (A)  
Weather reports relating to claim adjustment, Sec. 1 (A)  
Welfare of employees, Sec. 9  
Witnesses relating to claim adjustment, Sec. 1 (A)

## Exhibit 2

### ***ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL***

#### **EXHIBIT 2 – GENERAL EXPENSES**

General expense items must be itemized and entered in sufficient detail to indicate their precise nature. General expenses include virtually all of the expenses of a life insurance company other than benefits to policyholders; commissions; and taxes, licenses and fees.

The statutory financial statement provides for two broad categories of general expenses: (1) insurance, subdivided into life insurance, accident and health insurance, and all other lines of business; and (2) investment. In addition, the Analysis of Operations by Lines of business requires allocation of general expenses to more detailed lines of business. The Summary of Operations classifies the investment expense portion of general expenses as an offset to investment income while classifying general insurance expenses separately in the expense section of the summary.

#### **General Expenses Due or Accrued**

The amount included in the balance sheet under this caption represents the [company's-reporting entities'](#) liability for general expenses applicable to the current year that are unpaid at year end. There are a number of guidelines to consider with respect to whether an item represents a liability of the [company-reporting entity](#) at the statement date. Distinguish between: (1) bills for items purchased or services rendered; and (2) the recognition of accruals for such things as payroll. With respect to accruals, the liability should be established so that each period bears its pro rata share of the expense even though no bill has been received. Accrual payroll, for example, represents the cost for the period from the last payroll to period-end.

Generally, the liability for purchases of supplies and materials should be established as of the receipt date or shipment date if FOB. If a [company-reporting entity](#) has an irrevocable contract as of the statement date, the liability must be established even though the supplies or materials have not been received.

#### **Functional Costs**

General expenses are not to be reported on a functional basis unless specifically permitted and then only if: (1) services are independently organized; (2) rent, salaries and wages, and other major items of direct expense are charted to the functions; and (3) adequate accounting for the functional classifications is maintained. Those expense classifications that companies may specifically report on a functional basis are rent, salaries and wages, other employee and agent welfare and printing and stationery.

#### **Allocation of Expenses**

As stated above, companies must allocate general expenses to life insurance, accident and health insurance, or investment expense. The "All Other Lines of Business" category should include the corporate overhead line of business where that normal designation exists. In addition, the Analysis of Operations by Lines of Business requires allocation of general insurance expenses to more detailed lines of business. The *Annual Statement Instructions* discuss the allocation of receipts and expenses to lines of business.

The *Annual Statement Instructions* state that the [company-reporting entity](#) shall employ those principles and methods that reflect the actual incidence of cost by lines of business. Companies should consider the relative time spent, the extent of usage and the varying volume of work performed. The instructions further state that companies should base the allocations upon objective measurement rather than estimates unless the cost of the measurement

clearly outweighs the benefit derived. Where estimates are used, individuals familiar with the nature of the activity should make these estimates and thoroughly responsible persons should review these estimates.

The *Annual Statement Instructions* also state that companies should not use general indices such as premium volume, number of policies and insurance in force unless the incidence of cost is closely related to the indices or there is no more appropriate basis. In no event should such indices be used to distribute claims costs to secondary lines of business.

Report expenses incurred by the reporting entity for uninsured accident and health plans on a gross basis by type of expense. However, administrative fees and expense reimbursements relating to uninsured business are reduced in the general expense and general insurance expenses are to be reported in the Summary of Operations net of such fees and reimbursements.

Expenses for accident and health activities must be allocated between cost containment expenses, Column 2 or all other, Column 3. For guidance on cost containment expenses, refer to *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses*.

Whenever personnel or facilities are used in common by two or more companies, or whenever the personnel or facilities of one ~~company~~ reporting entity are used in the activities of two or more companies, each reporting entity shall assign its share of the expense to the same expense classification as if it had incurred the entire expense. This latter requirement shall not apply to activities such as administration of jointly underwritten group contracts and joint mortality and morbidity studies.

A ~~reporting entity~~ ~~company~~ that pays any affiliated entity (including a managing general agent) for the management, administration, or service of all or part of its business or operations shall allocate these costs to the appropriate expense classification item (salaries, rent, postage, etc.) as if these costs had been borne directly by the ~~company~~ reporting entity. Management, administration, or similar fees should not be reported as a one-line expense. The ~~company~~ reporting entity may estimate these expense allocations based on a formula or other reasonable basis.

A ~~company~~ reporting entity that pays any non-affiliated entity (including a managing general agent) for the management, administration, or service of all or part of its business or operations shall allocate these costs to the appropriate expense classification items as follows:

- a. Payments for claims handling or adjustment services shall be reported as Expense of Investigation and Settlement of Contract Claims, Line 4.5 and allocated to Life, Accident and Health, and/or All Other Lines of Business as appropriate (Columns 1, 2, 3 and/or 4) in Exhibit 2, General Expenses. If the total of such expenses incurred equals or exceeds 10 percent of the total General Expenses Incurred (Line 10), the ~~company~~ reporting entity shall allocate these costs to the appropriate expense classification item as if these costs had been borne directly by the ~~company~~ reporting entity.
- b. Payments for services other than claims handling or adjustment services shall be allocated to the appropriate expense classifications as if these costs had been borne directly by the ~~company~~ reporting entity, if the total of such fees paid to the non-affiliate(s) equals or exceeds 10 percent of the total General Expenses Incurred (Line 10). If the total is less than 10 percent, the payments may be reported on Line 7.1.

The total management and service fees incurred attributable to affiliates and non-affiliates shall be reported in the footnote to Exhibit 2, General Expenses in the annual statement blank, and the method(s) used for allocation shall be disclosed in the Notes to Financial Statements. The ~~company~~ reporting entity shall use the same method(s) on a consistent basis. Refer to *SSAP No. 70—Allocation of Expenses* for accounting guidance.

Column 6 – Fraternal

Transactions related to the fraternal mission.

Line 1 – Rent

Rent expense includes, in addition to rent paid for leased properties, an estimated amount that represents “rent” for properties owned and occupied by the [company reporting entity](#). Report the offset to this amount as investment income. Net rents received for property under sublease against rent expense.

Include: Rent for all premises occupied by the [company reporting entity](#), including any adequate rent for occupancy of its own buildings, in whole or in part, except to the extent that allocation to other expense classifications on a functional basis is permitted and used.

Expenses incurred as tenant for light, heat, water, fuel, interest, taxes, building maintenance, alterations and service, etc.

Amortization expense for leasehold improvements as lessee.

Deduct: Rent under sublease.

Line 2 – Salaries and Wages

Salaries and wages, in addition to virtually all direct payments of compensation to employees, should include all payments to directors for attendance at board or committee meetings.

Include: Salaries and wages, bonuses and incentive compensation to employees, overtime payments, continuation of salary during temporary short-term absences, dismissal allowances, payments to employees while in training and other compensation to employees not specifically designated herein, except to the extent that allocation to other expense classifications is permitted and used.

Fees and other compensation to directors for attendance at board or committee meetings and any other fees and compensation paid to them in their capacities as directors or committee members.

Agency compensation other than commissions.

Line 3.11 – Contributions for Benefit Plans for Employees and  
Line 3.12 – Contributions for Benefit Plans for Agents }

Include: Contributions by [company reporting entity](#) for pension and total and permanent disability benefits, life insurance benefits, accident, health, hospitalization, medical, surgical, or other temporary disability benefits under a self-administered or trusteed plan or for the purchase of annuity or insurance contracts.

Appropriation or any other assignment of funds by [company reporting entity](#) in connection with any benefit plan of the types enumerated herein, e.g., the net periodic postretirement benefit cost, whether it be defined in terms of specified benefits or in terms of monetary amounts.

Earned amounts related to employee stock option plans.

Exclude: Contributions or appropriations for past service if reported in Surplus Account.

Benefit payments (to be reported in the appropriate benefit item of the Summary of Operations when reserves are included in Page 3, Lines 1 and 2, and as a separate item in the Summary of Operations when the liability is included in Page 3, Line 21).

- Line 3.21 – Payments to Employees Under Non-Funded Benefit Plans and
- Line 3.22 – Payments to Agents Under Non-Funded Benefit Plans



Include: Payments by company under a program for pension, stock options, purchase and award plans (including change in quoted market value), and total and permanent disability benefits, death benefits, accident, health hospitalization, medical, surgical, or other temporary disability benefits, where no contribution or appropriation is made prior to the payment of the benefit.

Refer to *SSAP No. 12—Employee Stock Ownership Plans* and *SSAP No. 104R—Share-Based Payments*.

- Line 3.31 – Other Employee Welfare and
- Line 3.32 – Other Agent Welfare



Expenses included in this line may be reported on a functional basis.

Include: Meals to employees. Companies so desiring may exclude this item from Other Employee Welfare and Other Agent Welfare and include it under Details of Write-ins Aggregated on Line 9.3 for Expenses.

Contributions to employee associations or clubs.

Expense and maintenance of recreation grounds.

Payments to employees and agents in military service.

Expense of periodical medical or dental examinations or of medical dispensary, convalescent home or sanitarium for employees and agents.

- Line 4.1 – Legal Fees and Expenses

Include: Cost of outside counsel, as well as court costs to the extent that these costs do not relate to the claims or investment functions, penalties, and all fees or retainers for legal services or expenses in connection with matters before administrative or legislative bodies.

Exclude: Salaries and expenses of ~~company~~ reporting entity personnel.

Legal expenses in connection with investigation, litigation and settlement of contract claims.

Legal fees specifically associated with real estate transactions.

- Line 4.2 – Medical Examination Fees
- Include: Fees to medical examiners in connection with new business, reinstatements, contract changes and applications for employment.
- Exclude: Fees for medical examinations for the welfare of employees and agents.
- Medical examination fees in connection with the investigation, litigation and settlement of contract claims.
- Line 4.3 – Inspection Report Fees
- Include: Fees for inspection reports in connection with new business, reinstatements, contract changes and applications for employment.
- Cost of services furnished by the Medical Information Bureau (M.I.B.).
- Exclude: Salaries of inspectors.
- Inspection report fees in connection with the investigation, litigation and settlement of contract claims.
- Assessment for expenses of M.I.B. Executive Committee.
- Line 4.4 – Fees of Public Accountants and Consulting Actuaries
- Exclude: Fees for examinations made by State Departments.
- Expense of internal audits by company employees.
- Line 4.5 – Expense of Investigation and Settlement of Policy Claims
- Include: Payment to other than employees of fees and expenses for the investigation, litigation and settlement of policy claims.
- Exclude: Payments to a policyholder, agent, broker, or a third party for administration of group claims.
- Line 5.1 – Traveling Expenses
- Include: Traveling expense of officers, other employees, directors and agents, including hotel, meals, telephone, ~~telegraph~~ and postage charges incurred while traveling.
- Amounts allowed employees for use of their own cars on company business.
- The cost of, or depreciation on, and maintenance and running expenses of company-owned automobiles.
- Exclude: Such expenses properly chargeable to Real Estate Expenses (Line 9.1) or required to be reported in Lines 7.1 and 7.3.
- Line 5.2 – Advertising

Include: All costs relating to advertising for new insurance business except salaries and expenses of an advertising department.

Newspaper, magazine and trade journal advertising for the purpose of solicitation and conservation of business, whether in print or electronic formats.

Billboard, sign and directory advertising.

Television, radio broadcasting and motion picture advertising, excluding subjects dealing wholly with health and welfare.

All canvassing or other literature, such as pamphlets, circulars, leaflets, contract/certificate illustration forms and other sales aids, printed material, etc., prepared for distribution to the public by agents, ~~or~~ through the mail or electronic format for purposes of solicitation and conservation of business.

All calendars, blotters, wallets, advertising novelties, etc., for distribution to the public.

Printing, paper stock, etc., in connection with advertising.

Prospect and mailing lists when used for advertising purposes.

Fees and expenses of advertising agencies related to advertising.

Exclude: Pamphlets on health, welfare and educational subjects.

Advertising required by law, regulation or ruling except to the extent that it substantially exceeds the space required for compliance.

Salaries and expenses of advertising department.

Help-wanted advertisements.

Advertising in connection with investments.

Line 5.3 – Postage, ~~Express, Telegraph~~ and Telephone

Include: Freight and cartage.

Postage ~~Cables, radiograms and teletype~~.

Charges for use, installation and maintenance of related equipment if not included elsewhere.

Line 5.4 – Printing and Stationery

Expenses included in this line may be reported on a functional basis.

Include: Contract/certificate forms, riders, supplementary contracts, applications, etc., rate books, instruction manuals, ~~punch cards~~, house organs [\(in-house periodical or employee periodical\)](#), and all other printed material which is not required to be included in any other expense classification.

Office supplies.

Pamphlets on health, welfare and educational subjects.

Annual reports to policyholders/members and stockholders if not included in Line 5.2.

Line 5.5 – Cost or Depreciation of Furniture and Equipment

The general practice with respect to “Cost or depreciation of furniture and equipment” is to either: (1) charge depreciation to this expense classification and write off the remaining asset balance to surplus as a nonadmitted asset; or (2) charge expenditures for furniture and equipment directly to expense, in which case, those expenditures would be included in this classification.

Include: The cost or depreciation of office machines except for such charges as may be reported in Line 5.3.

Exclude: The cost or depreciation of equipment used by employees handling maintenance and repair work on company-occupied property.

Line 5.6 – Rental of Equipment

Include: Rental of office machines except for such charges as may be reported in Line 5.3.

Line 5.7 – Cost or Depreciation of EDP Equipment and Software

Include: Depreciation and amortization expense for electronic data processing equipment and operating and non-operating systems software.

Refer to *SSAP No. 16R—Electronic Data Processing Equipment and Software* for accounting guidance.

Line 6.1 – Books and Periodicals

Include: Books, newspapers, periodicals, etc., including investment, tax and legal publications and information services, and including all such material for ~~company's-reporting entity's~~ law department and libraries [whether in print or electronic format](#).

Line 6.2 – Bureau and Association Fees

Include: All dues and assessments of organizations of which the ~~company-reporting entity~~ is a member.

All dues for employees' and agents' memberships on the ~~company's-reporting entities'~~ behalf.

- Exclude: Contributions in connection with scientific, disease prevention, or other activity directly pertaining to the welfare of policyholders and the public.
- Line 6.3 – Insurance, Except on Real Estate
- Include: Premiums for Workers' Compensation, burglary, holdup, forgery and public liability insurance, fidelity or surety bonds, insurance on contents of company-occupied buildings and all other insurance or bonds not included elsewhere.
- Line 6.4 – Miscellaneous Losses
- Include: Uncollectible losses due to deficiencies, defalcations, robbery, or forgery, except those offset by bonding companies' payments.
- Workers' Compensation benefits not covered by insurance.
- Other uninsured losses not included elsewhere.
- Exclude: Capital and investment losses.
- Line 6.5 – Collection and Bank Service Charges
- Include: Collection charges on checks and drafts and charges for checking accounts and money orders.
- Exclude: Foreign exchange losses on funds transferred in or out of the country (include in Exhibit of Capital Gains and (Losses), Line 10, Column 2).
- Line 6.6 – Sundry General Expenses
- Amounts paid to agents for administering group, credit, or individual blocks of business.
- Include: Direct expense of local agency meetings, luncheons and dinners.
- Tabulating service rendered by outside organizations.
- Gifts and donations.
- Any portion of commissions and expense allowances on reinsurance assumed for group business that represents specific reimbursement of expenses.
- Reimbursement to another insurer for expense of jointly underwritten group contracts.
- Exclude: Any one type of expense that would represent more than 25 percent of the total for this line. Such items should be reported on Line 9.3.

Deduct: Any portion of commissions and expense allowances on reinsurance ceded for group business that represents specific reimbursement of expenses.  
  
Reimbursement from other insurers for expense of jointly underwritten group contracts.

- Line 6.7 – Group Service and Administration Fees
- Include: Administration fees, service fees, or any other form of allowance, reimbursement of expenses, or compensation (other than commissions) to agents, brokers, applicants, policyholders or third parties in connection with the solicitation, sale, issuance, service and administration of group business.
- Line 6.8 – Reimbursements by Uninsured Plans
- Report as a negative amount, administrative fees, direct reimbursement of expenses, or other similar receipts or credits attributable to uninsured plans and the uninsured portion of partially insured plans.
- Line 7.1 – Agency Expense Allowance
- Include: All bona fide allowances for agency expense, but not allowances constituting additional compensation.
- Line 7.2 – Agents' Balances Charged Off (Net)
- Include: Agents' balances charged off less any amounts recovered during the year.
- Line 7.3 – Agency Conferences Other Than Local Meetings
- Include: Cost of banquets and rental of meeting rooms.  
  
Expenses of all persons traveling to conferences and their expenses at conferences.
- Line 8.1 – Official Publication (Fraternal Benefit Societies Only)
- Expenses incurred by a fraternal benefit society for publications related to the society and its fraternal mission. Does not include publications related to the insurance operations.
- Line 8.2 – Expense of Supreme Lodge Meetings (Fraternal Benefit Societies Only)
- Expenses incurred by a fraternal benefit society for supreme lodge meetings of the society and its fraternal mission. Does not include meetings related to the insurance operations.
- Line 9.1 – Real Estate Expenses
- Include: The cost of repairs, maintenance, service, and operation of all real estate properties including insurance whether occupied by the ~~company~~-reporting entity or not; salaries and other compensation of managing agents and their employees; expenses incurred in connection with rental of such properties; legal fees specifically associated with real estate transactions other than sale; rent,

salaries and wages, and other direct expenses of any branch or home office unit engaged solely in real estate work (not real estate and mortgages combined).

Salaries or wages of janitors, caretakers, maintenance workers and agents paid in connection with owned real estate.

Exclude: Salaries and wages of any other home office, general branch office, or investment branch office employees. These should be charged to salaries and wages, where they will automatically be subject to allocation as “insurance” or “investment,” in Exhibit 2. The same rule applies to other expenses or charges associated with the activities of such employees.

Line 9.2 – Investment Expenses Not Included Elsewhere

Include: Only items for which no specific provision has been made elsewhere, e.g., contributions or assessments for bondholders’ protective committees, fees of investment counsel, custodian and trustee fees.

All other costs including internal costs or costs paid to an affiliated company related to origination, purchase or commitment to purchase bonds.

Exclude: Home office salaries and expenses on account of investment work, salaries and expenses of mortgage loan branch offices.

Legal fees and expenses.

Real Estate expenses properly chargeable to Line 9.1.

Brokerage and other related fees; to the extent they are included in the actual cost of a bond upon acquisition. Refer to SSAP No. 26R.

Line 9.3 – Aggregate Write-ins for Expenses

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 9.3 for Expenses.

Line 10 – General Expenses Incurred

The sum of Columns 1, 2, 3 and 4 should agree with Page 4, Line 23.

Column 5 should agree with Exhibit of Net Investment Income, Line 11, Column 2.

Column 2 plus Column 3 should agree with Schedule H, Part 1, Line 4 plus Line 8, Column 1 amount.

Sum of Columns 1 and 4 should equal the sum of Line 23, Column 1 for the following pages:

- Analysis of Operations by Lines of Business – Individual Life Insurance
- Analysis of Operations by Lines of Business – Group Life Insurance
- Analysis of Operations by Lines of Business – Individual Annuities
- Analysis of Operations by Lines of Business – Group Annuities

Sum of Columns 2 and 3 should equal Line 23, Column 1 for the Analysis of Operations by Lines of Business – Accident and Health.

Details of Write-ins Aggregated on Line 9.3 for Expenses

List separately all expenses for which there is no pre-printed line on Exhibit 2.

Include: Any type of expense that would represent more than 25 percent of Line 6.6, Sundry General Expenses.

Adjustments due to fluctuations in foreign exchange rates.

## Exhibit 3

### **ANNUAL STATEMENT INSTRUCTIONS – HEALTH**

#### **UNDERWRITING AND INVESTMENT EXHIBIT**

##### **PART 3 – ANALYSIS OF EXPENSES**

Administrative Services Contracts (ASC) and Administrative Services Only (ASO) commissions, expenses and taxes paid by the administrator to administer such plan shall be reported on a gross basis by type of expense. General expense items must be itemized and entered in sufficient detail to indicate their precise nature. Expenses are not reported on a functional basis, except to the extent specifically permitted herein and only if: (1) services are independently organized, (2) rent, salaries and wages, and other major items of expense directly incident thereto, but not necessarily including the cost of employee benefit plans and Social Security taxes, are charged to function, and (3) adequate accounting thereof is maintained. Whenever personnel or facilities are used in common by two or more companies, or whenever the personnel or facilities of one company are used in the activities of two or more companies, each company shall assign its share of the expense to the same expense classification as if it had incurred the entire expense. This latter requirement shall not apply to activities such as administration of jointly underwritten group contracts and joint mortality and morbidity studies.

Costs for managed care activities must be allocated between claim adjustment expenses and general administrative expenses. Claim adjustment expenses should be allocated to either cost containment expenses, Column 1 or other claim adjustment expenses, Column 2, in accordance with *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses*.

Other costs such as network development costs, provider contracting costs and other similarly related costs should be allocated to Columns 1 through 3 as appropriate, in accordance with *SSAP No. 55*.

A reporting entity that pays any affiliated entity (including a managing general agent) for the management, administration, or service of all or part of its business or operations shall allocate these costs to the appropriate expense classification item (salaries, rent, postage, etc.) as if these costs had been borne directly by the [company reporting entity](#). Do not report management, administration, or similar fees as one-line expenses. The reporting entity may estimate these expense allocations based on a formula or other reasonable basis.

A reporting entity that pays any non-affiliated entity (including a managing general agent) for the management, administration, or service of all or part of its business or operations shall allocate these costs to the appropriate expense classification items as follows:

- a. If the total payments for claims handling or adjustment services equals or exceeds 10 percent of the “Total Claim Adjustment Expenses Incurred,” allocate these costs to the appropriate expense classification items as if these costs had been borne directly by the reporting entity.
- b. Allocate payments for services other than claims handling or adjustment services to the appropriate expense classifications as if these costs had been borne directly by the [company reporting entity](#), if the total of such fees paid to the non-affiliate(s) equals or exceeds 10 percent of Column 3, Line 26. If the total is less than 10 percent, the [company reporting entity](#) may report the payments on Line 14.

The total management and service fees incurred attributable to affiliates and non-affiliates shall be reported in the footnote to Underwriting and Investment Exhibit – Part 3, and the method(s) used for allocation shall be disclosed in the Notes to Financial Statements. The reporting entity shall use the same method(s) on a consistent basis. Refer to *SSAP No. 70—Allocation of Expenses* for accounting guidance.

Line 1           –       Rent

Include: Rent for all premises occupied by the reporting entity, including any adequate rent for occupancy of its own buildings, in whole or in part, except to the extent that allocation to other expense classifications on a functional basis is permitted and used.

Expenses incurred as tenant for light, heat, water, fuel, interest, taxes, building maintenance, alterations and service, etc.

Deduct: Rent under sublease.

Exclude: These items for health care delivery.

Line 2 – Salaries, Wages and Other Benefits

Include: Salaries and wages, bonuses and incentive compensation to employees, overtime payments, continuation of salary during temporary short-term absences, dismissal allowances, payments to employees while in training and other compensation to employees not specifically designated herein, except to the extent that allocation to other expense classifications is permitted and used.

Fees and other compensation to directors for attendance at board or committee meetings and any other fees and compensation paid to them in their capacities as directors or committee members.

Agency compensation other than commissions.

Payments by reporting entity under a program for pension, stock options, purchases, and award plans (including change in quoted market value) and total and permanent disability benefits, life insurance benefits, accident, health, hospitalization, medical, surgical, or other temporary disability benefits under a self-administered or trustee plan or for the purchase of annuity or insurance contracts.

Appropriation or any other assignment of funds by ~~company~~ reporting entity in connection with any benefit plan of the types enumerated herein, (e.g., the net periodic postretirement benefit cost) whether it be defined in terms of specified benefits or in terms of monetary amounts.

Payments by reporting entity under a program for pension, stock options, purchases and award plans (including change in quoted market price), total and permanent disability benefits, death benefits, accident, health, hospitalization, medical, surgical, or other temporary disability benefits, where no contribution or appropriation is made prior to the payment of the benefit.

Meals to employees.

Contributions to employee associations or clubs.

Expense and maintenance of recreation grounds.

Payments to employees and agents in military service.

Expense of periodical medical or dental examinations, or of medical dispensary, convalescent home or sanitarium for employees and agents.

Earned amounts related to employee stock ownership plans.

Exclude: Contributions or appropriations for past service if reported in Capital and Surplus Account.

Benefit payments. (To be reported in the appropriate item of the Statement of Revenue and Expenses.)

Refer to *SSAP No. 12—Employee Stock Ownership Plans* and *SSAP No. 104R—Share-Based Payments*.

Line 3 – Commissions

Include: Collection or service fees, policy fees, membership fees and other fees, Commuted renewal commissions.

Line 4 – Legal Fees and Expenses

Include: Court costs, penalties and all fees or retainers for legal services or expenses in connection with matters before administrative or legislative bodies.

Exclude: Salaries and expenses of ~~company~~ reporting entity personnel.

Legal expenses associated with investigation, litigation and settlement of policy claims.

Legal fees specifically associated with real estate transactions.

Line 5 – Certifications and Accreditation Fees

Include: Fees associated with the certification and accreditation of a health plan, including but not limited to, fees paid to Joint Commission on Accreditation of Health Care Organizations (JCAHO); National Commission on Quality Assurance (NCQA); American Association for Health Care Certification (Utilization Review Accreditation Commission (URAC)).

Exclude: Rating agencies and other similar organizations.

Line 6 – Auditing, Actuarial and Other Consulting Services

Exclude: Fees for examinations made by State Departments.

Expense of internal audits by ~~company~~ reporting entity employees.

Line 7 – Traveling Expenses

Include: Traveling expense of officers, other employees, directors and agents, including hotel, meals, telephone, ~~telegraph~~ and postage charges incurred while traveling.

Amounts allowed employees for use of their own cars on company business.

The cost of, or depreciation on, and maintenance and running expenses of company-owned automobiles.

Exclude: Such expenses properly allocated to Real Estate Expenses (Line 21).

Line 8 – Marketing and Advertising

Include: Newspaper, magazine and trade journal advertising for the purpose of solicitation and conservation of business, [whether in print or electronic formats](#).

Billboard, sign and directory advertising.

Television, radio broadcasting and motion picture advertising, excluding subjects dealing wholly with health and welfare.

All canvassing or other literature, such as pamphlets, circulars, leaflets, policy illustration forms and other sales aids, printed material, etc., prepared for distribution to the public by agents, ~~or~~ through the mail [or electronic format](#) for purposes of solicitation and conservation of business.

All calendars, blotters, wallets, advertising novelties, etc., for distribution to the public.

Printing, paper stock, etc., in connection with advertising.

Prospect and mailing lists when used for advertising purposes.

Fees and expenses of advertising agencies related to advertising.

Exclude: Pamphlets on health, welfare and educational subjects.

Advertising required by law, regulation or ruling except to the extent that it substantially exceeds the space required for compliance.

Salaries and expenses of advertising department.

Help wanted advertisements.

Advertising in connection with investments.

Line 9 – Postage, ~~Express~~, and Telephone

Include: Freight and cartage, ~~cables, radiograms and teletype~~.

[Postage](#).

Charges for use, installation and maintenance of related equipment if not included elsewhere.

Line 10 – Printing and Office Supplies

Expenses included in this line may be reported on a functional basis.

Include: Policy forms, riders, supplementary contracts, applications, etc., rate books, instruction manuals, ~~punch cards,~~ house organs (in-house periodical or employee periodical), and all other printed material that is not required to be included in any other expense classification.

Office supplies, pamphlets on health, welfare and educational subjects, annual reports to policyholders and stockholders if not included in Line 8.

Books, newspapers, periodicals, etc., including investment, tax and legal publications and information services, and including all such material for ~~company's~~ reporting entity's law department and libraries whether in print or electronic format.

Line 11 – Occupancy, Depreciation and Amortization

Include: The amount of depreciation and amortization expense that is directly associated with administrative services. Expenses associated with administrative services include the costs of occupancy to the health entity that are directly associated with health administration. These include the costs of using a facility, fire and theft insurance, utilities, maintenance, lease, etc.

Exclude: The cost or depreciation of equipment used by employees handling maintenance and repair work on company-occupied property.

Line 12 – Equipment

Include: Rental of all office equipment except for such charges as may be reported in Line 9.

Line 13 – Cost or Depreciation of EDP Equipment and Software

Include: Depreciation and amortization expense for electronic data processing equipment, operating software and non-operating software.

Refer to *SSAP No. 16R—Electronic Data Processing Equipment and Software* for accounting guidance.

Line 14 – Outsourced Services Including EDP, Claims, and Other Services

Include: Expenses for administrative services, claim management services, new programming, membership services, and other similar services.

Exclude: Services provided by affiliates under management agreements.

- Line 15 – Boards, Bureaus and Association Fees
- Include: All dues and assessments of organizations of which the reporting entity is a member.
- All dues for employees' and agents' memberships on the reporting entity's behalf.
- Exclude: Contributions associated with scientific research, disease prevention, or other activity directly pertaining to the welfare of subscribers and the public.
- Line 16 – Insurance, Except on Real Estate
- Include: Premiums for Workers' Compensation, burglary, holdup, forgery and public liability insurance, fidelity or surety bonds, insurance on contents of company-occupied buildings and all other insurance or bonds not included elsewhere.
- Line 17 – Collection and Bank Service Charges
- Include: Collection charges on checks and drafts and charges for checking accounts and money orders.
- Line 18 – Group Service and Administration Fees
- Include: Administration fees, service fees, or any other form of allowance, reimbursement of expenses, or compensation (other than commissions) to agents, brokers, applicants, policyholders or third parties in connection with the solicitation, sale, issuance, service and administration of group business.
- Line 19 – Reimbursements by Uninsured Plans
- Report as a negative amount, pharmaceutical rebates of uninsured plans that are received or change in due and uncollected by the reporting entity, to the extent that they are in excess of amounts to be remitted to the uninsured plan, administrative fees, direct reimbursement of expenses, or other similar receipts or credits attributable to uninsured health plans and the uninsured portion of partially insured accident and health plans. Deduct administrative fees and related reimbursements from general administrative expenses or claim adjustment expenses if the administrative services provided include services for claim adjustment expenses as defined in *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses*.
- Refer to *SSAP No. 84—Health Care and Government Insured Plan Receivables* for accounting guidance.
- Line 20 – Reimbursements from Fiscal Intermediaries
- Report as a negative amount, administrative fees, direct reimbursement of expenses, or other similar receipts or credits attributable to Medicare, ~~CHAMPUS~~-TRICARE and other federal and local governmental agencies.

- Line 21 – Real Estate Expenses
- Include: The cost of insurance, repairs, maintenance, service, and operation of all real estate properties, whether occupied by the company or not.
- Expenses incurred in the rental of real estate properties.
- Salaries and other compensation of real estate managing agents and their employees.
- Legal fees specifically associated with real estate transactions other than sale; rent, salaries and wages, and other direct expenses of any branch or home office unit engaged solely in real estate work (not real estate and mortgages combined).
- Salaries or wages of janitors, caretakers, maintenance workers and agents in connection with owned real estate.
- Exclude: Salaries and wages of any other home office, general branch office, or investment branch-office employees. Charge these amounts to salaries and wages, where they will automatically be subject to allocation as “insurance” or “investment.” The same rule applies to other expenses or charges associated with the activities of such employees.
- Line 22 – Real Estate Taxes
- Include: Those taxes directly assessed against property owned by the [company reporting entity](#). Canadian and other foreign taxes should be included appropriately.
- Line 23.1 – State and Local Insurance Taxes
- Include: Assessments of state industrial boards or other boards for operating expenses or for benefits to sick unemployed persons in connection with disability benefit laws or similar taxes levied by states. Canadian and other foreign taxes are to be included appropriately.
- Advertising required by law, regulation or ruling, except advertising associated with investments.
- State sales taxes, if [company reporting entity](#) does not exercise option of including such taxes with the cost of goods and services purchased.
- State income taxes.
- Line 23.2 – State Premium Taxes
- Include: State taxes based on policy reserves, if in lieu of premium taxes. Canadian and other foreign taxes should be included appropriately.
- Any portion of commissions or allowances on reinsurance assumed that represents specific reimbursement of premium taxes.

- Deduct: Any portion of commissions or allowances on reinsurance ceded that represents specific reimbursement of premium taxes.
- Line 23.3 – Regulatory Authority Licenses and Fees
- Include: Assessments to defray operating expenses of any state insurance department. Canadian and other foreign taxes should be included appropriately.
- Fees for examinations by state departments.
- Exclude: Fines and penalties of regulatory authorities. Report these fines and penalties as a separate item on Page 4, Details of Write-ins Aggregated at Line 29 for Other Income or Expenses.
- Line 23.4 – Payroll Taxes
- Include: Accrued payroll tax including FICA, FUTA, [SUTA](#) and other federal, state and local payroll taxes.
- Line 23.5 – Other
- Include: Guaranty fund assessments and taxes of Canada or of any other foreign country not specifically provided for elsewhere.
- Sales taxes, other than state sales taxes, if ~~company~~ [reporting entity](#) does not exercise option of including such taxes with the cost of goods and services purchased.
- Line 24 – Investment Expenses Not Included Elsewhere
- Include: Only items for which no specific provision has been made elsewhere, (e.g., contributions or assessments for bondholders' protective committees, fees of investment counsel, custodian and trustee fees).
- All other costs, including internal costs or costs paid to an affiliated company, related to origination, purchase or commitment to purchase bonds.
- Exclude: Home office salaries and expenses on account of investment work, salaries and expenses of mortgage loan branch offices.
- Legal fees and expenses.
- Real Estate expenses properly chargeable to Line 21.
- Interest expense incurred for experience rated refunds.
- Brokerage and other related fees, to the extent that these are included in the actual cost of a bond upon acquisition. Refer to *SSAP No. 26R—Bonds* for accounting guidance.

Line 25 – Aggregate Write-ins for Expenses

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 25 for Expenses.

Line 26 – Total Expenses Incurred

Column 1 + Column 2 should agree with Statement of Revenue and Expenses, Line 20. Column 3 should agree with Statement of Revenue and Expenses, Line 21. Column 4 should agree with the Exhibit of Net Investment Income, Line 11 plus 12.

Details of Write-ins Aggregated on Line 25 for Expenses

List separately all expenses for which there is no pre-printed line.

Enter in Column 3 interest incurred for experience rated refunds.

## Exhibit 4

### **ANNUAL STATEMENT INSTRUCTIONS – TITLE**

#### **OPERATIONS AND INVESTMENT EXHIBIT**

##### **PART 3 – EXPENSES**

A [company-reporting entity](#) that pays management fees to an affiliate (including a managing general agent) shall allocate these costs to the appropriate expense classification item (salaries, rent, postage, etc.) as if these costs had been borne directly by the [company-reporting entity](#). Management (or similar) fees should not be reported as a one-line expense. It is appropriate for the [company-reporting entity](#) to estimate these expense allocations based on a formula or other reasonable basis.

The total management fees and the method(s) used for allocation shall be disclosed in the Notes to Financial Statements. The [company-reporting entity](#) shall use the same allocation method(s) on a consistent basis. Refer to *SSAP No. 70—Allocation of Expenses* for accounting guidance.

Exclude from investment expenses brokerage and other related fees, to the extent they are included in the actual cost of a bond upon acquisition. Refer to *SSAP No. 26R—Bonds* for accounting guidance.

Include all other internal costs or costs paid to an affiliated company related to origination, purchase or commitment to purchase bonds.

Column 1 – Title and Escrow Operating Expenses - Direct Operations

The amounts shown in this column represent expenses related to the [company's-reporting entities'](#) title and escrow operations. It does not include losses, loss adjustment expenses (allocated or unallocated) or investment expenses. The expenses include only amounts incurred directly by the [company-reporting entity](#), and do not include expenses incurred by any agents (regardless of ownership interest).

Exclude: Expenses on orders not produced by the [company-reporting entity](#) (report this in Column 6, Other Operations).

Column 2 – Title and Escrow Operating Expenses - Non-affiliated Agency Operations

The amounts shown in this column represent expenses related to the [company's-reporting entities'](#) title and escrow non-affiliated agency operations. It does not include losses, loss adjustment expenses (allocated or unallocated) or investment expenses. The expenses include only amounts incurred directly by the [company-reporting entity](#) and do not include expenses incurred by any agency (regardless of ownership interest).

Exclude: Expenses on orders not produced by the [company-reporting entity](#) (report this in Column 6, Other Operations).

Column 3 – Title and Escrow Operating Expenses - Affiliated Agency Operations

The amount shown in this column represent expenses related to the [company's-reporting entities'](#) title and escrow affiliated agency operations. It does not include losses, loss adjustment expenses (allocated or unallocated) or investment expenses. The expenses include only amounts incurred directly by the

~~company~~ reporting entity and do not include expenses incurred by any agency (regardless of ownership interest).

Exclude: Expenses on orders not produced by the ~~company~~ reporting entity (report this in Column 6, Other Operations).

An agency operation is affiliated if the agency is an affiliate as defined by *SSAP No. 25—Affiliates and Other Related Parties*.

Column 4 – Total

The amounts reported in this column are the total of Columns 1, 2 and 3.

Column 5 – Unallocated Loss Adjustment Expenses

The amounts shown in this column represent the indirect costs incurred by the ~~company~~ reporting entity in settlement of title and other claims. As an example, the costs related to salaried employees of the insurer involved in the management of claims are included in this category. Do not include any costs incurred by the agents in settlement of title or other claims.

The amounts shown on Line 24 should agree with the amounts reported on the Operations and Investment Exhibit, Part 2A, Line 9.

Column 6 – Other Operations

The amounts shown in this column represent the expenses incurred by the ~~company~~ reporting entity in operations other than title and escrow, or loss adjustment or investment activities.

Include: Expenses on orders not produced by the ~~company~~ reporting entity, such as expenses incurred in the sale of title services to attorneys, agents, lenders or others. Expenses related to the revenue reported as Other Operating Income on Page 4, Line 2.

Exclude: Expenses allocated to providing services related to the issuance of a title policy by direct operations.

Column 7 – Investment Expenses

The amounts shown in this column represent the expenses incurred by the ~~company~~ reporting entity, both internal and external, in connection with the production of the ~~company~~ reporting entity investment income.

Column 8 – Current Year Total

The amounts reported in this column are the total of Columns 4, 5, 6 and 7.

Column 9 – Prior Year Total

The amounts reported in this column are the amounts reported in Column 8 for the prior year.

## Exhibit 4

**INSTRUCTIONS FOR UNIFORM CLASSIFICATIONS OF EXPENSES OF**

**TITLE INSURERS**

For the purposes of establishing uniformity in classifications of expenses of title insurers recorded in statements and reports filed with and statistics reported to Insurance Departments, all such reporting entities shall observe the instruction set forth below.

**LIST OF OPERATING EXPENSE CLASSIFICATIONS FOR ANNUAL STATEMENT PURPOSES**

1. Personnel Costs
  - 1.1 Salaries
  - 1.2 Employee Relations and Welfare
  - 1.3 Payroll Taxes
  - 1.4 Other Personnel Costs
2. Amounts Paid to or Retained by Title Agents
3. Production Services (purchased outside)
  - 3.1 Searches, Examinations and Abstracts
  - 3.2 Surveys
  - 3.3 Other
4. Advertising
5. Boards, Bureaus and Associations
6. Title Plant Rent and Maintenance
7. Claim Adjustment Services
8. Amounts Charged Off, Net of Recoveries
9. Marketing and Promotional Expenses
10. Insurance
11. Directors' Fees
12. Travel and Travel Items
13. Rent and Rent Items
14. Equipment
15. Cost or Depreciation of EDP Equipment and Software
16. Printing, ~~and Stationary, Books and Periodicals~~
17. Postage, ~~and Telephone, Messengers and Express~~
18. Legal and Auditing
20. Taxes, Licenses and Fees
  - 20.1 State and Local Insurance Taxes
  - 20.2 Insurance Department Licenses and Fees
  - 20.3 Gross Guaranty Association Assessments

20.4 All Other (excluding Federal Income and Real Estate)

- 21. Real Estate Expenses
- 22. Real Estate Taxes
- 23. Miscellaneous
- Line 1.1 – Salaries

Include: Salaries, bonus, overtime, contingent compensation, pay while on leave, dismissal allowances, pay while training and other compensation of officers and employees.

Commission and brokerage to employees when the activities for which the commission is paid are part of their duties as employees.

Exclude: Salaries or wages, etc., of janitors, caretakers, maintenance workers and agents paid in connection with owned real estate and premises leased for company use. (See Real Estate Expenses.)

Retirement allowances.

Directors' and committee fees.

Disability payments to or on behalf of employees under self-insurance plan.

- Line 1.2 – Employee Relations and Welfare

Include: Cost of retirement insurance.

Payments or appropriations to funds irrevocably devoted to the payment of pensions or other employees' benefits.

Pensions or other retirement allowances.

Accident, health and hospitalization insurance for employees.

Group life insurance for employees.

Workers' compensation insurance.

Payments to or on behalf of employees under self-insurance.

Any other insurance for the benefit of employees.

Net periodic postretirement benefit cost.

Earned amounts related to employee stock option plans.

Payments by ~~company~~ reporting entity under a program for stock options, purchase and award plans (including change in quoted market value).

Refer to SSAP No. 12—*Employee Stock Ownership Plans* and SSAP No. 104~~R~~—*Share-Based Payments* for accounting guidance.

Exclude: Premiums for life insurance on employees when the ~~company~~ reporting entity is the beneficiary.

Payments or appropriations to pension funds not irrevocably devoted to the payment of pensions or other employees; benefits (such payments or appropriations shall not appear among expenses).

Items includable in Real Estate Expenses.

All other types of insurance premiums.

Line 1.3 – Payroll Taxes

Include: Employer FICA, FUTA, SUTA, and other federal state and local payroll taxes.

Exclude: Payroll taxes includable in Real Estate Expenses.

Line 1.4 – Other Personnel Costs

Include: Cost of the following:

Advertising related to recruiting.

Employment agency placement fees.

Training and welfare of employees.

Physical examinations of employees or applicants for employment.

Character or credit reports on employees or applicants for employment.

Gatherings, outings and entertainment for employees.

Visiting nurse service for or on behalf of employees.

Medical and hospital bills for employees (not included in Employee Relations and Welfare).

Direct payments other than salaries, to employees for injury and sickness (not included in Employee Relations and Welfare).

Overtime meals.

Donations to or on behalf of employees.

Food and catering for employees.

Exclude: Salaries, bonus, overtime, contingent compensation, pay while on leave, dismissal allowances, pay while training and other compensation of employees. (See Salaries.)

Items includable in Real Estate Expenses.

Cost of house organ (in-house periodical or employee periodical) and similar publications. (See Advertising, and Printing and Stationery.)

Line 2 – Amount Paid to or Retained by Title Agents

This line includes all amounts paid directly or indirectly to the title agent. It can include commissions or fees paid directly to the title agents. It can also include any amounts collected from the insureds for title insurance premiums that are retained by the title agent, and not remitted to the ~~company~~ reporting entity.

Line 3.1 – Searches, Examinations and Abstracts

Include: Searching and examining, reading, closing, abstracts and continuations and tax searches, including continuations and mark offs.

State searches such as franchise tax, transfers, and estates, incorporation's, dissolution's of corporations and any other searches required of the State Department of Taxation.

Building Department searches such as tenement house, cost of certificate of occupancy, Department of Building and Housing, etc.

Other miscellaneous searches such as bankruptcy lists, street reports; examining conditional bills of sale, and chattel mortgage; death certificates, fire health and labor departments, abstracts or certified copies of anything pertaining to record proof required in the examination of title, including surrogate's proceedings, probate proceedings, transfer tax proceedings, bankruptcy proceedings, Federal Court proceedings, copies of deeds, letters testamentary, wills, etc.; appointment of trustees, etc.; last owners; and any other analogous thereto.

Exclude: Survey charges, appraisals and salaries of staff members providing search examination and abstract services.

Line 3.2 – Surveys

This account classification shall include the net charges of outside surveyors or other title companies for all survey work including possession surveys; enclosure surveys; locations surveys; surveying and locating building and showing same on map; survey, map, and descriptions; staking plot; furnishing tracings and prints; redating surveys; survey prints purchased.

Exclude: Compensation of salary staff members for making survey or property inspections.

Blueprints and photostats of surveys.

Line 3.3 – Other

Include:

Purchases of atlases [whether in print or electronic format](#).

Cost of keeping atlases current such as the insertion of new pages and corrections, indexing and other related expenses.

Cost of copies of filed land maps, damage maps, extracts of sheets from land maps, alteration maps obtained from topographical bureaus.

Binding, printing, mounting, and indexing land maps.

Sales tax and discounts on items included.

Other outside production services purchased, such as property inspections, policy or report typing.

Line 4 – Advertising

Include:

Services of advertising agents.

Public relations counsel.

Space in newspapers, trade publications, diaries, directories, yearbooks, billboards, programs and other publications [including electronic formats](#).

Circulars, pamphlets, calendars and literature issued for advertising or promotional purposes.

Drawings, plates, etchings, etc., in connection with advertising.

All charges for printing, paper, etc., in bills covering advertising.

Media broadcasts (e.g., radio, television, etc.)

Prospect and mailing lists.

Advertising in connections with corporate proceedings.

Printed material issued or distributed for promotional purposes.

All charges for compiling material content, printing, paper, mailing expenses, including envelopes, labels, and boxes, etc., in connection with the distribution of promotional material.

Souvenirs and other promotional items for general distribution.

House organs [\(in-house periodical or employee periodical\)](#) and similar publications distributed to persons other than staff members.

Signs, frames, medals, etc., for agents.

Advertising required by law when more than the minimum space required to comply with the law is taken.

Exclude: Compensation to employees. (See Salary.)

Items includable in Travel and Travel Items.

Items includable in Boards and Associations.

Items includable in Claim Adjustment Services.

Advertising and business development expenses allowed, reimbursed or paid to managers, agents, brokers, solicitors, and other producers.

Cost of advertising related to recruiting. (See Employee Relations and Welfare.)

Cost of advertising in connection with owned real estate. (See Real Estate Expenses).

Donations to organized charities. (See Miscellaneous.)

Costs of charts, maps, etc., used for routine company operations.

Cost of literature and booklets, placards, signs, etc., issued solely for employee benefits.

Cost of house organs ([in-house periodical or employee periodical](#)) and similar publications for use of employees. (See Printing and Stationery.)

Cost of souvenirs not generally distributed. (See Travel and Travel Items.)

Line 5 – Boards, Bureaus and Associations

Include: Dues, assessments, fees and charges of underwriting boards, rating organizations, statistical agencies, inspection and audit bureaus.

Underwriters' advisory and service organizations.

Accident and loss prevention organizations.

Claim organizations.

Underwriting syndicates, pools and associations and assigned risk plans (except Commission and Brokerage, Claim Adjustment Services, and Taxes, Licenses and Fees).

Specific payments to title or mortgage associations for rate manuals, revisions, fillers and other industry-wide literature.

- Exclude:
- Dues and subscriptions to social or civic clubs or affairs and to associations of customers. (See Marketing and Promotion.)
  - Dues and subscriptions to accounting, legal, actuarial or similar societies and associations. (See Legal and Auditing.)
  - Cost of inspection, engineering or accident and loss prevention billed specifically to individual companies.
  - Loss adjustment expenses billed specifically to individual companies. (See Claim Adjustment Services).
  - Allowances under reinsurance contracts for board and bureau expenses.
  - Payments to State Industrial Commissions. (See Taxes, Licenses and Fees.)
  - Payments into State Security Funds. (See Taxes, Licenses and Fees.)
  - Commission and Brokerage. Claim Adjustment Services, and Taxes, Licenses and Fees of underwriting syndicates, pools and associations.
  - Cost of survey, credit, moral hazard, character and commercial reports obtained for underwriting purposes.
  - Cost of commercial reporting services.

Line 6 – Title Plant Rent and Maintenance

The line includes all direct costs incurred in connection with the rental or lease of title plants. It also includes costs incurred by the ~~company~~ reporting entity in connection with the participation in joint maintenance agreements for title plants owned by others.

Line 7 – Claim Adjustment Services

- Include:
- Other claim adjustment fees and expenses.
  - Outside services for unallocated claim administration.
  - Auditing fees and expenses of independent auditors for auditing payrolls and premium bases.
- Exclude:
- Compensation to employees. (See Salaries.)
  - Expenses of salaried employees. (See Travel and Travel Items.)
  - Fees and expenses of lawyers for legal services in the defense, trial or appeal of suits, or for other allocated legal services rendered in connection with title claims (include in Title Losses and Loss Adjustment Expenses Paid).
  - Interests and costs assessed as part of or subsequent to judgment (include in Title Losses Paid).

- Line 8 – Amounts Charged Off, Net of Recoveries
- This line includes amounts charged off related to title insurance premiums, title agency remittances and other services accrued that could not be collected.
- Include: Recoveries of amounts previously charged off.
- Exclude: Items includable in Real Estate Expenses.
- Line 9 – Marketing and Promotional Expenses
- This line includes all amounts incurred for expenses directly related to the production of specific sales efforts.
- Include: Dues and subscriptions to social or civic clubs or affairs and to associations of customers.
- Exclude: Items included in Advertising, Line 4.  
Compensation to employees. (See Salaries.)
- Line 10 – Insurance
- Include: Fidelity or surety bonds covering employees and agents.  
Burglary and robbery insurance.  
Public liability insurance premiums (excluding owned real estate).  
Premiums for insurance on office contents.  
Cost of insurance on automobiles.  
All other insurance premiums not specifically provided for in other operating accounts.
- Exclude: Items includable in Employee Relations and Welfare.  
Items includable in Real Estate Expenses.  
Items includable in Rent and Rent Items.  
Items includable in Travel and Travel Items.
- Line 11 – Directors' Fees
- Include: Directors' fees and other compensation of directors for attendance at board or committee meetings.  
Other fees, compensation and expenses paid to directors.

- Exclude: Commissions to directors for the production of business.
- Line 12 – Travel and Travel Items
- Include: Transportation, hotel, meals, postage, [shipping, delivery](#), telephone, ~~telegraph, express~~ and incidental living expenses of employees while traveling.
- Expenses for transfer of employees.
- Mileage allowance to employees for use of personal cars.
- Depreciation repairs and other operating expenses of automobiles.
- Rent of automobiles.
- Fees for automobile registration.
- Cost of insurance on rented automobiles.
- Exclude: Items includable in Salaries; Advertising; Commissions; Taxes, Licenses and Fees; and Boards, Bureaus and Associations.
- Cost of gatherings, outings, etc., and entertainment for employees. (See Other Personnel Costs.)
- Items includable in Real Estate Expenses.
- Donations to organized charities. (See Miscellaneous.)
- Cost of souvenirs and other promotional items for general distribution. (See Advertising.)
- Line 13 – Rent and Rent Items
- Include: Rent of home office and branch offices.
- Real Estate taxes in connections with leased premises. Refer to *SSAP No. 22R—Leases* for accounting guidance of leases by lessors and lessees.
- Rent for space occupied in buildings owned.
- Public liability insurance premiums.
- Light, heat, power and water charges in leased premises.
- Interest, taxes, etc., paid in lieu of rent for leased premises.
- Cost of alterations and repairs of leased premises.
- Rent of storage, safekeeping and warehouse space.

Rent of safe deposit boxes.

Rent of post office boxes.

Time clock service charges.

Cost of cleaning, towels, ice, water, electric lamp replacements and other expenses incidental to office maintenance.

Exclude: Compensation~~s~~ to employees. (See Salaries.)

Rent of furniture, equipment, and office machines. (See Equipment.)

Rent of Automobiles. (See Travel and Travel Items.)

Cost of insurance on rented automobiles. (See Travel and Travel Items.)

Amortization expense for leasehold improvements as lessee.

Rent allowed, reimbursed, or paid to managers, agents, brokers, solicitors and other producers.

Items includable in Real Estate Expenses.

Rent income from owned real estate.

Line 14 – Equipment

Include: Rent and repairs of furniture, equipment and office machines including printers' equipment and postage machines.

Equipment other than automobiles, purchased and fully depreciated or written off during the year.

Depreciation on furniture, equipment and office machines.

Exclude: Compensation to employees. (See Salaries.)

Rent, repair, and depreciation of automobiles. (See Travel and Travel Items.)

Cost of alterations and repairs of leased premises. (See Rent and Rent Items).

Equipment expenses allowed, reimbursed or paid to managers, agents, brokers, solicitors and other producers.

Items includable in Real Estate Expenses.

Depreciation and amortization expense for electronic data processing equipment, operating and non-operating systems software. (See Cost or Depreciation of EDP Equipment and Software.)

- Line 15 – Cost or Depreciation of EDP Equipment and Software
- Include: Depreciation and amortization expense for electronic data processing equipment, operating and non-operating systems software.
- Cost of computer software
- Refer to *SSAP No. 16R—Electronic Data Processing Equipment and Software* for accounting guidance.
- Line 16 – Printing, and Stationery, ~~Books and Periodicals~~
- Include: Printing, stationery and office supplies such as: letterheads, envelopes, paper stock, printed forms or manuals, adding machine tape, ~~carbon paper~~, binders and posts, ~~photostatic~~ copies, pencils, pens, ink, glue, stamps and stamp pads, staplers, staples, clips and pins, desk top equipment (calendars, trays, etc.), waste baskets, analysis pads, ledgers, journals, minute books, etc.
- Policies and policy forms.
- House organs (in-house periodical or employee periodical) and similar publications for the use of employees.
- Books, newspapers and periodicals including investment, tax and legal publications and services, whether in print or electronic format.
- Exclude: Compensation to employees. (See Salaries.)
- Specific payments to boards, bureaus and associations for rate manuals, revisions, fillers, rating plans and experience data. (See Boards, Bureaus and Associations.)
- Literature, booklets, placards, signs, etc., issued solely for accident and loss prevention. (See Surveys and Underwriting Reports.)
- Items includable in Claim Adjustment Services.
- Items includable in Advertising.
- Printers' equipment in company owned printing department. (See Equipment.)
- Printing and stationery costs allowed, reimbursed or paid to managers, agents, brokers, solicitors and other producers.
- House organs (in-house periodical or employee periodical) and similar publications distributed to persons other than employees. (See Advertising.)
- Commercial reporting services.
- Items includable in Real Estate Expenses.

- Line 17 – Postage ~~and~~, Telephone, ~~Messengers and Express~~
- Include: ~~Express, f~~Freight and cartage-
- Postage-
- Cost of telephone-
- Bank charges for collection and exchange-
- Exclude: Compensation to employees. (See Salaries.)
- Rent, repairs, and depreciation of postage machine. (See Equipment.)
- Postage ~~and~~, telephone, ~~telegraph and express mail service~~ used by employees while traveling. (See Travel and Travel Items.)
- Postage, ~~shipping, delivery, and~~, telephone, ~~telegraph, exchange and express mail service~~ allowed, reimbursed or paid to managers, agents, brokers, solicitors and other producers.
- Profits or losses resulting from exchange on remittances to home office by a U.S. branch. Such profits or losses shall not be included in expenses.
- Items includable in Real Estate Expenses.
- Rent of post office boxes. (See Rent and Rent Items.)
- Line 18 – Legal and Auditing
- Include: Legal retainers, fees and other legal expenses and non-title related losses (except on title and escrow losses and salvage).
- Auditing fees of independent auditors for examining records of home and branch offices.
- Cost of services of tax advisors.
- Services of consultants.
- Fees of investment counsel.
- Fees and expenses of other persons than employees, for collecting balances.
- Notary fees.
- Dues and subscriptions to accounting, legal, actuarial or similar societies and associations.

Exclude: Compensation to employees. (See Salaries.)  
Expenses of salaried employees. (See Travel and Travel Items.)  
Items includable in title or escrow losses and salvage.  
Items includable in Real Estate Expenses.

Line 20.1 – State and Local Insurance Taxes

Include: State premium taxes, licenses and fees.  
County and municipal premium taxes, licenses and fees.  
Fire Patrol assessments.  
Payments to State Industrial (or other) Commissions for administration of Workers' Compensation or other State Benefit Acts (including assessments for administering Financial Responsibility Laws) regardless of basis of assessment.  
Net payments to State Security Funds, Reopened Case Funds, Social Injury Funds and other State Funds, when construed by the ~~company~~-reporting entity as operating expenses, regardless of basis of assessment.

Exclude: Allowances for taxes under reinsurance contracts.

Line 20.2 – Insurance Department Licenses and Fees

Include: Agents' licenses.  
Certificates of authority, compliance, deposit, etc.  
Filing fees.  
Fees and expenses of examination by insurance department or other governmental agencies.  
Business licenses, corporation licenses.

Exclude: Items includable in Line 20.1 - State and Local Insurance Taxes and Line 20.4 - All Other (Excluding Federal Income and Real Estate).  
Items includable in Claim Adjustment Services.

Line 20.4 – All Other (Excluding Federal Income and Real Estate)

Include: Qualifying bond premiums.  
Statement publication fees.  
Advertising required by law.  
Personal property taxes.

State taxes on income or gross receipts.

Occupancy tax.

Capital stock taxes.

Business corporation licenses or fees (not includable Lines 20.1 or 20.2).

Marine profits taxes.

Documentary stamps on reinsurance.

Any other taxes not assignable under Lines 20.1, 20.2 and 20.3 and not otherwise excluded.

Exclude: Real estate taxes (See Real Estate Taxes).

Cost of advertising required by law where more than minimum space required to comply with the law is taken. Such expenses shall be included in Advertising.

Items includible in Claim Adjustment Services.

Fees for automobile license plates (See Travel and Travel Items).

Federal income taxes.

County and municipal premium taxes, licenses and fees.

Sales taxes, etc., included on invoice of vendors. Such taxes are to follow allocation of cost of items purchased.

Line 21 – Real Estate Expenses

Include: Salaries, wages and other compensation, including payroll taxes, of janitors, caretakers, maintenance workers and agents paid in connection with owned real estate.

Cost of operating and maintaining owned real estate.

Cost of insurance in connection with owned real estate.

Cost of advertising in connection with owned real estate.

Line 22 – Real Estate Taxes

Include: Taxes, licenses and fees on owned real estate.

Line 23 – Aggregate Write-ins for Other Expenses

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 23 for Other Expenses.

#### Details of Write-ins Aggregated at Line 23 for Other Expenses

List separately each category of other expense for which there is no pre-printed line in Part 3.

Expenses not listed as includable in other operating expense classifications, and not analogous thereto, shall be included in "Other." Specifically, the following shall be included:

- Include:
- Donations to organized charities.
  - Cost of tabulating service when such service is rendered by outside organizations.
  - Amounts received and handled in accordance with the Instruction "Income from Special Services."
  - Differences between actual amounts paid, and amounts apportioned in accordance with the Instruction "Joint Expenses."

**GENERAL INSTRUCTIONS IN CONNECTION WITH OPERATING EXPENSE CLASSIFICATIONS**

**A. Joint Expense**

Whenever personnel or facilities are used in common by two or more companies, or whenever the personnel or facilities of one company are used in the activities of two or more companies, the expenses involved shall be apportioned in accordance with the instructions relating to Joint Expenses, and such apportioned expenses shall be allocated by each company to the same operating expense classifications as if the expenses had been borne wholly. Any difference between the actual amount paid, and the amount of such apportioned expenses, shall be included in the operating expense classification "Miscellaneous."

This instruction does not apply to the following, which are covered by separate instructions herein:

Reinsurance commission and allowance (see Commission and Brokerage – Reinsured Assumed and Ceded)

Commission and brokerage paid to managers and agents (see Commission and Brokerage – Direct)

Allowances to managers and agents (see Allowances to Manager and Agents)

Expenses allocable in accordance with the instruction "Income from Special Services"

**B. Expenses for Account of Another**

Whenever expenses are paid by one company for account of another, the payments shall not appear among the expenses reported by the former, and shall be included by the latter in the same expense classification as if originally paid by it.

**C. Income from Special Services**

Whenever an insurance company receives compensation for sales or services, such as loss adjustment or inspection not related to policies written by the company, and such compensation is not calculated as a joint expense reimbursement, the amount thereof shall be included in the operating expense classification "Miscellaneous." Where an insurance company pays the compensation, allocation shall be made to the expense classification dictated by the nature of the expense.

Reinsurance commission and allowances (See Commission and Brokerage – Reinsurance Assumed and Ceded).

Expenses incurred for the benefit of companies in the same group or fleet are covered by the instruction "Joint Expenses."

**D. Analogous Items**

The list of expenses includible in the operating expense classifications is representative and do not exclude analogous items that are omitted from the lists.

**OPERATIONS AND INVESTMENT EXHIBIT**

**PART 4 – NET OPERATING GAIN/LOSS EXHIBIT**

- Column 1 – Direct Operations
- The amounts shown in this column represent the ~~company~~-reporting entity direct operations. No items from agency operations (even wholly-owned agencies) are to be included in this column; only home office and branch office operations are to be included in this column.
- Column 2 – Non-affiliated Agency Operations
- The amounts shown in this column represent the ~~company~~-reporting entity non-affiliated agency operations. This column should include all agency operations other than those that are reported in Column 3.
- Column 3 – Affiliated Agency Operations
- The amounts shown in this column represent the ~~company~~-reporting entity affiliated agency operations. Wholly-owned agencies should be included in the amounts shown in this column. The standards for reporting as an affiliated agency are the affiliation standards established under the holding company laws of the domestic state jurisdiction.
- Column 4 – Total
- The amounts reported in this column are the total of Columns 1, 2 and 3.
- Column 5 – Other Operations
- The amounts in this column represent amounts other than those shown in Columns 1, 2 or 3.
- Column 6 – Current Year Total
- The amounts reported in this column are the total of Columns 4 and 5.
- Column 7 – Prior Year Total
- The amounts reported in this column are the amounts reported in Column 6 for the prior year.
- Line 1.1 – Title Insurance Premiums Earned
- The amounts reported in this line are the amounts reported in Operations and Investment Exhibit, Part 1B, Line 3, Column 1.
- Line 1.2 – Escrow and Settlement Services
- The amounts reported in this line are the amounts reported in Operations and Investment Exhibit, Part 1A, Line 2.
- Line 1.3 – Other Title Fees and Service Charges

The amounts reported in this line are the amounts reported in Operations and Investment Exhibit, Part 1A, Lines 3 to 6.

Line 3 – Total Operating Income

The amounts reported on this line are the totals of the amounts shown on Lines 1.1 through 1.3 plus the amount shown on Line 2.

Line 4 – Losses and Loss Adjustment Expenses Incurred

The amounts reported in this line are the amounts reported in Operations and Investment Exhibit, Part 2A, Line 10, Column 4.

Line 5 – Operating Expenses Incurred

The amounts reported in this line are the amounts reported in Operations and Investment Exhibit, Part 3, Line 24, Columns 1 through 3 and Column 6.

Line 6 – Total Operating Deductions

The amounts reported in this line are the amounts reported on Line 4 plus Line 5.

Line 7 – Net Operating Gain or (Loss)

The amounts reported in this line are the amounts reported on Line 3 less the amounts reported on Line 6.

**ANNUAL STATEMENT BLANK – PROPERTY**

**UNDERWRITING AND INVESTMENT EXHIBIT  
PART 3 – EXPENSES**

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct.....	.....	.....	.....	.....
1.2 Reinsurance assumed.....	.....	.....	.....	.....
1.3 Reinsurance ceded.....	.....	.....	.....	.....
1.4 Net claim adjustment services (1.1+1.2-1.3).....	.....	.....	.....	.....
2. Commission and brokerage:				
2.1 Direct, excluding contingent.....	.....	.....	.....	.....
2.2 Reinsurance assumed, excluding contingent.....	.....	.....	.....	.....
2.3 Reinsurance ceded, excluding contingent.....	.....	.....	.....	.....
2.4 Contingent—direct.....	.....	.....	.....	.....
2.5 Contingent—reinsurance assumed.....	.....	.....	.....	.....
2.6 Contingent—reinsurance ceded.....	.....	.....	.....	.....
2.7 Policy and membership fees.....	.....	.....	.....	.....
2.8 Net commission and brokerage (2.1+2.2-2.3+2.4+2.5- 2.6+2.7).....	.....	.....	.....	.....
3. Allowances to manager and agents.....	.....	.....	.....	.....
4. Advertising.....	.....	.....	.....	.....
5. Boards, bureaus and associations.....	.....	.....	.....	.....
6. Surveys and underwriting reports.....	.....	.....	.....	.....
7. Audit of assureds' records.....	.....	.....	.....	.....
8. Salary and related items:				
8.1 Salaries.....	.....	.....	.....	.....
8.2 Payroll taxes.....	.....	.....	.....	.....
9. Employee relations and welfare.....	.....	.....	.....	.....
10. Insurance.....	.....	.....	.....	.....
11. Directors' fees.....	.....	.....	.....	.....
12. Travel and travel items.....	.....	.....	.....	.....
13. Rent and rent items.....	.....	.....	.....	.....
14. Equipment.....	.....	.....	.....	.....
15. Cost or depreciation of EDP equipment and software.....	.....	.....	.....	.....
16. Printing and stationery.....	.....	.....	.....	.....
17. Postage, <del>and</del> telephone <del>and telegraph, exchange and express.</del>	.....	.....	.....	.....
18. Legal and auditing.....	.....	.....	.....	.....
19. Totals (Lines 3 to 18).....	.....	.....	.....	.....
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....	.....	.....	.....	.....
20.2 Insurance department licenses and fees.....	.....	.....	.....	.....
20.3 Gross guaranty association assessments.....	.....	.....	.....	.....
20.4 All other (excluding federal and foreign income and real estate).....	.....	.....	.....	.....
20.5 Total taxes, licenses and fees (20.1+20.2+20.3+20.4).....	.....	.....	.....	.....
21. Real estate expenses.....	.....	.....	.....	.....
22. Real estate taxes.....	.....	.....	.....	.....
23. Reimbursements by uninsured plans.....	.....	.....	.....	.....
24. Aggregate write-ins for miscellaneous expenses.....	.....	.....	.....	.....
25. Total expenses incurred.....	.....	.....	.....	(a).....
26. Less unpaid expenses—current year.....	.....	.....	.....	.....
27. Add unpaid expenses—prior year.....	.....	.....	.....	.....
28. Amounts receivable relating to uninsured plans, prior year.....	.....	.....	.....	.....
29. Amounts receivable relating to uninsured plans, current year ..	.....	.....	.....	.....
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	.....	.....	.....	.....
<b>DETAILS OF WRITE-INS</b>				
2401. ....	.....	.....	.....	.....
2402. ....	.....	.....	.....	.....
2403. ....	.....	.....	.....	.....
2498. Summary of remaining write-ins for Line 24 from overflow page...	.....	.....	.....	.....
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	.....	.....	.....	.....

(a) Includes management fees of \$..... to affiliates and \$..... to non-affiliates.

**ANNUAL STATEMENT BLANK – LIFE/FRATERNAL**

**EXHIBIT 2 – GENERAL EXPENSES**

	Insurance				5 Investment	6 Fraternal	7 Total
	1 Life	Accident and Health		4 All Other Lines of Business			
		2 Cost Containment	3 All Other				
1. Rent .....	.....	.....	.....	.....	.....	.....	.....
2. Salaries and wages .....	.....	.....	.....	.....	.....	.....	.....
3.11 Contributions for benefit plans for employees .....	.....	.....	.....	.....	.....	.....	.....
3.12 Contributions for benefit plans for agents .....	.....	.....	.....	.....	.....	.....	.....
3.21 Payments to employees under non-funded benefit plans .....	.....	.....	.....	.....	.....	.....	.....
3.22 Payments to agents under non-funded benefit plans .....	.....	.....	.....	.....	.....	.....	.....
3.31 Other employee welfare .....	.....	.....	.....	.....	.....	.....	.....
3.32 Other agent welfare .....	.....	.....	.....	.....	.....	.....	.....
4.1 Legal fees and expenses .....	.....	.....	.....	.....	.....	.....	.....
4.2 Medical examination fees .....	.....	.....	.....	.....	.....	.....	.....
4.3 Inspection report fees .....	.....	.....	.....	.....	.....	.....	.....
4.4 Fees of public accountants and consulting actuaries .....	.....	.....	.....	.....	.....	.....	.....
4.5 Expense of investigation and settlement of policy claims .....	.....	.....	.....	.....	.....	.....	.....
5.1 Traveling expenses .....	.....	.....	.....	.....	.....	.....	.....
5.2 Advertising .....	.....	.....	.....	.....	.....	.....	.....
5.3 Postage, express, telegraph and telephone .....	.....	.....	.....	.....	.....	.....	.....
5.4 Printing and stationery .....	.....	.....	.....	.....	.....	.....	.....
5.5 Cost or depreciation of furniture and equipment .....	.....	.....	.....	.....	.....	.....	.....
5.6 Rental of equipment .....	.....	.....	.....	.....	.....	.....	.....
5.7 Cost or depreciation of EDP equipment and software .....	.....	.....	.....	.....	.....	.....	.....
6.1 Books and periodicals .....	.....	.....	.....	.....	.....	.....	.....
6.2 Bureau and association fees .....	.....	.....	.....	.....	.....	.....	.....
6.3 Insurance, except on real estate .....	.....	.....	.....	.....	.....	.....	.....
6.4 Miscellaneous losses .....	.....	.....	.....	.....	.....	.....	.....
6.5 Collection and bank service charges .....	.....	.....	.....	.....	.....	.....	.....
6.6 Sundry general expenses .....	.....	.....	.....	.....	.....	.....	.....
6.7 Group service and administration fees .....	.....	.....	.....	.....	.....	.....	.....
6.8 Reimbursements by uninsured plans .....	.....	.....	.....	.....	.....	.....	.....
7.1 Agency expense allowance .....	.....	.....	.....	.....	.....	.....	.....
7.2 Agents' balances charged off (less \$..... recovered) .....	.....	.....	.....	.....	.....	.....	.....
7.3 Agency conferences other than local meetings .....	.....	.....	.....	.....	.....	.....	.....
8.1 Official publication (Fraternal Benefit Societies Only) .....	XXX	XXX	XXX	XXX	XXX	.....	.....
8.2 Expense of supreme lodge meetings (Fraternal Benefit Societies Only) .....	XXX	XXX	XXX	XXX	XXX	.....	.....
9.1 Real estate expenses .....	.....	.....	.....	.....	.....	.....	.....
9.2 Investment expenses not included elsewhere .....	.....	.....	.....	.....	.....	.....	.....
9.3 Aggregate write-ins for expenses .....	.....	.....	.....	.....	.....	.....	.....
10. General expenses incurred .....	.....	.....	.....	.....	.....	(b).....	(a).....
11. General expenses unpaid December 31, prior year .....	.....	.....	.....	.....	.....	.....	.....
12. General expenses unpaid December 31, current year .....	.....	.....	.....	.....	.....	.....	.....
13. Amounts receivable relating to uninsured plans, prior year .....	.....	.....	.....	.....	.....	.....	.....
14. Amounts receivable relating to uninsured plans, current year .....	.....	.....	.....	.....	.....	.....	.....
15. General expenses paid during year (Lines 10 + 11 - 12 - 13 + 14) .....	.....	.....	.....	.....	.....	.....	.....
<b>DETAILS OF WRITE-INS</b>							
09.301. ....	.....	.....	.....	.....	.....	.....	.....
09.302. ....	.....	.....	.....	.....	.....	.....	.....
09.303. ....	.....	.....	.....	.....	.....	.....	.....
09.398. Summary of remaining write-ins for Line 9.3 from overflow page .....	.....	.....	.....	.....	.....	.....	.....
09.399. Totals (Lines 09.301 through 09.303 + 09.398) (Line 9.3 above) .....	.....	.....	.....	.....	.....	.....	.....
(a) Includes management fees of \$..... to affiliates and \$..... to non-affiliates.							
(b) Show the distribution of this amount in the following categories (Fraternal Benefit Societies Only)							
1. Charitable \$ .....	.....	2. Institutional \$ .....	.....	3. Recreational and Health \$ .....	.....	4. Educational \$ .....	.....
5. Religious \$ .....	.....	6. Membership \$ .....	.....	7. Other \$ .....	.....	8. Total \$ .....	.....

**ANNUAL STATEMENT BLANK – HEALTH**

**UNDERWRITING AND INVESTMENT EXHIBIT  
PART 3 – ANALYSIS OF EXPENSES**

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$..... for occupancy of own building) .....	.....	.....	.....	.....	.....
2. Salaries, wages and other benefits .....	.....	.....	.....	.....	.....
3. Commissions (less \$ ..... ceded plus \$ ..... assumed) .....	.....	.....	.....	.....	.....
4. Legal fees and expenses .....	.....	.....	.....	.....	.....
5. Certifications and accreditation fees .....	.....	.....	.....	.....	.....
6. Auditing, actuarial and other consulting services .....	.....	.....	.....	.....	.....
7. Traveling expenses .....	.....	.....	.....	.....	.....
8. Marketing and advertising.....	.....	.....	.....	.....	.....
9. Postage, <del>express</del> and telephone.....	.....	.....	.....	.....	.....
10. Printing and office supplies .....	.....	.....	.....	.....	.....
11. Occupancy, depreciation and amortization .....	.....	.....	.....	.....	.....
12. Equipment.....	.....	.....	.....	.....	.....
13. Cost or depreciation of EDP equipment and software.....	.....	.....	.....	.....	.....
14. Outsourced services including EDP, claims, and other services .....	.....	.....	.....	.....	.....
15. Boards, bureaus and association fees.....	.....	.....	.....	.....	.....
16. Insurance, except on real estate.....	.....	.....	.....	.....	.....
17. Collection and bank service charges.....	.....	.....	.....	.....	.....
18. Group service and administration fees.....	.....	.....	.....	.....	.....
19. Reimbursements by uninsured plans .....	.....	.....	.....	.....	.....
20. Reimbursements from fiscal intermediaries.....	.....	.....	.....	.....	.....
21. Real estate expenses.....	.....	.....	.....	.....	.....
22. Real estate taxes .....	.....	.....	.....	.....	.....
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes .....	.....	.....	.....	.....	.....
23.2 State premium taxes .....	.....	.....	.....	.....	.....
23.3 Regulatory authority licenses and fees.....	.....	.....	.....	.....	.....
23.4 Payroll taxes.....	.....	.....	.....	.....	.....
23.5 Other (excluding federal income and real estate taxes) .....	.....	.....	.....	.....	.....
24. Investment expenses not included elsewhere.....	.....	.....	.....	.....	.....
25. Aggregate write-ins for expenses .....	.....	.....	.....	.....	.....
26. Total expenses incurred (Lines 1 to 25) .....	.....	.....	.....	.....	.....
27. Less expenses unpaid December 31, current year .....	.....	.....	.....	.....	.....
28. Add expenses unpaid December 31, prior year .....	.....	.....	.....	.....	.....
29. Amounts receivable relating to uninsured <del>state</del> <del>insurers</del> .....	.....	.....	.....	.....	.....
30. Amounts receivable relating to uninsured <del>state</del> <del>insurers</del> .....	.....	.....	.....	.....	.....
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	.....	.....	.....	.....	.....
<b>DETAILS OF WRITE-INS</b>					
2501. ....	.....	.....	.....	.....	.....
2502. ....	.....	.....	.....	.....	.....
2503. ....	.....	.....	.....	.....	.....
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.....	.....	.....	.....	.....
2599. Totals (Line 2501 through 2503 + 2598) (Line 25 above)	.....	.....	.....	.....	.....

(a) Includes management fees of \$..... to affiliates and \$..... to non-affiliates.

**ANNUAL STATEMENT BLANK – TITLE**

**OPERATIONS AND INVESTMENT EXHIBIT  
PART 3 – EXPENSES**

	Title and Escrow Operating Expenses				5 Unallocated Loss Adjustment Expenses	6 Other Operations	7 Investment Expenses	Totals	
	1 Direct Operations	Agency Operations		4 Total (Cols. 1+2+3)				8 Current Year (Cols. 4+5+6+7)	9 Prior Year
		2 Non-affiliated Agency Operations	3 Affiliated Agency Operations						
1. Personnel costs:									
1.1 Salaries .....									
1.2 Employee relations and welfare .....									
1.3 Payroll taxes .....									
1.4 Other personnel costs .....									
1.5 Total personnel costs.....									
2. Amounts paid to or retained by title agents.....									
3. Production services (purchased outside):									
3.1 Searches, examinations and abstracts .....									
3.2 Surveys .....									
3.3 Other .....									
4. Advertising.....									
5. Boards, bureaus and associations .....									
6. Title plant rent and maintenance .....									
7. Claim adjustment services.....	XXX	XXX	XXX	XXX		XXX	XXX		
8. Amounts charged off, net of recoveries .....									
9. Marketing and promotional expenses.....									
10. Insurance .....									
11. Directors' fees.....									
12. Travel and travel items.....									
13. Rent and rent items .....									
14. Equipment .....									
15. Cost or depreciation of EDP equipment and software .....									
16. Printing, stationery, books and periodicals .....									
17. Postage, <del>and</del> telephone, <del>messengers and express .....</del>									
18. Legal and auditing .....									
19. Totals (Lines 1.5 to 18) .....									
20. Taxes, licenses and fees:									
20.1 State and local insurance taxes .....									
20.2 Insurance department licenses and fees .....									
20.3 Gross guaranty association assessments .....									
20.4 All other (excluding federal income and real estate) .....									
20.5 Total taxes, licenses and fees (Lines 20.1 + 20.2 + 20.3 + 20.4) .....									
21. Real estate expenses.....									
22. Real estate taxes .....									
23. Aggregate write-ins for other expenses .....									
24. Total expenses incurred (Lines 19+20.5+21+22+23)....								(a)	
25. Less unpaid expenses - current year .....									
26. Add unpaid expenses - prior year .....									
27. TOTAL EXPENSES PAID (Lines 24 - 25 + 26)									
<b>DETAILS OF WRITE-INS</b>									
2301. ....									
2302. ....									
2303. ....									
2398. Summary of remaining write-ins for Line 23 from overflow page.....									
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)									

(a) Includes management fees of \$..... to affiliates and \$..... to non-affiliates.

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

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

**Check (applicable entity):**

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

**Description of Issue:**

This agenda item is to coordinate regarding updates to the *Valuation Manual* (VM) on two topics:

1. APF 2025-04 updates the economic scenario generator references to reflect the adoption of the new prescribed economic scenario generator. The revisions from APF 2025-04 are effective January 1, 2026, and include an optional phase in which allows partial recognition of the impact over a period of up to 36 months. The following chapters of the VM were impacted by the revisions from Life Actuarial (A) Task Force agenda item APF 2025-04:
  - VM-20: Requirements for Principles Based Reserves for Life Products,
  - VM-21: Requirements for Principles Based Reserves for Variable Annuities,
  - VM-31: PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation
2. APF 2025-11 introduces a new principle-based reserving framework for non-variable annuities, in VM-22, Requirements for Principles Based Reserves for Non-Variable Annuities. The revisions from APF 2025-11 are effective January 1, 2026, and include an optional implementation period of up to 3 years whereby a company may elect to utilize applicable formulaic reserving methodologies for blocks of business instead of applying VM-22. The following chapters of the VM were impacted by the revisions from Life Actuarial (A) Task Force agenda item APF 2025-11:
  - VM-01: Definitions for Terms in Requirements
  - VM- 22: Requirements for Principles Based Reserves for Non-Variable Annuities
  - VM-31: PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation
  - VM-G: Appendix G – Corporate Governance Guidance for Principle-Based Reserves
  - VM-V: Statutory Maximum Valuation Interest Rates for Formulaic Reserves

The VM-22 transition guidance is as follows:

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

of the transition date, a company shall apply VM-22 PBR requirements to all applicable blocks of business on a prospective basis starting three years after the effective date.

### Existing Authoritative Literature:

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

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

### Disclosures

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

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

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

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

- a. Changes in principle-based reserving assumptions are often the result of updating assumptions and other factors required by the existing reserving methodology. Reserve changes resulting

from the application of principle-based reserving methodology including, but not limited to, updating assumptions based on reporting entity, industry or other experience, and having the reported reserve transition between net premium reserve, deterministic reserve or stochastic reserve, as required under existing guidance, shall not be considered a change in valuation basis. These types of changes also include, but are not limited to, periodic updates in Valuation Manual tables, such as industry valuation basic tables, asset spread tables and default cost tables.

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

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

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

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

### **Effective Date and Transition**

57. This statement is effective for years beginning January 1, 2001. Contracts issued prior to January 1, 2001 shall be accounted for based on the laws and regulations of the domiciliary state. State laws and regulations shall be understood to include anything considered authoritative by the domiciliary state under the individual state's statutory authority and due process procedures. A change resulting from the adoption of this statement shall be accounted for as a change in accounting principle in accordance with SSAP No. 3. The guidance in paragraph 14

was originally contained within *INT 00-30: Application of SSAP No. 51 Paragraph 6 to Waiver of Deduction on Flexible Premium Universal Life Insurance Policies* and was effective December 4, 2000. The guidance in paragraph 51 was originally contained within *INT 01-26: SSAP No. 51 and Reserve Minimum or Required Amount* and was effective January 1, 2001. The revisions adopted in November 2018 to expand liquidity disclosures are effective year-end 2019, concurrent with the inclusion of data-captured financial statement disclosures.

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

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

### Change In Valuation Basis

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

### Effective Date and Transition

26. This statement is effective for years beginning January 1, 2001. Contracts issued prior to January 1, 2001 shall be accounted for based on the laws and regulations of the domiciliary state. State laws and regulations shall be understood to include anything considered authoritative by the domiciliary state under the individual state's statutory authority and due process procedures. A change resulting from the adoption of this statement shall be accounted for as a change in accounting principle in accordance with SSAP No. 3. Guidance in paragraph 17 was previously included within *INT 08-08: Balance Sheet Presentation of Funding Agreements Issued to a Federal Home Loan Bank* and was effective for periods beginning March 15, 2009. Guidance in paragraph 21 related to FHLB agreements was initially effective January 1, 2014. The revisions adopted in November 2018 to expand liquidity disclosures are effective year-end 2019, concurrent with the inclusion of data-captured financial statement disclosures.

**Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): The Working Group previously addressed revisions to the VM that had phase in periods in 2020**

- **2019-47: Grade in of Variable Annuity Reserves** - Revisions add phase-in disclosures and references to VM-21 Requirements for Principle-Based Reserves for Variable Annuities, requirements for reporting changes in the valuation basis for years beginning January 1, 2020 in *SSAP No. 3—Accounting Changes and Corrections of Errors, paragraph 13d* and *SSAP No. 51R—Life Contract, paragraph 39*. The guidance specifically references VM 22 for Variable Annuities and SSAP No. 51. The phase-in disclosures currently in SSAP No. 51, paragraph 39 are regarding the phase-in period, any adjustments to the phase-in and the remaining amount to be

phased-in. In addition, this agenda item added revisions regarding the CARVM methodology in SSAP No. 51, paragraph 40.

- **2020-04: Commissioner Discretion in the *Valuation Manual*** - Revisions to SSAP No. 51R—*Life Contracts*, SSAP No. 52—*Deposit-Type Contracts* and SSAP No. 54R—*Individual and Group Accident and Health Contracts* specify that voluntary decisions to choose one allowable reserving methodology over another, which requires commissioner approval under the Valuation Manual, shall be reported and disclosed as a change in valuation basis.

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

**Convergence with International Financial Reporting Standards (IFRS):** None

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

**Staff Recommendation:**

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

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

**Status:**

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

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

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

**Disclosures**

13. Disclosure of material changes in accounting and correction of errors shall include:
- a. A brief description of the change, encompassing a general disclosure of the reason and justification for change or correction;
  - b. The impact of the change or correction on net income, surplus, total assets, and total liabilities for the two years presented in the financial statements (i.e., the balance sheet and statement of income and operations);
  - c. The effect on net income of the current period for a change in estimate that affects several future periods, such as a change in the service lives of depreciable assets or actuarial assumptions affecting pension costs. Disclosure of the effect on those income statement amounts is not necessary for estimates made each period in the ordinary course of accounting for items such as uncollectible accounts; however, disclosure is recommended if the effect of a change in the estimate is material;
  - d. Changes in accounting that are changes in reserve valuation basis as described in *SSAP No. 51—Life Contracts*, which have elected phase-in provided for in the Valuation Manual, [chaptersSection VM-20 or VM-21](#), shall also include in the change in accounting disclosures information regarding the application of any phase-in as provided for in *SSAP No. 51*; and
  - e. When subsequent financial statements are issued containing comparative restated results as a result of the filing of an amended financial statement, the reporting entity shall disclose that the prior period has been restated and the nature and amount of such restatement.

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

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

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

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

## Disclosures

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

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

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

## Effective Date and Transition

57. This statement is effective for years beginning January 1, 2001. Contracts issued prior to January 1, 2001 shall be accounted for based on the laws and regulations of the domiciliary state. State laws and regulations shall be understood to include anything considered authoritative by the domiciliary state under the individual state's statutory authority and due process procedures. A change resulting from the adoption of this statement shall be accounted for as a change in accounting principle in accordance with SSAP No. 3. The guidance in paragraph 14 was originally contained within *INT 00-30: Application of SSAP No. 51 Paragraph 6 to Waiver of Deduction on Flexible Premium Universal Life Insurance Policies* and was effective December 4, 2000. The guidance in paragraph 51 was originally contained within *INT 01-26: SSAP No. 51 and Reserve Minimum or Required Amount* and was effective January 1, 2001. The revisions adopted in November 2018 to expand liquidity disclosures are effective year-end 2019, concurrent with the inclusion of data-captured financial statement disclosures.

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

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

59.60. Effective January 1, 2026, the *Valuation Manual* was expanded to include VM-22 on non-variable annuities. The guidance includes an optional implementation period of up to 3 years. Consistent with the guidance

[in paragraph 37, implementation of the non-variable annuities guidance shall be reflected as a change in valuation basis and complete the change in accounting disclosures provided in SSAP No. 3—Accounting Changes and Corrections of Errors.](#)

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

#### **Change In Valuation Basis**

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

#### **Effective Date and Transition**

26. This statement is effective for years beginning January 1, 2001. Contracts issued prior to January 1, 2001 shall be accounted for based on the laws and regulations of the domiciliary state. State laws and regulations shall be understood to include anything considered authoritative by the domiciliary state under the individual state's statutory authority and due process procedures. A change resulting from the adoption of this statement shall be accounted for as a change in accounting principle in accordance with SSAP No. 3. Guidance in paragraph 17 was previously included within INT 08-08: Balance Sheet Presentation of Funding Agreements Issued to a Federal Home Loan Bank and was effective for periods beginning March 15, 2009. Guidance in paragraph 21 related to FHLB agreements was initially effective January 1, 2014. The revisions adopted in November 2018 to expand liquidity disclosures are effective year-end 2019, concurrent with the inclusion of data-captured financial statement disclosures. [Effective January 1, 2026, the \*Valuation Manual\* was expanded to include VM-22 on non-variable annuities. The guidance includes an optional implementation period of up to 3 years. Consistent with the guidance in paragraph 14, implementation of the non-variable annuities guidance shall be reflected as a change in valuation basis and complete the change in accounting disclosures in SSAP No. 3—Accounting Changes and Corrections of Errors.](#)

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

[https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2026/2026 Spring/Summary and Minutes/SAPWG/att1H-25-34 -VM 22 goes updates.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/APPTF/2026/2026%20Spring/Summary%20and%20Minutes/SAPWG/att1H-25-34-VM%2022%20goes%20updates.docx)

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

**Issue: Sale-Leaseback Clarification**

**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:** NAIC staff received a question related to a potential sale-leaseback transaction that included a significant restriction to the cash received as part of the sale of the assets, and if such a transaction would meet the definition of a sale-leaseback in accordance with *SSAP No. 22—Leases*. In the transaction, the company was able to sell the nonadmitted asset to an unaffiliated party, but as a part of the transaction, the cash the seller received was to be held in such a manner that the selling insurance company would not be able access the cash until the leaseback was fully paid off years in the future. This agenda item intends to provide guidance that sale-leaseback accounting would not be applicable in situations in which the selling insurer is restricted from readily accessing the sales proceeds. In such instances the financing method would be required.

**Existing Authoritative Literature:**

**SSAP No. 22:**

**Sale-Leaseback Transactions**

31. Sale-leaseback transactions involve the sale of property, plant or equipment by the owner and a lease of the property, plant or equipment back to the seller. Sale-leaseback accounting is a method of accounting in which the seller-lessee records the sale and removes all property, plant or equipment and related liabilities from its balance sheet. The definition of property, plant and equipment eligible for sale-leaseback treatment is in paragraph 3. As noted in paragraph 3, non-depreciable assets, including investments and premium receivables, do not meet the definition of property, plant or equipment, are not allowed to be included in lease transactions, and therefore, are not allowed to be included in sale-leaseback transactions. Assets that do not meet the definition of property, plant and equipment in paragraph 3 may only be used in sale-leaseback transactions as permitted practices with regulatory approval.

32. A sale of property, plant or equipment that is accompanied by a leaseback of all or any part of the property, plant or equipment for all or part of its *remaining* economic life shall be accounted for by the buyer-lessor and seller-lessee as a purchase and operating lease and a sale and an operating lease, respectively, unless the sale-leaseback includes sale of nonadmitted assets to a related party. If the transaction involves a sale of nonadmitted assets to a related party, the transaction shall be accounted for by the deposit method detailed in paragraph 37.

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

- 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.

34. Under sale-leaseback accounting, any profit on the sale shall be deferred and amortized in proportion to the related gross rental charged to expense over the lease term, with the exception of a sale of real estate settled entirely in cash.

35. A sale of real estate, settled entirely in cash, that is accompanied by a leaseback of all or any part of the property, plant or equipment for all or part of its remaining economic life shall be accounted for by the buyer-lessor and seller-lessee as a purchase and operating lease and a sale and an operating lease, respectively. The sale and gain shall be recognized directly to special surplus funds and subsequently amortized to unassigned funds (surplus) over the lease term.

### **Deposit Method and Financing Method**

36. The deposit method is used when the transaction involves a sale-leaseback of nonadmitted assets to a related party. To the extent that leases between related parties are, in substance, arms-length transactions the guidance in this statement shall be applied. The determination of whether related party leases qualify as arms-length transactions is addressed in SSAP No. 25.

37. If a sale-leaseback transaction is accounted for by the deposit method, lease payments decrease and collections on the buyer-lessor's note, if any, increase the seller-lessee's deposit account. The sale-leaseback assets identified in paragraph 31 and any related debt continue to be included in the seller-lessee's balance sheet, and the seller-lessee continues to depreciate the sale-leaseback assets. A seller-lessee that is accounting for any transaction by the deposit method shall recognize a loss if at any time the net carrying amount of the sale-leaseback assets exceeds the sum of the balance in the deposit account, the fair value of the unrecorded note receivable and any debt assumed by the buyer.

38. If a sale-leaseback transaction is accounted for by the deposit method and then subsequently qualifies for sales recognition under paragraph 33, the transaction is accounted for using sale-leaseback accounting, and the gain or loss is recognized in accordance with the provisions of paragraph 34 of this statement. In addition, the leaseback is classified and accounted for in accordance with this statement as if the sale had been recognized at the inception of the lease. The change in the related lease accounts that would have been recorded from the inception of the lease had the transaction initially qualified for sale-leaseback accounting is included in computing the gain or loss recognized in accordance with paragraph 34 of this statement.

39. A sale-leaseback transaction that does not qualify for sale-leaseback accounting nor the deposit method shall be accounted for by the financing method. Under this method the seller-lessee shall not derecognize the transferred asset and shall account for any amounts received as a financial liability and the buyer-lessor shall not recognize the transferred asset and shall account for the amounts paid as a receivable.

40. If a sale-leaseback transaction is reported as under the financing method, lease payments, exclusive of an interest portion, decrease and collections on the buyer-lessor's note increase the seller-lessee's liability account with a portion of the lease payments being recognized under the interest method. The seller-lessee reports the sales

proceeds as a liability, continues to report the sale-leaseback assets identified in paragraph 31 as an asset and continues to depreciate the sale-leaseback assets.

41. If a sale-leaseback transaction accounted for under the financing method subsequently qualifies under paragraph 33, the transaction is then recorded using sale-leaseback accounting, and the cumulative change in the related balance sheet accounts is included in the computation of the gain recognized in accordance with the provisions of paragraph 34 of this statement. In addition, the leaseback is classified and accounted for as an operating lease as if the sale had been recognized at the inception of the lease. The change in the related lease accounts from the inception of the lease to the date the sale is recognized is included in the gain recognized in accordance with paragraph 34 of this statement.

**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):** The larger agenda item 2016-02 worked on the FASB project that brought U.S. GAAP accounting to be more similar to the methodology used under IFRS, but this treatment was rejected for statutory accounting and the operating lease treatment was retained.

**Staff Review Completed by:**  
Jake Stultz, NAIC Staff – February 2025

**Staff Recommendation:** NAIC staff recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to SSAP No. 22—*Leases*, as illustrated below, to clarify that sale-leasebacks with restrictions on access to the cash do not qualify for sale-leaseback accounting and must be accounted for by the seller using the financing method.

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

- 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. [A sale where the cash received by the seller has access restrictions does not meet the definition of a sale for sale-leaseback accounting and shall be recorded as a financing arrangement as described in paragraph 39.](#)

39. A sale-leaseback transaction that does not qualify for sale-leaseback accounting nor the deposit method shall be accounted for by the financing method. Under this method the seller-lessee shall not derecognize the transferred asset and shall account for any amounts received as a financial liability and the buyer-lessor shall not recognize the transferred asset and shall account for the amounts paid as a receivable. [A sale-leaseback transaction where the cash received as part of the sale is subject to access restrictions would not qualify for sale-leaseback accounting and shall be accounted for by the financing method.](#)

**Status:**

On March 24, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions to *SSAP No. 22—Leases* to clarify that sale-leasebacks with restrictions on access to the cash from the sales transaction do not qualify for sale-leaseback accounting and must be accounted for by the seller using the financing method.

On August 11, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions to *SSAP No. 22—Leases*, as illustrated above under 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.

**Summer 2025 Updated Staff Recommendation:**

As a result of the comments received and internal NAIC staff discussions, NAIC staff recommends that the Working Group expose expanded revisions to *SSAP No. 22—Leases*, as illustrated below, which clarify that sale-leasebacks with restrictions on access to the cash do not qualify for sale-leaseback accounting and must be accounted for by the seller using the financing method. These have been modified from the prior exposed version to be clearer. NAIC staff does not recommend exposing the footnote proposed by the joint trades.

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

- 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 have restrictions as to the use of the cash or sale of the assets, the 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.](#)

39. A sale-leaseback transaction that does not qualify for sale-leaseback accounting nor the deposit method shall be accounted for by the financing method. Under this method the seller-lessee shall not derecognize the transferred asset and shall account for any amounts received as a financial liability and the buyer-lessor shall not recognize the transferred asset and shall account for the amounts paid as a receivable. [A sale-leaseback transaction where the cash or assets received as part of the sale are subject to restrictions as described in paragraph 34.c. would not qualify for sale-leaseback accounting and shall be accounted for using the financing method.](#)

**Fall 2025 Updated Staff Recommendation:**

NAIC staff recommends that the Working Group expose this agenda item, which incorporates some of the suggested revisions that were provided by NAMIC and APCIA, with additional NAIC staff revisions, as illustrated below. We believe that these revisions provide further clarity to the issue. NAIC staff recommend an effective date of December 31, 2026, for these revisions.

NAIC staff notes that there has been an increase of situations that have been identified for transactions that involve “sales-leasebacks” that are coupled with restrictions on the cash received and/or “collateral” requirements to secure the transaction. Comments have been received commingling references to operating lease accounting (which does not require an obligation to be reported for the lease commitment) and the admittance of collateral pledged under SSAP No. 4 and INT 01-31 (which addresses the admittance of assets pledged as collateral, referencing examples including investment, derivative, debt and policyholder transactions where the obligation is recorded). Fundamentally, a lease arrangement that incorporates restricted cash or has collateral requirements, is a financing arrangement, which is more in line with a debt agreement accounted for as a secured borrowing, and requires comparable reporting. Under a lease financing arrangement, the accounting includes the following:

- 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.
- A liability to return the cash received is recognized as an obligation.
- Overtime, the “sold” asset retained on the books would continue to be depreciated, reducing the impact of nonadmitted.
- Amounts paid towards the “lease” would decrease the cash balance and the liability to return the cash received.

These discussions have raised questions around the intent of the admissibility guidance for assets pledged as collateral. The examples discussed in INT 01-31 are examples where the collateral secures a liability that has been recognized on the balance sheet. It is questionable whether admissibility is intended to be extended to assets pledged as collateral for off-balance sheet obligations, as is the case for an operating lease. If an insolvency were to occur during the term of the encumbrance, those assets would not be available to pay policyholders. Admitting such assets is counter to the principles underlying statutory accounting as described in the Statement of Concepts which states, “assets which are unavailable due to encumbrances or other third-party interests should not be recognized on the balance sheet.” Whereas admittance of collateral assets securing a recognized liability appropriately reflects the net assets available to pay policyholders, admittance of collateral encumbered by an off-balance sheet obligation does not. It is the view of NAIC Staff that such arrangements were not intended to be admissible under SSAP No. 4 and INT 01-31. While this agenda item addresses the issue as it relates to sale-

leaseback transactions, the Working Group may want to consider clarifications to INT 01-31 to address other types of off-balance sheet obligations.

Gray highlights below denote new language added or removed from the prior exposed language.

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

- 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 are effectively restricted (in whole or in part) from being accessed or used to satisfy policyholder obligations until the repayment of the lease and/or such cash or assets (or other assets pledged to the lender under the terms of the agreement) would be forfeited to the lessor/lender (in whole or in part) if the seller terminates the contract, then have restrictions as to the use of the cash or sale of the assets, the 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.

39. A sale-leaseback transaction that does not qualify for sale-leaseback accounting nor the deposit method shall be accounted for by the financing method. Under this method the seller-lessee shall not derecognize the transferred asset and shall account for any amounts received as a financial liability and the buyer-lessor shall not recognize the transferred asset and shall account for the amounts paid as a receivable. A sale-leaseback transaction where the cash or assets received as part of the sale are subject to restrictions as described in paragraph 34.c. would not qualify for sale-leaseback accounting and shall be accounted for using the financing method.

### Effective Date and Transition

54. This statement is effective for years beginning January 1, 2001. The conceptual revisions documented in *Issue Paper No. 161—Leases* are effective for all new leases entered into, and for existing leases reassessed due to a change in terms and conditions under paragraph 11, on or after January 1, 2020. Earlier adoption is permitted. The guidance in paragraph 34 regarding commercial airplanes was originally contained within *INT 00-02: Accounting for Leveraged Leases Involving Commercial Airplanes Under SSAP No. 22—Leases* and was effective March 13, 2000. The guidance in paragraph 5 was originally contained within *INT 04-20: EITF 01-8: Determining Whether an Arrangement Contains a Lease* and was effective March 13, 2005. Guidance in paragraph 27 related

to maintenance costs incurred by lessee was previously included within *INT 09-05: EITF 08-3: Accounting by Lessees for Maintenance Deposits* and was effective for periods beginning September 21, 2009. The guidance in paragraphs 17 and 18 was originally contained within *INT 00-27: EITF 98-9: Accounting for Contingent Rent* and was effective September 11, 2000. [The guidance in paragraphs 33 and 39, clarifying the statutory accounting treatment for sale-leaseback transactions that do not qualify for sale-leaseback accounting and therefore must apply the financing method, applies to contracts in effect on or after the TBD adoption.](#)

On December 9, 2025, the Statutory Accounting Principles (E) Working Group exposed further revisions to SSAP No. 22, as illustrated above, under the Fall 2025 Updated Staff Recommendation. The exposed revisions incorporate certain aspects of the changes recommended by the NAMIC/APCIA comment letter and include additional NAIC staff changes to further clarify the intent and scope of the proposed guidance and the effective date.

On March 23, 2026, the Statutory Accounting Principles (E) Working Group adopted the exposed revisions to SSAP No. 22—*Leases*, including minor suggested changes from NAMIC/APCIA, which clarified situations where a sale-leaseback transaction includes restrictions to accessing the cash or assets that are received as part of the sale. The revisions are effective immediately. The final adopted revisions to SSAP No. 22 are illustrated below.

[33.c. When cash or assets received by the seller are effectively restricted \(in whole or in part\) from being accessed or used to satisfy policyholder obligations until the repayment of the lease and/or such cash or assets \(or other assets pledged to the lender under the terms of the agreement\) would be forfeited to the lessor/lender \(in whole or in part\) in the event the seller/lessee breaches the terms of the lease or terminates the contract, then such transactions 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.](#)

39. A sale-leaseback transaction that does not qualify for sale-leaseback accounting nor the deposit method shall be accounted for by the financing method. Under this method the seller-lessee shall not derecognize the transferred asset and shall account for any amounts received as a financial liability and the buyer-lessor shall not recognize the transferred asset and shall account for the amounts paid as a receivable. [A transaction where the cash or assets received as part of the sale are subject to restrictions as described in paragraph 33.c. would not qualify for sale-leaseback accounting and shall be accounted for using the financing method.](#)

54. This statement is effective for years beginning January 1, 2001. The conceptual revisions documented in *Issue Paper No. 161—Leases* are effective for all new leases entered into, and for existing leases reassessed due to a change in terms and conditions under paragraph 11, on or after January 1, 2020. Earlier adoption is permitted. The guidance in paragraph 34 regarding commercial airplanes was originally contained within *INT 00-02: Accounting for Leveraged Leases Involving Commercial Airplanes Under SSAP No. 22—Leases* and was effective March 13, 2000. The guidance in paragraph 5 was originally contained within *INT 04-20: EITF 01-8: Determining Whether an Arrangement Contains a Lease* and was effective March 13, 2005. Guidance in paragraph 27 related to maintenance costs incurred by lessee was previously included within *INT 09-05: EITF 08-3: Accounting by Lessees for Maintenance Deposits* and was effective for periods beginning September 21, 2009. The guidance in paragraphs 17 and 18 was originally contained within *INT 00-27: EITF 98-9: Accounting for Contingent Rent* and was effective September 11, 2000. [The guidance in paragraphs 33 and 39, clarifying the statutory accounting treatment for sale-leaseback transactions that do not qualify for sale-leaseback accounting and therefore must apply the financing method, applies to all contracts in effect on or after March 23, 2026.](#)

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

**Issue: IMR Proof of Reinvestment**

**Check (applicable entity):**

	P/C	Life	Health
Modification of Existing SSAP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input 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 present the proposed IMR proof of reinvestment requirement discussed by the IMR Ad Hoc Group to the Working Group for consideration. A fundamental concept of a negative interest maintenance reserve (IMR)<sup>1</sup>, supporting the deferral of realized loss recognition with amortization over time, is that the proceeds from the sale of the fixed-income instruments have been reinvested into new fixed income instruments with a higher yield. Although the tracking of sales proceeds to specific acquisitions was noted as the ideal approach, such specific investment tracking is not realistic within insurance companies. To facilitate verification without specific investment tracking, a calculation template has been developed to determine whether reporting entities are sufficiently acquiring fixed-income instruments in comparison to their investable premium and sold fixed-income investments, and if the weighted average yield on the investments acquired is greater than the weighted average yield of the investments sold. Under the concepts supported by the IMR Ad Hoc Group, a company would be required to complete and pass both tests (reinvestment and weighted average yield) within the proof of reinvestment in order to move to a net negative IMR balance (from a prior positive IMR position) and/or increase a prior year net negative IMR balance. Reporting entities with a net positive IMR, regardless of the extent of sales resulting in realized losses throughout the year, would not be required to complete the proof. Reporting entities that fail the proof would only be permitted to recognize in IMR current year realized losses that offset current year realized gains. If the reporting entity that failed the proof had additional realized losses, those losses would be recognized as a direct surplus impact and would not be recognized/deferred through IMR. For clarity, although reference is made to fixed-income investments, the proof of reinvestment focuses on bonds and mortgage loans as they comprise the majority of fixed-income investments at reporting entities. This limitation intends to allow for a more simplistic calculation that still meets the spirit of the overall intent of the proof of reinvestment.

The IMR Ad Hoc Group considered the proof concept for the general account and the separate accounts and determined that individual proof calculations should be completed for each filed account separately, based on the position of IMR in each. As such, separate templates have been created for both the general account and the separate account. To be clear on application requirements:

---

<sup>1</sup> Primer / Recap: IMR is a statutory concept used to defer and amortize realized interest-related gains and losses generated from the sale of fixed income instruments before maturity. When a sale occurs with a realized gain, it is considered a positive IMR (liability). When a sale occurs with a realized loss, it is considered a negative IMR. Reporting entities collectively report the IMR based on the net negative or positive position. Prior to *INT 23-01: Net Negative (Disallowed) IMR*, net negative IMR was a nonadmitted asset. Under INT 23-01 net negative IMR is permitted to be admitted up to 10% of adjusted capital and surplus. This INT has an effective date through Dec. 31, 2026. Consideration of a long-term approach for net negative IMR was directed as part of the INT adoption. The IMR Ad Hoc Group has been working to establish key concepts for future inclusion in *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve*.

- If the general account went net negative or increased the net negative balance, then a proof would be required for the general account. This would be required regardless of whether any separate account (insulated or non-insulated) was in a positive IMR position.
- If a separate account went net negative or increased the net negative balance, then a proof for that separate account would be required. Again, this would be required regardless of whether the general account or another separate account was in a positive IMR position.

The IMR Ad Hoc Group has also recently indicated support for eliminating the “disallowed” concept for IMR. With this removal, IMR recognition will be fully dependent on the IMR position in that specific account. So, if the general account has a net negative IMR, and a separate account has a net positive IMR, there would be no recognition of a contra-liability offset in the general account. Rather, the general account would show the full negative position on the general account asset page, and the separate account would show the full positive position on its liability page.

The proof of reinvestment is intended to be captured as a disclosure within *SSAP No. 7—Asset Valuation and Interest Maintenance Reserve* for annual completion as required by impacted reporting entities. As shown within the illustrations in this agenda item, the templates have been prepared to maximize specific reporting lines from the financial statements, allowing for ease of regulator and auditor verification.

It is important to highlight that the recognition to IMR throughout the year is not expected to be impacted. Meaning, reporting entities would recognize realized losses to IMR as appropriate throughout the quarters. The disclosure template will be required to be completed annually for current-year information, and if a company does not pass the proof, then the reporting entity will be required to adjust what had been recognized to IMR throughout the year. This will require a year-end adjustment to IMR for companies that do not pass.

A template planned for the Issue Paper and *SSAP No. 7* to determine when the proof of reinvestment is required and then templates illustrating the calculations are included within this agenda item. The following key concepts are also planned for documentation to assist with completing the calculations:

- a. Key Rationale: Overall calculation intends to identify whether acquisitions of fixed-income investments are greater than proceeds from fixed-income sales and investable premium. The key rationale is that maturities of fixed-income investments are expected to cover claims (if perfectly matched) and cash proceeds from fixed-income sales and premiums need to be invested.
- b. Acquisitions of Investments: Investments acquired focus on bonds and mortgage loans as the primary sources of fixed-income investments that comprise IMR<sup>2</sup>. The cost of these investments is pulled directly from the cash flow statement Rows 13.1 and 13.3.

---

<sup>2</sup> The proof of reinvestment only focuses on bonds and mortgage loans as they represent the majority of fixed-income items acquired and sold by reporting entities. Consideration was given to requiring an assessment of those items if they represented 10% or more of a reporting entity’s fixed-income sales for a given year, however, with the decision to require AVR allocation for items held at fair value, this provision was eliminated. If included, it would have a required a manual adjustment to the proof by the reporting entity.

- c. Proceeds from Investments: Include the proceeds from sales of bonds and mortgage loans. As of year-end 2025, there is no data-captured disclosure that identifies the proceeds from sales specifically. Available information at that time aggregates proceeds from both sales and maturities. Proposed revisions for year-end 2026 will include new data-captured disclosures for bonds to separately detail proceeds from sales and maturities. Upon implementation of the new disclosure, the proof of reinvestment calculation will refer to the location of that specific disclosure. Company internal records will be used for mortgage loans, which are not actively traded and have limited sales occurrences.
- d. Investable Premium: Premiums are used for many purposes, therefore adjustments to total premium are necessary to determine “investable premium.” Adjustments are captured in the calculation as follows:
- i. Remove commissions and expenses as premiums are used to pay commissions and expenses. This subtraction should agree to the Cash Flow Statement, Row 7: Commissions, Expenses Paid and Aggregate Write-In for Deductions.
  - ii. Remove premiums for the company’s allocation of equity and other investments, recognizing that companies do not invest all investable premium into bonds and mortgage loans. To make this adjustment, companies calculate the percentage of bonds and mortgage loans to the total invested assets from their balance sheet and then reduce the investable premium by the percentage difference (invested assets not reflecting bonds or mortgage loans.)
  - iii. Remove premiums that are allocated to the separate account. This subtraction is modified to add-back “premium” transfers to the separate accounts that reflect “assets in-kind” (non-cash asset transfers from the general account to the separate account). A reporting entity is required to complete separate templates to prove reinvestment when required based on the net negative IMR position of any separate account.
  - iv. Remove premiums received on certain short-term accident and health (A&H) businesses (excluding premiums received for long-term care and disability). For the specific short-term business excluded, monthly premiums are largely used to pay claims as the liabilities are short-term. To the extent reserves are generated, they generally resolve very quickly, with their claims reserves acting more as a reserve for payable items than a long-term premium retention reserve that one would expect to cause an inflow into long-term fixed investments. For these companies, the loss ratios are generally much higher year-to-year than new business written in more traditional life/annuity products, and including their gross premium far exceeds any expectation of retained profits that may cause an investable need. Therefore, these premiums are excluded from the proof of reinvestment calculation.
- e. Calculated Result of Acquisitions to Sales: The cost of the mortgage loans and bonds purchased less sales and investable premium is calculated.
- f. Calculated Result of Compared Weighted Average Yields: In addition to the reinvestment verification, a reporting entity shall also identify the weighted average yield of the investments purchased and sold during the year (as shown in the calculation). The difference of these two weighted average yields is then calculated.

A reporting entity only passes the proof of reinvestment if the results from both the calculated results of acquisitions to sales and the comparison of weighted average yields are both positive. Even if one aspect is positive, and the other is negative, the company does not pass the proof of reinvestment. A reporting entity is

only able to increase an IMR net negative position beyond what would be offset beyond current year IMR gains if they pass the proof of reinvestment. Reporting entities that had allocated negative losses to the IMR in the general account that does not pass proof of reinvestment is required to eliminate the losses that are not offset by gains and recognize the losses as immediate capital losses.

For the separate account, if the reporting entity does not pass the proof of reinvestment, the company is still permitted to recognize net negative IMR transferred from the general account. This is permitted as an carve-out as the transferred IMR was not the result of a specific separate account sale, therefore it is outside the parameter for the proof of reinvestment calculation. With the exception of this carve-out, if the reporting entity does not pass the proof of reinvestment for the separate account, the entity is only allowed recognize realized losses from sales in the separate account IMR to the extent they are offset by separate account gains also recognized in the IMR.

After the completion of the proof of reinvestment, and any modifications to eliminate deferred losses from the IMR, the reporting entity shall update and recognize the full and complete IMR amortization required for the IMR balance, including the appropriate portion of amortization attributed to the losses and gains added to the IMR balance throughout the current year.

**Template 1 – Examples to Determine when the Proof of Reinvestment is Required:**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Beginning IMR Balance	50.00	50.00	(50.00)	(50.00)	(50.00)
IMR Expected Amortization <sup>1</sup>	(20.00)	(20.00)	20.00	20.00	20.00
<b>Subtotal</b>	<b>30.00</b>	<b>30.00</b>	<b>(30.00)</b>	<b>(30.00)</b>	<b>(30.00)</b>
Current Year IMR Gains	15.00	15.00	15.00	45.00	15.00
Current Year IMR Losses	(50.00)	(30.00)	(50.00)	(30.00)	(15.00)
<b>IMR Preliminary Balance</b>	<b>(5.00)</b>	<b>15.00</b>	<b>(65.00)</b>	<b>(15.00)</b>	<b>(30.00)</b>
<b>Proof</b>	<b>Required</b>	<b>Not Required</b>	<b>Required</b>	<b>Not Required</b>	<b>Not Required</b>
Impact if Entity Fails Proof:					
Remove from IMR:	(5.00)	N/A	(35.00)	N/A	N/A
<b>IMR After Adjustment &amp; Before Current Year Amortization</b>	<b>-</b>	<b>15.00</b>	<b>(30.00)</b>	<b>(15.00)</b>	<b>(30.00)</b>

*FN 1:* IMR expected amortization shall be a direct pull from the prior year-end IMR amortization schedule. Although IMR amortization is a separate calculation completed to reflect current year impacts to IMR, determining whether the proof is necessary requires an adjustment to the beginning IMR balance for current year expected amortization. This adjustment amount shall be taken directly from the prior year-end IMR amortization schedule and used to adjust the beginning IMR balance. By using the prior year estimated amortization against the beginning balance, instead of actual current year amortization against the ending balance, a circular calculation is prevented. Current year amortization includes components for current year losses and would need to be recalculated if the reporting entity fails the proof and must remove realized losses from the ending IMR balance. Current year IMR amortization shall be calculated based on the resulting IMR balance after adjustments for reporting entities that fail the proof of reinvestment, reflecting consideration of actual current year gains and losses included in the IMR.

**Discussion of Conclusions:**

*In all situations, if the entity is required to complete the proof, and fails, the losses removed from IMR shall be recognized as current period realized loss.*

**Example 1:** Proof is required as the entity has gone net negative with losses exceeding gains. If the entity fails the proof, the entity must remove IMR losses to either eliminate the net negative position, or to eliminate the increase of a net negative position. For this example, the removal would eliminate the net negative position, resulting in a year-end IMR position of net zero.

**Example 2:** Proof is not required as the entity has not gone net negative, even though the entity had more IMR losses than IMR gains.

**Example 3:** Proof is required as the entity has increased their prior net negative position. If the entity fails the proof, the entity must remove IMR losses to eliminate the current year increase of a net negative position. With the removal of \$35 in losses, the net negative position equals the beginning balance after the expected amortization from prior year established IMR.

**Example 4:** Proof is not required as the entity has not increased their prior-year net negative position.

**Example 5:** Proof is not required as the entity has not increased their prior-year net negative position.

**Template 2 – Proof of Reinvestment Disclosure Illustration – General Account**

Line	Data Source	Description	2024 YTD
1	CF Stmt - Row 13.1	Cost of investments acquired (long-term only) - Bonds	103,056,000
2	CF Stmt - Row 13.3	Cost of investments acquired (long-term only) - Mortgage Loans	14,181,000
3	Sum of lines 1 + 2	<b>Cost of Fixed Income Investments Purchased</b>	<b>117,237,000</b>
4			
5	Internal Systems	Proceeds from investments sold - Bonds	39,861,000
6	Internal Systems	Proceeds from investments sold - Mortgage Loan	3,831,000
7	Sum of Lines 5 & 6	<b>Total proceeds from Fixed Income Investments Sold</b>	<b>43,692,000</b>
8			
9	CF Stmt - Row 1	Premiums collected net of reinsurance	52,020,000
10	CF Stmt - Row 7	Commissions, expenses paid & aggregate write-ins for deductions	11,062,000
11	AS - Note 35 SA	Total Separate Account premiums, considerations or deposits, end of current period. (Negative IMR in the SA requires a separate calculation)	15,000,000
12	Internal Systems	Separate Account assets in kind received in line 11 above	3,000,000
13	Analysis of Operations - A&H: Column 1 less columns 11^ & 12	Premiums for accident and health contracts (short-term)	5,000,000
14	Line 9 - line 10 – line 11 + line 12 - line 13	<b>Investable Premiums Before Other Investment Adjustment</b>	<b>23,958,000</b>
15			
16	BS – Row 1	Bonds – Net Admitted	130,000,000
17	BS – Row 3.1	First Lien Mortgages – Net Admitted	20,000,000
18	BS – Row 3.2	Other Than First Lien Mortgages – Net Admitted	10,000,000
19	16 + 17 + 18	<b>Investments Subject to Proof of Reinvestment</b>	<b>160,000,000</b>
20	BS – Row 12	Subtotal, Cash and Invested Assets – Net Admitted	200,000,000
21	Line 20 – Line 19	<b>Allocation for Investment Into Other Assets</b>	<b>40,000,000</b>
22	Line 21 Divided by Line 20	<b>Percent of Investable Premiums Allocable to Equity and Other Investments</b>	<b>20%</b>
23	Line 14 multiplied by Line 22	<b>Investable Premium Adjustment</b>	<b>4,792,000</b>
24	Line 14 – Less 23	<b>Investable Premium</b>	<b>19,166,000</b>
25	Line 3 - line 7 - line 14	<b>Investments Purchased less Investments Sold and Investable Premiums</b>	<b>49,587,000</b>
26	Internal Systems	Weighted average yield of fixed income investments purchased (as reported on line 3) during the year	<b>4.57%</b>
27	Internal Systems	Weighted average yield of fixed income investments sold (as reported on line 7) during the year	<b>3.96%</b>
28	Line 17 - line 18	<b>Increase (Decrease) of Yield of Purchased Investments Over Those Sold</b>	<b>0.61%</b>
29		<b>Sufficient Evidence of Reinvestment of Fixed Income Investments</b>	
30	<b>Test 1</b>	<b>Is line 25 positive?</b>	<b>Yes</b>
31	<b>Test 2</b>	<b>Is line 28 positive?</b>	<b>Yes</b>
	If lines 25 & 28 are both positive - current year negative IMR that exceeds positive IMR can be added to either originate a net negative balance or increase an existing unamortized negative IMR balance. Admittance is subject to limitations included within SSAP No. 7.		

**Template 3 – Proof of Reinvestment Disclosure Illustration – Separate Account**

Line	Data Source	Description	2024 YTD
1	internal systems	Cost of investments acquired (long-term only) - Bonds	430,000
2	internal systems	Cost of investments acquired (long-term only) - Mortgage Loans	128,000
3	Sum of lines 1 + 2	<b>Cost of Bonds &amp; Mortgage Loans Purchased</b>	<b>558,000</b>
4			
5	Internal Systems	Proceeds from Investments sold - Bonds	502,000
6	Internal Systems	Proceeds from Investments sold - Mortgage Loans	14,000
7	sum of lines 5 & 6	<b>Total proceeds from Bonds &amp; Mortgage Loans Sold</b>	<b>516,000</b>
8			
9	Blue book Note 35	Premiums collected net of reinsurance	7,000
10	CF Stmt - Row 7	Commissions, expenses paid and aggregate write-ins for deductions	0
11	AS - Note 35 SA	Total premiums, considerations or deposits at end of current period	0
12	Internal Systems	Assets in kind received in line 11 above	0
13	AS - Analysis of operations by lines of business - A&H: Column 13 less columns 11 & 12	Premiums for accident and health contracts (short-term)	0
14	Line 9 -line 10 -line 11 + line 12 - line 13	<b>Investable Premiums</b>	7,000
15			
16	B/S Line 1 - Bonds	Bonds – General Account Basis Only – Net Admitted	2,450,000
17	B/S - Line 3 M/Ls (GA basis)	Mortgages – General Account Basis Only – Net Admitted	570,000
18	Sum of lines 16 & 17	<b>Investments Subject to Proof of Reinvestment</b>	3,020,000
19	B/S - Line 11 Cash & Invested Assets	Subtotal, Cash and Invested Assets – General Account Basis - Net Admitted	3,124,000
20	Line 19-Line 18	<b>Allocation for Investment for Other Assets</b>	104,000
21	Line 20 divided by line 19	<b>Percent of Investable Premiums Allocable to Equity &amp; Other Investments</b>	3%
22	Line 14 multiplied by line 21	<b>Investable Premium Adjustment</b>	0.23
23	Line 14 minus line 22	<b>Investable Premiums</b>	6.77
24			
25	Line 3 - line 7 - line 23	<b>Investments Purchased less Investments Sold and Investable Premiums</b>	<b>35,000</b>
26			
27	Internal Systems	Weighted average yield of fixed income investments purchased (as reported on line 3) during the year	4%
28	Internal Systems	Weighted average yield of fixed income investments sold (as reported on line 7) during the year	3%
29	Line 17 - line 18	<b>Increase (Decrease) of Yield of Purchased Fixed Income Investment Yield Over Those Disposed</b>	1%
30			
31		<b>Sufficient Evidence of Reinvestment of Fixed Income Investments</b>	
32	<b>Test 1</b>	<b>Is line 25 positive?</b>	yes
33	<b>Test 2</b>	<b>Is line 29 positive?</b>	yes

If lines 32 & 33 are both positive (yes) - current year negative IMR can be added to existing unamortized negative IMR balance. If either line 32 or 33 is negative (no), then current year negative IMR cannot be added to existing unamortized negative IMR, with the exception of negative IMR received as a transfer from the general account. (Note: Further discussion is planned for this exception and whether the transferred IMR should be reflected in the separate account IMR balance.)

**Existing Authoritative Literature:**

- ***SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve***
- ***Annual Statement Instruments – Interest Maintenance Reserve***

SSAP No. 7 establishes statutory accounting principles for an AVR and IMR. Currently most guidance is captured in the annual statement instructions. One intent of the long-term IMR project is to move accounting guidance from the annual statement instructions into the SSAP.

There is no guidance for IMR/AVR in SSAP No. 7 and the annual statement instructions that limits recognition of realized losses from qualifying debt securities to IMR. This is because that historically, net negative IMR was nonadmitted. With potential long-term guidance that permits admittance of negative IMR, restrictions on recognition to IMR is being considered.

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

- Agenda Item 2023-14: *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve* establishes a broad project to capture accounting guidance for AVR and IMR in SSAP No. 7. The IMR ad hoc group was created from this agenda item and has been meeting regularly since October 2023. In accordance with this agenda item, in August 2025, the Working Group agreed with a resulting conclusion from the IMR Ad Hoc Group to eliminate the concept of hypothetical IMR in the issue paper and proposed edits to SSAP No. 7. Consistent with other IMR topics, when the issue paper and SSAP No. 7 revisions are exposed, future revisions can be considered prior to final adoption and implementation.
- Agenda Item 2023-15: IMR/AVR Specific Allocations adopted revisions to the A/S instructions for year-end 2024 to remove the guidance that prescribes the specific allocation of non-interest related losses to IMR. The revisions addressed both mortgage loans and the guidance for debt securities. For debt securities, the guidance directs AVR reporting if there is an acute credit event that negatively impacts the price of the security that has not yet been reflected in the CRP ratings/SVO feed at the time of the sale where the resulting gains/loss was predominantly credit related.
- Agenda Item 2023-29: IMR / AVR Preferred Stock adopted revisions to the A/S instructions for year-end 2024 to remove the guidance that directed all preferred stock to be allocated between IMR/AVR based on NAIC designations, and to clarify that perpetual preferred stock as well as all mandatorily convertible preferred stock shall be reported through the AVR.
- Agenda Item 2024-15: Asset Liability Management Derivatives was developed to consider new statutory accounting guidance to permit the deferral of realized gains/losses for interest-rate hedging derivatives that do not qualify as effective hedges under *SSAP No. 86—Derivatives*. This item was initially exposed at the 2024 Summer National Meeting, but an extended comment period was provided until November 8, 2024. Then, due to the extent of comments and the complexity of the topic, the Working Group deferred direction to staff to move forward. Further discussion, along with a review of data reported for IMR derivatives is anticipated, before the Working Group directs staff to move forward.

- Agenda Item 2025-13: IMR Definition was developed to establish a broad definition of IMR. This definition was “adopted” by the Working Group on August 11, 2025, but consistent with other IMR topics, the definition will be included in the issue paper and revisions to SSAP No. 7, which will also be exposed, and future revisions could be considered prior to final adoption and implementation.

**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 new SAP concept and expose the proposed concepts and templates for the IMR Proof of Reinvestment, as shown above, for full Working Group and industry consideration. Although being shared/exposed at this time with a request for feedback, the resulting guidance will be included in the issue paper being developed for SSAP No. 7. As such, subsequent consideration can also occur when the issue paper is also exposed for comment.**

**Staff Review Completed by:** Julie Gann, NAIC Staff—September 2025

**Status:**

On December 9, 2025, the Statutory Accounting Principles (E) Working Group exposed the proposed concepts and templates for the IMR Proof of Reinvestment developed by the IMR Ad Hoc Group, as shown above, for Working Group and industry consideration. These concepts and disclosures are anticipated to be included in the issue paper and revised SSAP developed as part of the IMR long-term project.

On March 23, 2026, the Statutory Accounting Principles (E) Working Group adopted the proposed concepts for the IMR Proof of Reinvestment developed by the IMR Ad Hoc Group as discussed above. With the proof of reinvestment concept, an insurance reporting entity would have to pass the proof in order to move into a net negative IMR position or an increase a net negative IMR position in either the general account or book-value separate account. Reporting entities that do not complete the template or do not pass the tests detailed within the proof of reinvestment will be required to recognize losses that exceed gains from sales of qualifying fixed-income investments immediately as a capital loss. Comments were received on the exposed templates, and NAIC staff noted that they will work with industry to refine the templates. The concept and revised disclosure templates will be subsequently exposed and considered for final adoption in the issue paper and revised SSAP developed as part of the long-term IMR project.

<https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2026/2026 Spring/Summary and Minutes/SAPWG/Att 1J-25-23 - IMR Proof of Reinvestment.docx>

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

**Issue: Nonadmittance of Long-Term Repos**

**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 discuss and clarify the guidance requiring nonadmittance of long-term repurchase and reverse repurchase transactions. This item has been raised due to questions on the existing guidance requiring nonadmittance, inconsistent treatment by reporting entities, permitted practices to admit long-term repurchase agreements, and an identified potential disparate treatment for repurchase agreements in comparison to other types of borrowing structures.

Under existing guidance in *SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, repurchase and reverse repurchase transactions are collectively referred to as “repos.” The existing nonadmittance guidance refers to both types collectively, with nonadmittance required for agreements with maturity dates in excess of 365 days. This is detailed in footnote 6 of SSAP No. 103:

<sup>6</sup> Only short-term repo agreements (with a stated short-term maturity date) are allowed as admitted assets. Long-term repo agreements (agreements with maturity dates in excess of 365 days) are nonadmitted.

Questions and comments have been received on the nonadmittance of repo contracts that have stated maturity dates of more than one year, particularly noting the following:

1. Repurchase and reverse repurchase agreements are different transactions, serving different purposes for reporting entities, therefore should be assessed separately in determining how nonadmitted guidance should be applied and if nonadmittance should be required for maturities in excess of one year.
2. For repurchase transactions, the nonadmittance recognition has been noted to present a punitive financial position when the agreement is open. If the repurchase transaction was to default, the resulting surplus position after default would be an improved financial presentation than what is shown with nonadmittance.
3. For repurchase transactions, the treatment has been identified to be disparate from other borrowing arrangements. For example, borrowings from the FHLB and securities lending agreements are not subject to admittance provisions based on the length of the borrowing agreement.
4. For all transactions, questions have been received on the application, particularly on the component that should be nonadmitted in the financial statements, and if that nonadmitted status should be eliminated once the contract enters the last year of its contract. (For example, if a 3-year agreement was nonadmitted, would that agreement be admitted once there is only 1 year left to maturity.)

As background, the definitions of repurchase and reverse repurchase agreements are as follows:

- **Repurchase Agreements** - For secured borrowing repurchase transactions, the insurance reporting entity sells a security, and receives collateral (generally cash) in an exchange that does not qualify as a sale. The insurer is the “cash taker” in these transactions, meaning they are borrowing funds from the counterparty. An insurer could enter into repurchase agreements for spread investing, this could be considered similar to the purposes of entering into a borrowing agreement with FHLB. For repurchase transactions, the counterparty to the insurer bears the asset risk (risk of decline in collateral value for the transferred asset).
- **Reverse Repurchase Agreements** - For secured borrowing reverse repurchase transactions, the insurance reporting entity is buying a security and providing collateral (generally cash) in an exchange that does not qualify as a sale. The insurer is the “cash provider” in these transactions. For these transactions, the insurer bears the asset risk (risk of decline in collateral value for the acquired asset).

For purposes of review, the remaining agenda item will review repurchase and reverse repurchase transactions separately to avoid confusion on the accounting / reporting.

**Repurchase Agreements – Insurer is the Cash Taker -Illustration of Entries & Assessment of Nonadmittance:**

As detailed above, for repurchase agreements, the reporting entity “sells” a security and receives collateral (generally cash) in exchange. The agreement typically does not qualify as a sale, so is accounted for as a secured borrowing. Under secured borrowing provisions, the asset “sold” is retained on the reporting entity’s books, if cash is received and/or if the reporting entity has the ability to sell non-cash collateral received, then the entity recognizes the cash, and the liability to return.

The reporting entity’s entries would look as follows: *(Note: The collateral requirement is 95. However, the entries are simply shown for debit/credit purposes and to illustrate nonadmittance, so a simple matching 100 is used.)*

	Cash	Bond	Liability	Surplus
Beg Balance	100DR			100Cr
Purchase Bond	100CR	100DR		
Sell Bond in Repo	100DR		100CR	
<b>Ending Balances</b>	<b>100DR</b>	<b>100DR</b>	<b>100CR</b>	<b>100CR</b>
<b>Net Position</b>		<b>100DR</b>		<b>100CR</b>

As shown above, the cash received is offset by the reported liability. **With this reporting there is no impact on the overall capital and surplus.** If this repurchase agreement was in excess of 1 year, then under SSAP No. 103 the sold bond would be nonadmitted. This would be shown as follows:

	Cash	Bond	Liability	Surplus
Beg Balance	100DR			100Cr
Purchase Bond	100CR	100DR		
Sell Bond in Repo	100DR		100CR	
Nonadmit Bond		100CR		100DR
<b>Ending Balances</b>	<b>100DR</b>		<b>100CR</b>	
<b>Net Position</b>	<b>0</b>			<b>0</b>

As shown above, with nonadmittance the surplus is eliminated, and the cash and liability offset. **This would negatively impact the reporting entity's financial presentation for the nonadmitted bond.** However, in the event that the transaction was to default and the counterparty did not return the bond, the ultimate impact from this transaction would be for the reporting entity to keep the collateral (cash) and eliminate the liability to return the cash to the counterparty, shown as follows:

	Cash	Bond	Liability	Surplus
Beg Balance	100DR			100Cr
Purchase Bond	100CR	100DR		
Sell Bond in Repo	100DR		100CR	
Nonadmit Bond		100CR		100DR
Remove Liability			100DR	100CR
Remove Nonadmittance		100DR		100CR
Remove Bond		100CR		100DR
<b>Ending Balances</b>	<b>100DR</b>			<b>100CR</b>
<b>Net Position</b>	<b>100DR</b>			<b>100CR</b>

This puts the reporting entity exactly where they were prior to the repurchase transaction (except for the 5% difference in the collateral received versus the bond lent). **As such, nonadmitting the "sold" bond during the agreement results in a presentation that is more punitive than what would occur in the event of default.**

Although there could be discussion on the reinvested use of the cash received, that dynamic is not specific or limited to repurchase agreements. In fact, with the financial crisis, the liquidity issues most predominantly involved the short-term (overnight) security lending transactions, that had historically been continuously rolled. In those dynamics, the insurer had invested the cash/collateral received in longer dated assets, as they expected the securities lending agreement to continue to roll. When the counterparty decided not to end the agreement on a stated maturity date (overnight), rather than continuously roll the investment, the insurer had to return the collateral by liquidating assets they had not planned to sell. After the financial crisis, additional disclosures were required to address the mismatch of the securities lending agreement to the reinvested cash. Presumably, reinvested cash from a longer dated repurchase agreement would be more in line with the maturity date of the agreement. (As non-short-term repurchase agreements were nonadmitted during the financial crisis, longer dated repurchase agreements were not a component within this dynamic.)

Based on this illustration and how the accounting/reporting works, unless it is intended to be punitive and a discouragement for a reporting entity to enter longer term repurchase transactions, the nonadmitted guidance is an interim negative financial presentation that exists while the repurchase agreement is in force. The resulting position (after default or unwinding) returns the reporting entity to the original pre-repurchase agreement presentation. As the insurer entity generally receives cash, and the counterparty assumes the asset risk, in the event the sold asset declines in value, the insurer would be in the preferred position. The insurer could elect to default, keeping the cash, and not accepting the return of the devalued asset. As such, the risk to the insurer in a repurchase agreement is low.

For comparison purposes, the entries for a reporting entity borrowing from an FHLB are shown below. There are no restrictions for FHLB transactions for long-term agreements, therefore there is no reported nonadmittance. The reporting entity's beginning, interim, and ending net position is the same. This is because even in the event of default, the reporting entity keeps the cash borrowed and removes the liability to return.

<b>FHLB Borrowing Accounting Illustration</b>				
	<b>Cash</b>	<b>Bond</b>	<b>Liability</b>	<b>Surplus</b>
Beg Balance	100DR			100Cr
Purchase Bond	100CR	100DR		
Borrow from FHLB (with Bond Pledged)	100DR		100CR	
<b>Net Position</b>		<b>100DR</b>		<b>100CR</b>
<i>Upon Default / Unwind</i>				
Remove Bond & Liability		100CR	100DR	
<b>Net Position</b>	<b>100 DR</b>			<b>100CR</b>

NAIC staff generally believe that when the economic impact is equivalent, the source of the agreement / borrowing (e.g., repurchase agreement versus securities lending or FHLB borrowing) should not result in different admittance or nonadmittance treatment based solely on the agreement's duration.

To address potential questions on the comparison to the FHLB, the intent is to illustrate that by restricting longer term repurchase agreements, reporting entities must look to other borrowing options. The FHLB has membership requirements, different rules on the sorts of collateral that is permitted to be pledged (e.g., mortgage-related) and larger overcollateralization requirements. As such, by limiting longer term repos, reporting entities are limited in borrowing options, without incurring additional costs or restrictions.

The SSAP No. 103 guidance regarding securities lending and repurchase agreements have slightly different collateral requirements, but both are generally accounted for as secured borrowings because they do not meet the definition of a sale. After the 2008 financial crisis, more disclosures about "reinvested" collateral was developed for securities lending transaction resulting in Schedule DL. (Although referred to as "reinvested" collateral, Schedule DL includes the collateral held. This can be original collateral received or the subsequent acquisition if the collateral was reinvested.) This schedule does not currently include repurchase or reverse repurchase information. However, both repurchase and reverse repurchase agreements have extensive disclosures in the notes to the financial statements. These disclosures identified maturity timeframe

of the repo agreement, the securities sold/acquired, the collateral received, and the allocation of aggregate collateral by remaining contractual maturity.

**Based on the above assessment, unless regulators identify other factors that justify different treatment or nonadmittance for repurchase agreements, NAIC staff recommend that if a repurchase agreement satisfies the initial and ongoing SSAP No. 103 collateral requirements (i.e., collateral equal to at least 95% of the fair value of the transferred/sold security), the agreement’s maturity length should not affect its admittance. If there is concern that longer dated repurchase agreements can be puttable and terminated early, leaving an insurer to liquidate invested assets, then NAIC staff would recommend establishing provisions that address the puttable nature of all borrowing agreements, rather than limiting a specific form of a long-term borrowing transaction.**

**Reverse Repurchase Agreements – Insurer is the Cash Giver – Illustration of Entries & Assessment of Nonadmittance:**

As detailed above, for reverse repurchase agreements, the reporting entity “buys” a security and provides collateral (generally cash) in exchange. The agreement most often does not qualify as a sale, so is accounted for as a secured borrowing, with the received asset/bond not reported on the insurer’s books. Under secured borrowing provisions, the cash provided to “purchase” the asset is derecognized with a receivable recognized for its return. This receivable is reported as a “reverse repurchase asset.”

The entries would look as follows: *(Note: The collateral requirement is 102. However, the entries are simply shown for debit/credit purposes and to illustrate nonadmittance, so a simple matching 100 is used.)*

	Cash	Reverse Repo Asset Receivable	Liability	Surplus
Beg Balance	100DR			100CR
Buy Bond in Repo	100CR	100DR		
<b>Ending Balances</b>		<b>100DR</b>		<b>100CR</b>
<b>Net Position</b>		<b>100DR</b>		<b>100CR</b>

As shown above, the cash provided is offset by a receivable representing a return of the cash by the counterparty. If the reverse repo agreement was short-term, this reverse repo receivable should be reported on Schedule DA – Short-Term Investments as an “Other Short-Term Investment.” (Note: Under the secured borrowing approach, the acquired asset is not reported on the financial statements.)

If the reverse repurchase agreement was long-term, under SSAP No. 103, it should be nonadmitted. Presumably, nonadmittance would be applied to the “reverse repo receivable” recognized. If long-term (over 365 days), it would not qualify for Schedule D and should be reported on Schedule BA as an “Any Other Asset.”

	Cash	Reverse Repo Asset Receivable	Liability	Surplus
Beg Balance	100DR			100CR
Buy Bond in Repo	100CR	100DR		
<b>Nonadmit Repo</b>		<b>100CR</b>		<b>100DR</b>
<b>Net Position</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

With nonadmittance, the reporting entity's financial presentation provides no recognition of the asset the reporting entity is holding as collateral, which the reporting entity would have rights to retain upon default of the counterparty. If the reporting entity was to sell the acquired bond, they would recognize the cash received and an obligation to return the cash:

	Cash	Reverse Repo Asset Receivable	Liability	Surplus
Beg Balance	100DR			100CR
Buy Bond in Repo	100CR	100DR		
<b>Nonadmit Repo</b>		<b>100CR</b>		<b>100DR</b>
<b>Sell Bond for Cash</b>	<b>100DR</b>		<b>100CR</b>	
<b>Net Position</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

With that action, although the proceeds from the sale are recognized, the offsetting liability does not change the reporting entity's financial position. The reporting entity can then use this cash for further investment or working capital. If either party were to default on the transaction, both the receivable and liability to return the acquired asset would be eliminated:

	Cash	Reverse Repo Asset Receivable	Liability	Surplus
Beg Balance	100DR			100CR
Buy Bond in Repo	100CR	100DR		
Nonadmit Repo Receivable		100CR		100DR
Sell Bond for Cash	100DR		100CR	
<i>Default / Unwind</i>				
Remove Liability			100DR	100CR
Remove Nonadmittance		100 DR		100CR
Remove Asset Receivable		100CR		100DR
<b>Ending Balances</b>	<b>100 DR</b>			<b>100CR</b>

Similar to a repurchase, at the time of default or unwinding, assuming no significant fair value / credit concerns to the acquired asset, the reporting entity would return to the same position prior to the reverse repurchase agreement.

**A key risk for reverse repurchase agreements that is different from repurchase agreements is the potential for a fair value change of the related (acquired / sold) asset:**

- In a repurchase agreement, the reporting entity has transferred an asset to the counterparty for cash. In the event the asset declines in value, the reporting entity could decide to default on the transaction and not take back the devalued asset. This would put the reporting entity in a better financial position, as they received cash for the original fair value of the asset. The valuation risk (decline in asset value) is assumed by the counterparty.
- In a reverse repurchase agreement, the asset valuation risk has been assumed by the reporting entity. As such, if the reporting entity is holding the bond, and its value has declined, the counterparty could decide to default, leaving the reporting entity with only the devalued bond as the remaining asset. This dynamic would result in the reporting entity having a diminished financial position because of the reverse repurchase agreement:

	Cash	Reverse Repo Asset Receivable	Liability	Surplus
Beg Balance	100DR			100CR
Buy Bond in Repo	100CR	100DR		
<i>Bond Value Declines</i>				
<i>Counterparty Defaults</i>				
Remove Asset Receivable		100CR		100DR
Sell Bond for Cash	50DR			50CR
<b>Ending Balances</b>	<b>50 DR</b>			<b>50CR</b>

Although SSAP No. 103 requires that the original “collateral” (acquired bond) be more than the cash outlay (at 102%), that overcollateralization would likely not safeguard against significant valuation declines in the acquired asset. Subsequent to acquisition, although the SSAP No. 103 guidance stipulates an obligation for the counterparty to provide more collateral for fair value shortfalls, there is no nonadmittance provision if additional collateral is not received. For reverse repurchase agreements, limiting admittance to 1-year agreements provides a safeguard against the potential risk of the acquired asset decline. Further, if this nonadmittance encourages use of 1-year or less agreements, then insurer reporting entities can more timely unwind reverse repurchase agreements in response to changing market conditions, with a higher potential to either receive a full return of their cash outlay, or the ability to sell the acquired bond at a comparable fair value as to their initial cash outlay.

**With this assessment, NAIC staff recommend that the guidance continue to require nonadmittance of reverse repurchase agreements with maturity dates that exceed 1-year. Based on questions received, it is believed that clarification of the nonadmittance provisions would be beneficial, therefore the following is proposed:**

- **Clarification that long-term reverse repurchase agreements shall be reported as “Any Other Asset” on Schedule BA, coded as a restricted asset subject to a reverse repurchase agreement, and nonadmitted.**
- **Clarification that in the last year to maturity, the long-term reverse repurchase agreement would not move reporting schedules (it would remain on Schedule BA) but could be admitted.**

**Existing Authoritative Literature:**

- ***SSAP No. 2—Cash, Cash Equivalents, Drafts and Short-Term Investments***  
This statement identifies reverse repurchase agreements of one year or less at the time of acquisition as short-term investments.
- ***SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities***  
This statement provides guidance for the accounting of repurchase and reverse repurchase agreements, including agreements designed as sales as well as secured borrowings. The guidance has an explicit statement that both repurchase and reverse repurchase agreements with maturity dates in excess of 1-year (365 days) are nonadmitted. The guidance also details the collateral requirements for admittance.

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

- Agenda Item 2024-24: *Conforming Repurchase Agreements* was developed in response to a January 2024 referral received from the Life RBC (E) Working Group in response to an ACLI request to modify the treatment of repurchase agreements in the Life RBC formula. This agenda item identified differences in accounting between securities lending and repurchase agreements. Under this same agenda item, in August 2024, the Working Group exposed a memo detailing the accounting, reporting and RBC guidance for repurchase and securities lending transactions with a number of notes and questions identified within. In March 2025, the Working Group directed NAIC staff to develop clarifying revisions to the SSAP No. 103 guidance, as time allows, recognizing that other projects may be of greater importance.

**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 new SAP concept and expose revisions to SSAP No. 103 to revise the guidance to allow long-term repurchase agreements to be admitted. This would then identify that only reverse repurchase agreements with maturity dates in excess of one-year are nonadmitted. This will alter historical guidance that required repurchase agreements with maturity date in excess of one-year to be nonadmitted. Although this is a new SAP concept, due to the limited scope of the change and documentation within this agenda item, NAIC staff does not recommend an issue paper to detail the change. The rationale is detailed within this agenda item and can be referred to for future use as needed. With the nonadmittance revision, it is recommended that the Working Group include clarifying edits on how reverse repurchase agreements shall be reported in the financial statements.

As discussed within, if there is concern that longer-dated repurchase agreements can be puttable and terminated early, leaving an insurer to liquidate invested assets (similar to what could occur when collateral from overnight securities lending transactions are reinvested in longer-term assets), then NAIC staff would recommend establishing provisions that address the puttable nature of all borrowing agreements, rather than limiting a specific form of a borrowing transaction. Comments are requested from industry on the prevalence of puttable provisions in repurchase agreements. Comments are requested from regulators on the need to include admittance restrictions if repurchase agreements (as well as perhaps other borrowing agreements) have puttable provisions and if borrowing agreements with puttable conditions need additional disclosure (e.g., terms of puttable conditions, potential mismatches in maturity or valuation if the cash collateral has been reinvested, etc.)

*This item was identified to be addressed separately from the broad repo project captured in agenda item 2024-24. That project will continue as time allows.*

### **Proposed Revisions to SSAP No. 103:**

<sup>6</sup> Only short-term [reverse repurchase](#) ~~repo~~ agreements ~~(with a stated short-term maturity dates of 365 days or less)~~ are allowed as admitted assets. Long-term [reverse repurchase](#) ~~repo~~ agreements ~~(agreements with maturity dates in excess of 365 days)~~ are nonadmitted. [and shall be reported on Schedule BA as an "Any Other Asset." A long-term reverse repurchase agreement shall not be moved to Schedule DA when the remaining maturity date is within 365 days of the reporting period date. However, when the maturity date is within 365 days of the reporting period date and the fair value of the acquired asset is 102% or more than the original purchase price paid by the reporting entity, the reverse repurchase agreement may be admitted for the remaining duration \(365 days or less\) until maturity. If the reverse repurchase agreement is renewed for a period in excess of 365 days, the agreement shall again be nonadmitted. This footnote is specific to reverse repurchase agreements and has no impact on the admittance of long-term repurchase agreements.](#)

**Staff Review Completed by:** Julie Gann, NAIC Staff—October 2025

#### **Status:**

On December 9, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions to *SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* to allow long-term repurchase agreements to be admitted. The revisions also clarify that reverse repurchase agreements with maturity dates in excess of one-year shall continue to be nonadmitted and provide guidance for how the nonadmittance should be reflected.

On March 23, 2026, the Statutory Accounting Principles (E) Working Group adopted the exposed revisions to *SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, as illustrated above, to allow long-term repurchase agreements to be admitted along with clarification that long-term reverse repurchase agreements shall continue to be nonadmitted. The revisions also provide guidance regarding the reporting of long-term reverse repurchase agreements.

<https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2026/2026 Spring/Summary and Minutes/SAPWG/Att 1K-25-28 - Repo Nonadmittance.docx>

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

**Issue: Reporting Clarifications**

**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 modify and/or clarify reporting for certain investments, particularly for aspects related to debt securities predominantly incorporated with the implementation of the principles-based bond definition. The reporting items within have been identified from questions from insurance reporting entities. Additional items may be added to this agenda item from interested parties' comments as well as from a review of the 2025 financial statements.

Items initially identified for discussion:

1. Payment Due at Maturity: Current annual statement instruction: *Report Payment Due at Maturity. Include the principal payment (including balloon payments) as well as interest to be paid at maturity.*

This reporting element and instruction is currently in electronic column 20 for both Schedule D-1-1: Issuer Credit Obligations (ICOs) and Schedule D-1-2: Asset-Backed Securities (ABS). Although not explicitly stated in the instructions, the original intent was previously noted to reflect the amount due at maturity at the time of acquisition, without subsequent revisions.

Questions have been raised as to what should be reported as "payment due at maturity" on D-1-1 for issuer credit obligations, and whether this reporting category should only be applicable for certain structures on the ABS schedule. For example, for self-liquidating ABS investments there would be no explicit, separate payment at maturity. For most ICO structures, the amount due at maturity at acquisition is likely par value of the bond.

Proposal: Confirm the intent for the column to be unchanged after the date of investment acquisition, unless additional lots are acquired. If that is confirmed:

- For ABS on D-1-2: Propose limiting the column to items reported as "Financial Asset-Backed Securities – Not Self Liquidating," "Non-Financial Asset Backed – Practical Expedient" and "Non-Financial Asset Backed – Full Analysis."
- For ICOs, confirm whether it should reflect the maturity payment for all reporting lines, which could be par. If the investment had expected interest payments at maturity that would be included as well. As an alternative, the reporting on Schedule D-1-1 could be limited to "Single Entity Backed Obligations" to capture situations similar to D-1-2 – where the collateral is likely driving potential final payment.

For ABS, the modifications would limit reporting to items with a greater potential for a distinct final payment, most likely reflecting situations where refinancing or releasing of the underlying collateral is required to provide final payment due under the debt security. For ICO, revisions would eliminate reporting for most categories. If it is desired for this column to be updated after acquisition, then it could be expanded to more ICO reporting lines to capture situations in which PIK and aggregate deferred interest will be required at maturity. However, those data fields are already separately reflected.

2. Origination Balloon Payment %: Current annual statement instruction: *Include the percentage of balloon payment due at maturity based on the original outstanding principal amount. For example, if the original security had principal repayment of \$100 and \$80 is scheduled to be paid at maturity, the balloon payment percentage at origination is 80%. The balloon percentage shall not be adjusted subsequent to origination regardless of principal reduction or payments in advance of maturity that reduce the outstanding balloon. If there is no balloon payment, then update with 0%.* This reporting column is limited to ABS classified as financial ABS – not self-liquidating, non-financial ABS – practical expedient, and non-financial ABS – full analysis.

Clarification was requested to allow use of “acquisition data” when origination data is not available. Although the initial implementation incorporated such transition provisions, it has been noted that origination data may not be available for companies that acquire bonds on the secondary market (after origination). It was commented that getting the necessary documents for the bond could be challenging depending on the time between original acquisition and when it was acquired on the secondary market.

Proposal: Confirm that origination data shall always be used when available. However, for investments acquired through the secondary market for which origination data cannot be obtained, the reporting entity can utilize acquisition date information.

3. Rated Notes or Rated Feeder Funds: Comment has been received to clarify the reporting location of debt securities from rated notes or rated feeder funds that qualify for bond treatment. This comment noted potential reporting of these items as issuer credit obligations. The reporting line for rated notes or rated feeder funds is not currently defined in existing guidance.

The classification of a debt security as an issuer credit obligation (ICO) is specific to debt securities backed by the general creditworthiness of an operating entity. A rated note or rated feeder fund, by design, would not qualify within those provisions. A rated note or rated feeder fund would need to be assessed as an asset-backed security, which is a structure where the primary source of repayment is derived from cash flows associated with the underlying defined collateral. There is not a common definition for these investments. They typically involve a special purpose vehicle (SPV) holding underlying collateral. The nature of that collateral may vary widely and can be other investment securities, equity interests or limited partnership interests in funds.

Although the holdings of a rated note or rated feeder fund can vary, in simple terms, the insurance company receives rated notes from a debt feeder fund, with payment on the notes contingent on the funds received from the investment holdings within the fund.

Proposal: Consider clarifications to identify that rated notes / rated feeder funds are not expected to qualify as ICOs. Due to potential differences in what can back a rated note / feeder fund, and as the reporting lines

focus on the underlying collateral, there is hesitation in designating a specific reporting location. Instead, it is proposed that a new investment characteristic code (for identification in electronic column 23) be developed to identify whether the reported is a rated note / feeder fund.

4. Aggregate Deferred Interest: Current annual statement instruction: *Some investments allow for interest payments to be deferred past the originally scheduled payment date without being considered past due under the agreement terms. Include the amount of interest reported as due and accrued for which the reporting entity has not received within 90 days of the originally scheduled payment date, that has not been nonadmitted under SSAP No. 34—Investment Income Due and Accrued. For the avoidance of doubt, this should also include all accrued interest for investments that pay interest in full less frequently than annually per the agreement terms.*

Clarification for this reporting element was requested particularly for bank loans reported on Schedule D-1-1 as Issuer Credit Obligations. This question originated as it was indicated that it is common for bank loans to accumulate interest from underlying bank loans before paying the holder the interest. The interest accumulation within the bank loan may occur differently from the set payment dates to the holder.

Proposal: Confirm the guidance for bank loans reported as ICOs. This guidance intends to reflect an insurance reporting entity's holding of a fixed-income instrument that represents a portion of a loan to a single borrower issued from a financial institution. Bank loans captured as ICOs are not intended to reflect a structure that is backed by loans to many borrowers. A structure that is backed by many loans, where the underlying loans provide the cash flows to service the debt, shall be captured as an asset-backed security and be captured in scope of SSAP No. 43. With inclusion in SSAP No. 43, such structures would be required to have substantive credit enhancement to qualify for bond reporting.

- With the confirmation of ICO bank loans, the dynamic where the structure accumulates interest from many underlying holders before paying interest to the insurance holder should not occur for bank loans reported on Schedule D-1-1.
  - Reporting aggregate deferred interest is based on the agreement between the insurer holder and issuer. If the interest payment is deferred past the scheduled payment date, and not considered past due under the agreement terms, it should be reported as aggregate deferred interest. As noted in the instructions, reported aggregate deferred interest includes all situations in which interest is not paid in full less frequently than annually per the agreement terms. As such, if a bank loan is scheduled to pay interest every 18 months, that interest due would be annually reported as aggregate deferred interest until paid.
5. Schedule BA – Residuals Maturity Date: Clarification has been requested on whether residuals should report a maturity date on Schedule BA. A review of 2024 reporting identified several residuals that were reported without a maturity date. Although the residual absorbs losses first, and may not have contractual principal or interest, it is anticipated that the overall structure would have a maturity date. The instructions require reporting for investments that have a stated maturity date.

Proposal: Confirm that residuals should be reported with the maturity date for the entire structure, although the residual tranche itself may not have contractual terms.

6. Schedule BA – Investments in Joint Ventures, Partnerships or Limited Liability Companies (Including Non-Registered Private Funds) with Underlying Assets Having Characteristics of Mortgage Loans: Current annual statement instruction: *Items in scope of SSAP No. 48 that reflect mortgage obligations. Reporting should be consistent with the detailed property analysis appropriate for the corresponding risk-based capital factor for this investment category. If the requisite details are not available for reporting, report under “Other” subcategory.*

Questions have been received on whether this reporting category can include SSAP No. 48 structures that hold RMBS or CMBS if the reporting entity can look through the RMBS/CMBS structures to complete a detailed property analysis on the mortgages that comprise the securitization structures.

As additional information, the following instructions are included in Schedule BA for SSAP No. 48 investments with underlying characteristics of “Bonds” and in the AVR instructions for “Other Invested Assets with Underlying Characteristics of Mortgage Loans:

- Schedule BA: SSAP No. 48 – Underlying Characteristics of Bonds:  
*Investments in scope of SSAP No. 48 with underlying collateral that has contractual principal and/or interest payments, excluding mortgage loans. Structured Settlement payment rights in scope of SSAP No. 21 that have an SVO- Assigned designation*
- Schedule BA: Residuals – Underlying Characteristics of Bonds:  
*Investments with underlying collateral which, if held individually, would be reported as issuer credit obligations on Schedule D – Part 1 – Section 1, or as asset-backed securities on Schedule D – Part 1 – Section 2. Residual tranches from collateralized loan obligations (CLOs) shall be captured within this reporting line.*
- AVR: Other Invested Assets with Underlying Characteristics of Mortgage Loans:  
*Report the book/adjusted carrying value of all Schedule BA assets owned where the characteristics of the underlying investment are similar to mortgage loans (Lines 2399999 and 2499999), excluding any mortgage-backed and asset-backed securities included in Lines 22 through 28 above, in Columns 1 and 4. Categorize the mortgage loans as indicated in Lines 38 through 55.*

Proposal: Confirm that the intent of the Schedule BA reporting is a single-level look-through. As the SSAP No. 48 structure holds RMBS/CMBS (debt securities), and those items would be assessed as ABS bonds if held directly, then the reporting entity should classify the structure as one with the “underlying characteristics of bonds.” The guidance does not intend to allow insurance reporting entities to do a “double look-through” where they would look through the SSAP No. 48 structure to the RMBS/CMBS and then through the mortgage-backed structure to the underlying mortgage loans. Revisions are proposed to mirror the guidance for residuals backed by bonds, where it is explicit that the “underlying characteristics of bonds” includes debt securities items that would be assessed for bond reporting if held directly. Revisions are also proposed to explicitly exclude debt securities, including RMBS/CMBS, from the SSAP No. 48 reporting category for investments with “underlying characteristics of mortgage loans.”

**Existing Authoritative Literature:**

- **SSAP No. 26—Bonds** (*Guidance for bank loans, emphasizing the intent for a single borrower.*)

2. In addition to security investments that qualify under the principles-based definition as issuer credit obligations, certain specific instruments are also captured in scope of this statement:

- b. Bank loans that are obligations of operating entities issued directly by a reporting entity or acquired through a participation, syndication or assignment<sup>1</sup>;

*Footnote 1:* Bank Loan – Fixed-income instruments, representing indebtedness of a borrower, made by a financial institution. Bank loans can be issued directly by a reporting entity or acquired through an assignment, participation or syndication:

- **Assignment** – A bank loan assignment is defined as a fixed-income instrument in which there is the sale and transfer of the rights and obligations of a lender (as assignor) under an existing loan agreement to a new lender (and as assignee) pursuant to an Assignment and Acceptance Agreement (or similar agreement) which effects a novation under contract law, so the new lender becomes the direct creditor of and is in contractual privity with **the borrower** having the sole right to enforce rights under the loan agreement.
- **Participation** – A bank loan participation is defined as a fixed-income investment in which a single lender makes a large loan **to a borrower** and subsequently transfers (sells) undivided interests in the loan to other entities. Transfers by the originating lender may take the legal form of either assignments or participations. The transfers are usually on a nonrecourse basis, and the originating lender continues to service the loan. The participating entity may or may not have the right to sell or transfer its participation during the term of the loan, depending on the terms of the participation agreement. Loan Participations can be made on a pari-passu basis (where each participant shares equally) or a senior subordinated basis (senior lenders get paid first and the subordinated participant gets paid if there are sufficient funds left to make a payment).
- **Syndication** – A bank loan syndication is defined as a fixed-income investment in which several lenders share in **lending to a single borrower**. Each lender loans a specific amount to the borrower and has the right to repayment from the borrower. Separate debt instruments exist between the debtor and the individual creditors participating in the syndication. Each lender in a syndication shall account for the amounts it is owed by the borrower. Repayments by the borrower may be made to a lead lender that then distributes the collections to the other lenders of the syndicate. In those circumstances, the lead lender is simply functioning as a servicer and shall not recognize the aggregate loan as an asset. A loan syndication arrangement may result in multiple loans **to the same borrower** by different lenders. Each of those loans is considered a separate instrument.

- **2025 Annual Statement Instructions:**

*Schedule D-1-1: Issuer Credit Obligations & Schedule D-1-2: Asset-Backed Securities*

*Schedule BA: Other Invested Assets*

*Asset Valuation Reserve*

**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 with exposure of the agenda item with a request for comment on the proposed clarifications as detailed in the agenda item. NAIC staff requests comments on the items exposed as well as additional reporting elements for which clarity would improve consistency in reporting. With adoption, propose sponsoring of a blanks proposal to incorporate the clarifications in the annual statement instructions.

**Staff Review Completed by:** Julie Gann, NAIC Staff—October 2025

**Status:**

On December 9, 2025, the Statutory Accounting Principles (E) Working Group exposed this agenda item to modify and/or clarify guidance for the reporting of certain components in the investment schedules, particularly for aspects related to debt securities predominantly incorporated with the implementation of the principles-based bond definition. Reporting entities are requested to identify additional reporting components that could use clarification as they complete the year-end 2025 reporting under the provisions of the bond definition.

On March 23, 2026, the Statutory Accounting Principles (E) Working Group adopted this agenda item which communicates support for sponsoring a blanks proposal to clarify reporting on debt securities and to improve consistency in reporting for the items detailed below: (Tracking shows the revisions that will be incorporated into the Annual Statement Instructions.) The Working Group did not propose revisions for rated notes or feeder funds, aggregate deferred interest or to clarify the reporting of SSAP No. 48 investments on Schedule BA as part of this agenda item. It was noted that clarification of the SSAP No. 48 reporting, particularly based on the underlying characteristics of the SSAP No. 48 investments, will be included as part of agenda item 2025-26: SSAP No. 48 Equity Changes. This agenda item did not result in any SSAP revisions.

**Supported Revisions to the Annual Statement Instructions / Reporting:**

- **Payment Due at Maturity:** Report [the contractual](#) payment due at [the legal](#) maturity [date](#). Include the final principal payment (including balloon payments) as well as interest to be paid at maturity. [The amount reported at acquisition shall not be subsequently revised unless additional lots are purchased or if lots are sold. If there is no contractual amount to be paid at legal maturity, report zero.](#)

Incorporate guidance to the blanks to limit the reporting of this data element as follows:

- For ABS on D-1-2: Limit the column to items reported as “Financial Asset-Backed Securities – Not Self Liquidating,” “Non-Financial Asset Backed – Practical Expedient” and “Non-Financial Asset Backed – Full Analysis.”
- For ICOs on D-1-1: Limit the reporting to items reported as “Single Entity Backed Obligations”.

- **Origination Balloon Payment %:** Include the percentage of contractual balloon payment due at legal maturity based on the original outstanding principal amount. For example, if the original security had principal repayment of \$100 and \$80 is scheduled to be paid at maturity, the balloon payment percentage at origination is 80%. Origination date information shall be used when available. For instruments purchased on the secondary market, for which origination date information is not available, the information available as of the acquisition date may be used using best efforts to obtain data. The balloon percentage shall not be adjusted subsequent to origination regardless of principal reduction or payments in advance of maturity that reduce the outstanding balloon. If there is no balloon payment, then ~~update~~ report with 0%.

(This category is only applicable to items reported as financial ABS that are not self-liquidating, non-financial ABS reported under the practical expedient and non-financial ABS under full analysis. There are no proposed changes to the applicable categories.)

- **Schedule BA Maturity Date:** The maturity date shall be reported for all investments on Schedule BA that have a contractual, stated maturity date. This is anticipated to include, but not limited to, all investments captured as non-bond debt securities, surplus notes, capital notes, collateral loans, non-collateral loans, and investments in tax credits. However, this list should not be considered all-inclusive for investments captured on other reporting lines with stated maturity dates.

[https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2026/2026 Spring/Summary and Minutes/SAPWG/Att 1L-25-29 - Reporting Clarifications.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/APPTF/2026/2026%20Spring/Summary%20and%20Minutes/SAPWG/Att1L-25-29-Reporting%20Clarifications.docx)

**MEMORANDUM**

TO: Kevin Clark, Chair, Statutory Accounting Principles (E) Working Group  
Roy Eft, Chair, Blanks (E) Working Group

FROM: Robert Kasinow, Chair, Macroprudential (E) Working Group

DATE: February 17, 2026

RE: Funding Agreements backing Funding Agreement Backed Notes and Other Structures

---

The Macroprudential (E) Working Group received, discussed, and exposed for public comment, a proposal to disclose funding agreements backing Funding Agreement Backed Notes (FABNs). ACLI had originally provided a suggested proposal, which the working group modified slightly and exposed for 30 days ending December 8, 2025. ACLI requested an additional 45 days at the 2025 Fall National Meeting, making comments due January 26, 2026. We received only one comment letter from ACLI on January 26, 2026, attached as a pdf in the email distribution with this memo. NAIC Committee Support has been working with ACLI on the development of the attached proposal.

This latest proposal has been revised to include four new categories of funding agreement backed structures for which we seek disclosure of the funding agreements that back them. The new categories are as follows:

- 1) Funding Agreement Backed Commercial Paper (FABCP)
- 2) Funding Agreement Backed Repurchase Agreements (FABRs)
- 3) Funding Agreement Backed Loans (FABLs)
- 4) Funding Agreements backing Muni Prepay Structures

The Macroprudential (E) Working Group refers this proposal to the Statutory Accounting Principles (E) Working Group on accounting and reporting aspects of the proposal as well as to the Blanks (E) Working Group regarding incorporation into the Annual Statement.

FABNs are debt instruments issued by Special Purpose Vehicles (SPVs) formed by life insurance companies. The life insurance regulated legal entities issue funding agreements to the SPV to pay principal and interest and the SPV in turn pays the principal and interest to the holders of FABNs.

The current insurance statutory Annual Statement reporting framework does not require the reporting of FABNs. However, under the current reporting system insurers do report the amount of funding agreements issued in the aggregate for all purposes, with separate disclosure of funding agreements issued in connection with FHLB advances. This proposal seeks separate reporting of funding agreements that back FABNs and other funding agreement backed structures.

The Macroprudential (E) Working Group is seeking additional funding agreement disclosures to monitor the activity in the FABN market in accordance with its financial stability monitoring objectives. This proposed disclosure will provide the FSTF the ability to identify transmission channels of potential risk to and from (inward and outward risks) the insurance industry and the interconnectedness to the capital markets.

**Disclosure Proposal**

**Exhibit 7 Footnote:**

(b) Funding Agreements that Back Special Purpose Vehicle (“SPV”) Issuances

1. Total Across All Categories  
\$ \_\_\_\_\_
2. Of the total, funding agreements that support funding agreement backed SPV issuances whereby the funding agreement contains a put feature or embedded option\* \$ \_\_\_\_\_

**SSAP No. 52–Deposit-Type Contracts:**

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

- a. Balance of funding agreements (A) per type of issuance, (B) per type of issuance where the transaction contains a put feature or embedded option, and (C) per type of issuance where the terms of the SPV Issuance differ from the terms of the corresponding funding agreement:

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

<b>a) Disclosure of Funding Agreements Backing SPV Issuances</b>	<b>Total Amount</b>	<b>Amount Puttable*</b>	<b>Amount with Different Terms**</b>
1) Funding Agreement Backed Notes (FABN)	\$	\$	\$
2) Funding Agreement Backed Commercial Paper (FABCP)	\$	\$	\$
3) Funding Agreement Backed Repurchase Agreements (FABR)	\$	\$	\$
4) Funding Agreement Backed Loans (FABL)	\$	\$	\$
5) Funding Agreements Issued into Muni Prepay Structures	\$	\$	\$
6) Other Funding Agreements Backing SPV Issuances (Other)	\$	\$	\$
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

(Total Amount should reflect the balance of all funding agreements backing SPV Issuances reported as Deposit-Type Contracts and agree to Exhibit 7.b.1.)

\* As used herein, a funding agreement is “Puttable” or contains a “put feature or embedded option” if such funding agreement contains a provision that allows a contract holder to withdraw from their account value at

[book value] at any time, without being tied to a specific triggering event; under such provision, the insurer has no contractual alternatives to paying out at [book value].

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

- b. For instances in which the SPV is sponsored or formed by the reporting entity and the terms (e.g., principal, interest rate, maturity, rating, or currency) of a funding agreement differ from the terms of the corresponding SPV Issuance, include a narrative description identifying the different terms. (For example, if the funding agreement matures in 3 years, but the FABL matures in 3 months, instances of different interest rates, etc.) *(No template illustration.)*

\*\*\* With respect to FABCP, please respond to this question by identifying instances in which the terms of an SPV Issuance do not match the terms of a deposit made under an FABCP master funding agreement.

\*\*\*\* With respect to funding agreements issued into muni prepay structures, no response is necessary given that the terms of the funding agreement are designed to be different from the SPV issuances.

- c. Disclose the maturity distribution of funding agreements backing SPV Issuances, separately identifying the funding agreements issues as fixed or floating interest rate prior to execution of any interest rate swaps: (The total reported should agree to the total reported for disclosure a.)

<b>Maturity Distribution of Funding Agreements Backing SPV Issuances</b>			
	Fixed Rate	Floating Rate	Total
1 Year or Less	\$	\$	\$
After 1 Year Through 5 Years	\$	\$	\$
After 5 Years Through 10 Years	\$	\$	\$
After 10 Years Through 20 Years	\$	\$	\$
Over 20 Years	\$	\$	\$
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

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

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

<b>Funding Agreements Backing SPV Issuances</b>		<b>Funding Agreements Backing SPV Issuances in USD:</b>
Year-End FA Balance (USD)		\$
Amount of Funding Agreements Backing SPV Issuances in Foreign Currency –		
	AUD	\$
	CAD	\$
	CHF	\$
	EUR	\$
	GBP	\$
	Other	\$
<b>Foreign Currency Total</b>		<b>\$</b>
<b>Total Funding Agreements Backing SPV Issuances</b>		<b>\$</b>

(Total should match Total Amount reported in a.)

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

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2026/2026 spring/summary and minutes/sapwg/att 1m-mwg referral to sapwg and bwg fabns 2-17-26.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/apptf/2026/2026%20spring/summary%20and%20minutes/sapwg/att%201m-mwg%20referral%20to%20sapwg%20and%20bwg%20fabns%202-17-26.docx)



January 26, 2026

**Mr. Robert Kasinow, Chairman**

Macroprudential (E) Working Group  
National Association of Insurance Commissioners  
1100 Walnut Street, Suite 1500  
Kansas City, MO 64106-2197

Re: Funding Agreement Blanks Proposal

*Submitted Electronically*

Dear Mr. Kasinow:

The American Council of Life Insurers (ACLI) welcomes the opportunity to comment on the exposed Blanks Proposal for additional disclosures for funding agreements that support Funding Agreement Backed Notes (FABNs) issued by life insurance companies. We appreciate the Working Group's consideration of ACLI's draft disclosure for Exhibit 7 Additional Data for Funding Agreements Backing FABN. We would also like to take this time to express our gratitude towards regulators and NAIC for allowing a longer comment period to ensure the disclosure better reflects the universe of funding agreement backed Special Purpose Vehicle (SPV) issuances.

Following our review of the exposed proposal and discussion with NAIC staff, we offer the following observations and recommendations:

- To align with the FHLB reporting, ACLI suggests limiting the Exhibit 7 footnote to the total balance of all funding agreements that back SPV issuances and of that amount the total balance containing a put feature or embedded option.
- Furthermore, ACLI suggests the remaining details in the exposed disclosure be included in a new note to be added to the financial statutory statements.
- To ensure the disclosure better reflects the universe of funding agreement backed SPV issuances, ACLI recommends adding the total balance of funding agreements supporting funding agreement backed commercial paper (FABCP), funding agreement backed loans (FABL), funding agreements issued into muni prepay structures, and other funding agreements backing SPV issuances.
- ACLI acknowledges the regulatory concern with unhedged currency exposure. We understand the industry practice is to hedge all currency exposure. For this reason, as an alternative to the Hedged column in the Summary of Funding Agreements by Currency Denomination in the

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

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

exposed disclosure, ACLI recommends inserting a global question confirming that all foreign currency exposure is hedged including a blank for an explanation where this is not the case.

- To ensure consistent reporting across the industry, ACLI suggests that the instructions be revised such that the interest rate basis (i.e., fixed rate versus floating rate) in the Maturity Distribution of Funding Agreements Backing SPV Issuances table be reported on a pre-swap basis (i.e., as issued before the execution of any interest rate swaps).
- Given that all the terms have been defined within the main text, ACLI suggests removing the Acronym Glossary.

Alongside our letter, we are submitting a revised version of the Disclosure reflecting the above suggestions.

We appreciate the opportunity to collaborate with the Working Group in developing this disclosure and the consideration of our recommendations.

Sincerely,

A handwritten signature in blue ink that reads "Marc Altschull". The signature is fluid and cursive, with the first name "Marc" and last name "Altschull" clearly legible.

Marc Altschull, CFA, FSA, MAAA  
Senior Actuary  
[marcaltschull@acli.com](mailto:marcaltschull@acli.com)  
202-624-2089

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2026/2026 spring/summary and minutes/sapwg/Att 1Ma-MWG Referral - ACLI Comments on November 7 Exposure of FA Blanks Proposal Final.pdf](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/apptf/2026/2026%20spring/summary%20and%20minutes/sapwg/Att1Ma-MWG%20Referral%20-%20ACLI%20Comments%20on%20November%207%20Exposure%20of%20FA%20Blanks%20Proposal%20Final.pdf)

Exhibit 7 Footnote:

(b) Funding Agreements that Back Special Purpose Vehicle (“SPV”) Issuances

- 1. Total Across All Categories \$ \_\_\_\_\_
- 2. Of the total, funding agreements that support funding agreements backed SPV issuances whereby the funding agreements contain a put feature or embedded option\* \$ \_\_\_\_\_

SSAP No. 52—Deposit-Type Contracts:

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

- a. Balance of funding agreements (A) per type of issuance, (B) per type of issuance where the transaction contains a put feature or embedded option, and (C) per type of issuance where the terms of the SPV Issuance differ from the terms of the corresponding funding agreement:
  - 1) Funding Agreement Backed Notes (FABN)
  - 2) Funding Agreement Backed Commercial Paper (FABCP)
  - 3) Funding Agreement Backed Repurchase Agreements (FABR)
  - 4) Funding Agreement Backed Loans (FABL)
  - 5) Funding Agreements Issued into Muni Prepay Structures
  - 6) Other Funding Agreements Backing SPV Issuances (Other)

a) Disclosure of Funding Agreements Backing SPV Issuances	Total Amount	Amount Puttable*	Amount with Different Terms**
1) Funding Agreement Backed Notes (FABN)	\$	\$	\$
2) Funding Agreement Backed Commercial Paper (FABCP)	\$	\$	\$
3) Funding Agreement Backed Repurchase Agreements (FABR)	\$	\$	\$
4) Funding Agreement Backed Loans (FABL)	\$	\$	\$
5) Funding Agreements Issued into Muni Prepay Structures	\$	\$	\$
6) Other Funding Agreements Backing SPV Issuances (Other)	\$	\$	\$
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

(Total Amount should reflect the balance of all funding agreements backing SPV Issuances reported as Deposit-Type Contracts and agree to Exhibit 7.b.1.)

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

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

- b. For instances in which the SPV is sponsored or formed by the reporting entity and the terms (e.g., principal, interest rate, maturity, rating, or currency) of a funding agreement differ from the terms of the corresponding SPV Issuance, include a narrative description identifying the different terms. (For example, if the funding agreement matures in 3 years, but the FABL matures in 3 months, instances of different interest rates, etc.) *(No template illustration.)*

\*\*\* With respect to FABCP, please respond to this question by identifying instances in which the terms of an SPV Issuance do not match the terms of a deposit made under an FABCP master funding agreement.

\*\*\*\* With respect to funding agreements issued into muni prepay structures, no response is necessary given that the terms of the funding agreement are designed to be different from the SPV issuances.

- c. Disclose the maturity distribution of funding agreements backing SPV Issuances, separately identifying the funding agreements issues as fixed or floating interest rate prior to execution of any interest rate swaps: (The total reported should agree to the total reported for disclosure a.)

<b>Maturity Distribution of Funding Agreements Backing SPV Issuances</b>			
	Fixed Rate	Floating Rate	Total
1 Year or Less	\$	\$	\$
After 1 Year Through 5 Years	\$	\$	\$
After 5 Years Through 10 Years	\$	\$	\$
After 10 Years Through 20 Years	\$	\$	\$
Over 20 Years	\$	\$	\$
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

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

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

<b>Funding Agreements Backing SPV Issuances</b>		<b>Funding Agreements Backing SPV Issuances in USD:</b>
Year-End FA Balance (USD)		\$
Amount of Funding Agreements Backing SPV Issuances in Foreign Currency –		
	AUD	\$
	CAD	\$
	CHF	\$
	EUR	\$
	GBP	\$
	Other	\$
<b>Foreign Currency Total</b>		<b>\$</b>
<b>Total Funding Agreements Backing SPV Issuances</b>		<b>\$</b>

(Total should match Total Amount reported in a.)

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

**MEMORANDUM**

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

From: Commissioner Nathan Houdek, (WI), Chair of the Financial Condition (E) Committee

Date: January 12, 2026

Re: Implementation of 2024-06

At the NAIC 2025 Fall National Meeting, the Financial Condition (E) Committee adopted *2024-06 Risk Transfer Analysis of Combination Reinsurance Contracts (2024-06)*, with modification by the Committee to clarify that any accounting changes resulting from the adopted clarifications shall be reported as a change in accounting principle in accordance with *SSAP No. 3—Accounting Changes and Corrections of Errors*.

Over several interim meetings leading up to the adoption of this item, there was much discussion of the ability of states to use permitted practices to allow for an orderly transition of existing agreements impacted by the clarifications. This would allow for domestic regulators to be aware of the impact of any such transactions, give them flexibility to reduce any disruption of a sudden surplus impact while still ensuring solvency, and provide disclosure to other users of the statutory financial statements. Through these discussions, members of industry noted that some states do not issue permitted practices as a matter of policy, in which case such states would not have the tools to exercise the necessary flexibility should they feel it is warranted.

During NAIC 2025 Fall National Meeting, the Committee also discussed the potential for further education of how permitted practices may be used to address transition issues for 2024-06, including consideration of any tools needed to accommodate states that do not allow permitted practices as a matter of policy. Committee members agreed to direct the Statutory Accounting Principles (E) Working Group to take steps to consider both matters in early 2026. This memorandum serves as this direction. For clarity, the Committee is neither mandating nor precluding any changes to the transition guidance for the adopted 2024-06.

If there are any questions regarding this request, please contact NAIC staff (Dan Daveline at [ddaveline@naic.org](mailto:ddaveline@naic.org)) for further clarification.

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member\\_meetings/e\\_cmte/apptf/2026/2026\\_spring/summary\\_and\\_minutes/sapwg/att\\_1-financial\\_condition\\_committee\\_to\\_sapwg\\_jan\\_2026.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member_meetings/e_cmte/apptf/2026/2026_spring/summary_and_minutes/sapwg/att_1-financial_condition_committee_to_sapwg_jan_2026.docx)

**EXECUTIVE OFFICE** • 444 North Capitol Street NW, Suite 700 • Washington, DC 20001-1509

p | 202 471 3990 f | 816 460 7493

**CENTRAL OFFICE** • 1100 Walnut Street, Suite 1500 • Kansas City, MO 64106-2197

p | 816 842 3600 f | 816 783 8175

**CAPITAL MARKETS & INVESTMENT ANALYSIS OFFICE** • One New York Plaza, Suite 4210 • New York, NY 10004

p | 212 398 9000 f | 212 382 4207

[www.naic.org](http://www.naic.org)

MEMORANDUM

---

**TO:** Commissioner Nathan Houdek, (WI), Chair of the Financial Condition (E) Committee  
Commissioner Michael T. Caljouw, (MA), Vice Chair of the Financial Condition (E) Committee

**FROM:** Kevin Clark (IA), Chair of the Statutory Accounting Principles (E) Working Group  
Dale Bruggeman (OH), Vice Chair of the Statutory Accounting Principles (E) Working Group

**DATE:** March 23, 2026

**RE:** Response on Implementation of Agenda Item 2024-06

---

This memorandum is in response to the January 12, 2026, referral from the Financial Condition (E) Committee regarding implementation of agenda item *2024-06 Risk Transfer Analysis of Combination Reinsurance Contracts* (2024-06). The referral directed the Statutory Accounting Principles (E) Working Group to take steps to consider: 1) further education of how permitted practices may be used to address transition issues for 2024-06, and 2) if any tools were needed to accommodate states or jurisdictions that do not allow permitted practices as a matter of policy.

On January 26, 2026, NAIC Staff sent two items to the Chief Financial Regulators in all 56 member jurisdictions with reference to the referral from the E Committee:

1. An example permitted practice that included illustration and guiding notes for how states may consider a permitted practice for the transition of existing Co/YRT agreements.
2. A survey asking each member whether they need additional transition flexibility to be considered other than that provided through the permitted practice process.

NAIC Staff received responses from 47 members. All 47 responses stated that no additional flexibility other than that provided through the permitted practice process was needed.

These steps were discussed at the Spring National Meeting of the Statutory Accounting Principles (E) Working Group on March 23, 2026. As we have not identified any members needing further consideration of transition guidance, the Working Group concluded that no further steps are needed at this time and directed this update to be sent to the E Committee. Absent any further direction from the E Committee, the Working Group will consider this matter complete.

Please contact Robin Marcotte [rmarcotte@naic.org](mailto:rmarcotte@naic.org) for questions regarding this response.

Cc: Robin Marcotte, Julie Gann, Jake Stultz, Jason Farr, Dan Daveline

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member\\_meetings/e\\_cmte/apptf/2026/2026\\_spring/summary\\_and\\_minutes/sapwg/att\\_10-sapwg\\_to\\_e\\_committee\\_pp\\_survey.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member_meetings/e_cmte/apptf/2026/2026_spring/summary_and_minutes/sapwg/att_10-sapwg_to_e_committee_pp_survey.docx)

---

**Washington, DC** 444 North Capitol Street NW, Suite 700, Washington, DC 20001-1509

p | 202 471 3990

---

**Kansas City** 1100 Walnut Street, Suite 1500, Kansas City, MO 64106-2197

p | 816 842 3600

---

**New York** One New York Plaza, Suite 4210, New York, NY 10004

p | 212 398 9000

Draft: 3/9/26

Blanks (E) Working Group  
Virtual Meeting  
March 5, 2026

The Blanks (E) Working Group of the Accounting Practices and Procedures (E) Task Force met March 5, 2026. The following Working Group members participated: Steve Drutz, Vice Chair (WA); David Phifer (AK); Kim Hudson (CA); Wayne Shepherd (CT); Philip Barlow and N. Kevin Brown (DC); Tom Hudson (DE); Carolina Herrera Wagoner (FL); Kevin Clark and Daniel Mathis (IA); Jason Tippet (MI); Kelly Hopper and Danielle Smith (MO); Tadd Wegner (NE); Paul Lupo (NJ); Dale Bruggeman and Tracy Snow (OH) Miriam Fisk and Shawn Frederick (TX); Jake Garn (UT); Mike Erdman and Adrian Jaramillo (WI).

1. Adopted its Nov. 5, 2025, Minutes

Drutz stated that the Working Group met Nov. 5, 2025. During this meeting, the Working Group took the following action: 1) exposed four blanks proposals—2025-17BWG, 2025-18BWG, 2025-19BWG, and 2025-20BWG; 2) adopted the editorial listing; 3) reviewed the Blanks (E) Working Group’s 2026 charges; and 4) reviewed the state filing checklists.

Kim Hudson made a motion, seconded by Shepherd, to adopt the Working Group’s Nov. 5 minutes (*see NAIC Proceedings, Fall 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 this blanks proposal incorporates revisions to reflect adopted changes from Statutory Accounting Principles (E) Working Group agenda item 2025-20. These changes primarily align existing disclosures for debt securities in how they are reported across the Statements of Statutory Accounting Principles (SSAPs). A new general interrogatory was added to capture information on the measurement method for residuals.

Bruggeman stated that although industry has proposed an initial effective date of Jan. 1, 2027, the majority of the disclosures are already required. The blanks proposal simply consolidates the reporting locations, with improved data-captured templates to capture the disclosures in a single location for all forms of debt securities. As such, the proposal is to retain the year-end 2026 effective date. Quarterly reporting with the new templates will begin in 2027. A minor clarification was incorporated to clarify that the disclosure identifies the measurement method used for residuals “or if the reporting entity is transitioning from the practical expedient to the allowable earned yield method.”

Bruggeman made a motion, seconded by Kim Hudson, to adopt the modifications to the proposal. The motion passed unanimously. Bruggeman made a motion, seconded by Shepherd, to adopt the modified proposal (Attachment Two-A). The motion passed unanimously.

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. The proposal adds a cross-check from the general interrogatory to Exhibit 7, Part 1. This proposal

was created 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. There were no interested party comments. The effective date is annual 2026.

Smith made a motion, seconded by Trippett, to adopt the proposal (Attachment Two-B). The motion passed unanimously.

C. Agenda Item 2025-19BWG

Hopper stated that this proposal adds a code of “S” to the Active Status column on Schedule Ts for all statement types to indicate whether a license has been suspended. The purpose of this proposal is to clarify whether a reporting entity’s license is active or suspended, and to inform regulators and consumers if the company has a suspended license. Hopper clarified that this applies to the state licensing status of final and public suspensions.

Interested parties recommended that the effective date be updated to “1st Quarter 2027” instead of starting with annual 2026 so that the Schedule T for the quarterly and annual statements within the same year would be consistently presented. He stated that this is a relatively minor change, and the quarter and annual might not be consistent anyway if a change was made within the year. As the sponsor, Hopper stated that he prefers to keep the effective date as annual 2026 so regulators can obtain the information sooner. There was a minor modification of checking the cross-check box on the cover page to indicate that the footnote cross-check was updated.

Hopper made a motion, seconded by Shepherd, to adopt the proposal with the minor modification (Attachment Two-C). The motion passed unanimously.

D. Agenda Item 2025-20BWG

Bruggeman stated that this blanks proposal incorporates revisions to reflect adopted changes from Statutory Accounting Principles (E) Working Group agenda item 2024-21. That agenda item reflects the Working Group’s support for eliminating the investment subsidiary concept from the annual statement instructions, effective Dec. 31, 2026. A referral was also provided to the Capital Adequacy (E) Task Force to incorporate corresponding revisions.

Bruggeman stated that, as background, the concept of an investment subsidiary was removed from *SSAP No. 97–Investments in Subsidiary, Controlled and Affiliated Entities* in 2005. While that guidance has been eliminated, there are still instructions in Schedule D, Part 6, Section 1, and in the asset valuation reserves (AVRs) for reporting investment subsidiaries. This reporting allows for a look-through risk-based capital (RBC) based on the underlying assets of an investment subsidiary. However, because investment subsidiaries are not recognized in the SSAPs, there is no applicable statutory accounting or measurement guidance for the investments held within them. There are also no mechanisms to ensure compliance with the SSAP requirements, state investment limitations, or the RBC calculation. Further, the Schedule D, Part 6, Section 1, instruction requires reporting entities to measure investment subsidiaries using an “imputed statutory value,” but this term is undefined and conflicts with SSAP No. 97, which requires measurement based on audited U.S. generally accepted accounting principles (GAAP). With the deletion of the specific investment subsidiary lines, reporting entities that continue to hold the investment shall report them on other applicable reporting lines and measure them in accordance with SSAP No. 97.

For modifications, a drafting note was added as the line numbers may be revised with other proposals that impact AVR. Although a comment was received to delay the effective date, that is not supported, and the blanks revisions are proposed to be effective for year-end 2026.

Bruggeman made a motion, seconded by Kim Hudson, to adopt the modifications to the proposal. The motion passed unanimously. Bruggeman made a motion, seconded by Shepherd, to adopt the modified proposal (Attachment Two-D). The motion passed unanimously.

E. Agenda Item 2025-21BWG

Fisk stated that this proposal incorporates several changes developed by the Actuarial Opinion (C) Working Group, effective for the *2026 Annual Property/Casualty (P/C) Statement of Actuarial Opinion*. The first change is to revise the definition of accepted actuarial designation. This was prompted by changes to the Society of Actuaries' (SOA's) educational pathways. The previous assessment of the educational materials was conducted in 2019, prompting the need for an update. The Working Group proposed changes to the definition of accepted actuarial designation. Beyond that, clarification was added to several elements that were either noted by regulators or by industry actuaries as confusing or inconsistently reported under the previous instructions. Examples of those clarifications are the reporting for direct and assumed unearned premiums for long duration contracts; the schedule P reconciliation; the reconciliation of data used by the actuary and Schedule P; and the requirements of the actual report when the appointed actuary has made use of an analysis or opinion produced by another person. Edits were also made to the Exhibit B disclosure section of the opinion to eliminate unnecessary reporting and address inconsistencies. No comments from interested parties were received.

Kim Hudson made a motion, seconded by Wagoner, to adopt the proposal (Attachment Two-E). The motion passed unanimously.

F. Agenda Item 2025-22BWG

Clark stated that this blank proposal incorporates revisions to reflect adopted changes from Statutory Accounting Principles (E) Working Group agenda item 2025-19. That agenda item adopted new disclosures to identify whether securities subject to the Securities and Exchange Commission (SEC) registration are publicly registered, considered a private placement under Rule 144, or a non-144A private placement. As not all items on certain investment schedules are subject to SEC registration, a "not applicable" reporting code has been included to identify those securities. The adopted disclosure includes identification on a per-security basis in the investment schedules, as well as an aggregate data-capture disclosure that pulls key information by security classification.

For modifications, Clark agreed that the Statutory Accounting Principles (E) Working Group adopted item was to include identification in the quarterly acquisition and disposal schedules; therefore, the inclusion is agreed upon. In addition, it is also agreed that Schedule DL, Part 1, which captures securities lending assets not included on the investment schedules, should be excluded. The assets reported on Schedule DL, Part 2, are reported on the investment schedules and will be captured as part of the investment schedule reporting.

Clark made a motion, seconded by Shepherd, to adopt the modifications to the proposal. The motion passed unanimously. Clark made a motion, seconded by Wegner, to adopt the modified proposal (Attachment Two-F). The motion passed unanimously.

G. Agenda Item 2025-23BWG

Clark stated that this blank proposal incorporates the concept of nonadmitted assets within the separate account balance sheet and corresponding schedules pursuant to the Statutory Accounting Principles (E) Working Group agenda item 2025-25. This agenda item is pending consideration at the Working Group level to be discussed on March 23 at the 2026 Spring National Meeting.

In response to industry comments, it is agreed that reporting entities should not assess prior year assets to determine nonadmitted status. However, if the separate account had previously identified nonadmitted assets in existing schedules that detailed those instances, those assets shall be reported as nonadmitted in the prior year column.

As this item has not yet been adopted by the Statutory Accounting Principles (E) Working Group, it is recommended that the Blanks (E) Working Group proceed with adopting the modifications to the proposal but then defer adoption consideration until after the Statutory Accounting Principles (E) Working Group considers this item at the 2026 Spring National Meeting.

Clark made a motion, seconded by Wegner, to adopt the modifications to the proposal. The motion passed unanimously. Clark made a motion, seconded by Shepherd, to defer the modified proposal with a 53-day public comment period ending April 28. The motion passed unanimously.

#### H. Agenda Item 2025-24BWG

Clark stated that this blanks proposal incorporates revisions consistent with Statutory Accounting Principles (E) Working Group agenda item 2025-30 to clarify the disclosure of amounts received and paid by the insurance reporting entity on behalf of administrative service contracts (ASC) plans and improve the data-captured template to ensure consistent application and cross-checks.

Although no industry comments have been received, as this item has not yet been adopted by the Statutory Accounting Principles (E) Working Group, it is recommended that the Blanks (E) Working Group defer adoption consideration until after the Statutory Accounting Principles (E) Working Group considers this item at its 2026 Spring National Meeting.

Clark made a motion, seconded by Shepherd, to defer the proposal with a 53-day public comment period ending April 28. The motion passed unanimously.

#### I. Agenda Item 2025-25BWG

Clark stated that this blanks proposal incorporates revisions consistent with Statutory Accounting Principles (E) Working Group agenda item 2025-34 to expand the existing phase-in disclosure to include the economic scenario generator phase-in by adding a reference to *Valuation Manual* (VM)-30, Actuarial Opinion and Memorandum Requirements, on non-variable annuities. Interested parties recommended including language permitting a reporting entity to stop disclosing the chosen phase-in period once the financial statements no longer reflect its impacts. It is agreed that if the phase-in was not used or is no longer relevant, there is no need to complete the note. However, it is believed that further instructions are unnecessary, as the annual statement instructions at the beginning of the notes section already provide guidance. These instructions state that when a previously applied disclosure is no longer relevant or no longer applies, the reporting entity can indicate "not applicable."

Interested parties recommended removing the check in the boxes for P/C and title in the "Blanks to which proposal applies" to be consistent with the sponsoring Statutory Accounting Principles (E) Working Group exposure. Because Note 2 is a uniform note, the update needs to be made in all statements.

As this item has not yet been adopted by the Statutory Accounting Principles (E) Working Group, it is recommended that the Blanks (E) Working Group proceed with deferring the proposal until after the Statutory Accounting Principles (E) Working Group considers this item at the 2026 Spring National Meeting.

Clark made a motion, seconded by Tom Hudson, to defer the proposal with a 53-day public comment period ending April 28. The motion passed unanimously.

J. Agenda Item 2025-26BWG

Clark stated that this blanks proposal incorporates revisions to update and modernize the expense descriptions and categories in the annual statement blanks, consistent with Statutory Accounting Principles (E) Working Group agenda item 2025-33. Interested parties provided comments noting that they did not have any concerns with the edits but asked if there would be revisions to section 15 for computer software. The omission of Section 15 was intentional, as there were no planned changes to it, and it was excluded from the original exposure.

As this item has not yet been adopted by the Statutory Accounting Principles (E) Working Group, it is recommended that the Blanks (E) Working Group proceed with adopting the minor edit to the proposal but then defer adoption consideration until after the Statutory Accounting Principles (E) Working Group considers this item at the 2026 Spring National Meeting

Clark made a motion, seconded by Wegner, to adopt the modifications to the proposal. The motion passed unanimously. Clark made a motion, seconded by Snow, to defer the modified proposal with a 53-day public comment period ending April 28. The motion passed unanimously.

K. Agenda Item 2025-27BWG

Barlow stated that this proposal was originally sponsored by the Risk-Based Capital Investment Risk and Evaluation (E) Working Group to facilitate the Working Group's work of evaluating the appropriate RBC treatment of asset-backed securities (ABS), starting with collateralized loan obligations (CLOs). The annual statement AVR default component table is proposed to have a more granular reporting by bifurcating long-term bonds into: 1) long-term bonds, excluding CLOs; and 2) CLOs.

Barlow stated that, in response to comments received by the Risk-Based Capital Investment Risk and Evaluation (E) Working Group, NAIC committee support modified this proposal to make it clear that the CLOs bucket in the new AVR table should include all types of CLOs, as well as collateralized bond obligations (CBOs) and collateralized debt obligations (CDOs) as reported in Schedule D, Part 1, Section 2. This will facilitate cross-check between AVR and Investment Schedules. Interested parties provided comments to defer this Blanks proposal, with the rationale being that "there are key elements of the sponsoring exposure from the RBC Investment Risk & Evaluation (E) Working Group that haven't been determined that could influence changes to AVR." The Risk-Based Capital Investment Risk and Evaluation (E) Working Group cannot rule out the possibility of proposing further changes to the AVR proposals but gain support from the American Academy of Actuaries (Academy) to apply the new CLO RBC methodology to broaden the scope of securitized investments, including CBOs and CDOs. This proposal further modifies the AVR Equity and Other Invested Asset Component table to facilitate the changes proposed by LRBC proposal 2026-02-L to the LR009 BA Mortgage page.

Brown made a motion, seconded by Kim Hudson, to adopt the modifications to the proposal. The motion passed unanimously. Brown made a motion, seconded by Kim Hudson, to re-expose the modified proposal with a 53-day public comment period ending April 28. The motion passed unanimously.

L. Agenda Item 2025-28BWG

Clark stated that this blanks proposal incorporates reporting components consistent with the adopted Statutory Accounting Principles (E) Working Group agenda item 2025-13 to identify mortgage loans held in a qualifying

statutory trust, as well as foreclosed real estate held within a qualifying statutory trust. The guidance was adopted with an effective date of Jan. 1, 2027, with early application permitted. By incorporating these codes as of year-end 2026, the reporting will be available for those who elect to early apply. The industry comments requested clarification that the investment characteristics column should be left blank if none of the characteristics apply. This clarification is supported.

Clark made a motion, seconded by Shepherd, to adopt the modifications to the proposal. The motion passed unanimously. Clark made a motion, seconded by Snow, to adopt the modified proposal (Attachment Two-G). The motion passed unanimously.

M. Agenda Item 2025-29BWG

Clark stated that this proposal incorporates additional “restricted asset” codes to be used in the investment schedules to identify investments pledged under funds withheld or modified coinsurance (modco) reinsurance agreements consistent with Statutory Accounting Principles (E) Working Group agenda item 2025-27. Currently, all restricted investments are identified in the investment schedules with a code. With the expansion of the restricted asset note disclosure to explicitly capture information on investments allocated as funds withheld and modco, the investment schedule reporting codes were not expanded. As such, reporting entities are using the “other” restricted asset code for these items. The expansion simply adds new codes to better identify the types of restrictions.

Clark stated that interested parties provided comments recommending that NAIC committee support work further with them on this proposal to arrive at an acceptable compromise. The comments from interested parties noted concern that assets subject to a modco or funds withheld arrangement be reported in aggregate elsewhere, whereas, with this agenda item, they would have to break that out by specific restricted asset coding for funds withheld and modco assets. They also recommended that the reporting only be on the life/fraternal blank and be excluded from the others, similar to how Schedule S, Part 8 was done. As this item has not yet been adopted by the Statutory Accounting Principles (E) Working Group, it is recommended that deferral of adoption be considered until after the issue is addressed at the 2026 Spring National Meeting.

Clark made a motion, seconded by Shepherd, to defer the proposal with a 53-day public comment period ending April 28. The motion passed unanimously.

N. Agenda Item 2025-30BWG

Clark stated that this proposal incorporates a slight change to the retirement plan disclosure (Note 12— Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans) to capture instances in which net asset value (NAV) is used, consistent with adopted Statutory Accounting Principles (E) Working Group agenda item 2025-21. The disclosure previously captured information on plan assets by fair value hierarchy, and the revisions simply add a column for NAV.

Clark made a motion, seconded by Wegner, to adopt the proposal with the minor edits (Attachment Two-H). The motion passed unanimously.

### 3. Exposed New Items

#### A. Agenda Item 2026-01BWG

Clark stated that this proposal proposes updating Note 26—Intercompany Pooling Arrangements to reflect changes in an intercompany pooling arrangement. It requires disclosing the fair value and amortized cost of transferred assets when fair values differ from cost or amortized cost. This aligns with Statutory Accounting Principles (E) Working Group agenda item 2022-12, adopted in 2024. NAIC committee support identified the need to update Note 26 instead of keeping this information in the other note.

Hearing no objection, Drutz stated that the proposal is exposed for a 53-day public comment period ending April 28.

#### B. Agenda Item 2026-02BWG

Clark stated that this blanks proposal incorporates cross-checks between the Federal Home Loan Bank (FHLB) note disclosure (Note 11B—Debt FHLB Agreements) and general interrogatory #26 to ensure that the information reported for FHLB stock and collateral pledged agrees within the financial statements

Hearing no objection, Drutz stated that the proposal is exposed for a 53-day public comment period ending April 28.

#### C. Agenda Item 2026-03BWG

Amy Fitzpatrick (NAIC) stated that this proposal updates the life and fraternal annual and quarterly statement blanks and instructions for Exhibit 5, the Variable Annuity Supplement, due to the implementation of principles-based reserving for VM-22, Requirements for Principle-Based Reserves for Non-Variable Annuities. These changes are intended to allow regulators to review and analyze data on variable and non-variable annuities as they relate to the implementation of VM-22.

Hearing no objection, Drutz stated that the proposal is exposed for a 53-day public comment period ending April 28.

#### D. Agenda Item 2026-04BWG

Tim Nauheimer (NAIC) stated that this proposal is sponsored by the Macroprudential (E) Working Group and seeks additional funding agreement disclosure requirements to monitor activity in the funding agreement-backed note (FABN) market in accordance with its financial stability monitoring objectives. This proposed disclosure will enable the Financial Stability (E) Task Force to identify transmission channels of potential risk to and from the insurance industry and its interconnectedness with the capital markets.

The disclosure will also give state regulators greater transparency into operating leverage. The Macroprudential (E) Working Group has been monitoring funding agreement backing note or FABN activity over the past five years and observed a significant increase in activity. However, monitoring efforts of the Working Group have been hampered due to the lack of available data in the annual statement to identify FABNs.

Hearing no objection, Eft stated that the proposal is exposed for a 53-day public comment period ending April 28.

4. Adopted the Editorial Listing

Kim Hudson made a motion, seconded by Snow, to adopt the editorial listing (Attachment Two-I). The motion passed unanimously.

5. Received Memorandums

A. Statutory Accounting Principles (E) Working Group

Clark stated that during 2025, the Statutory Accounting Principles (E) Working Group adopted agenda item 2024-07, which created the new Schedule S, Part 8, for the reporting of assets subject to a modco or funds withheld arrangement. Prior to the final adoption, there was a change in scope. The project originally included the disclosure of any and all assets subject to a funds withheld or modco arrangement; the final adoption included only these assets that transfer investment risk, which more closely aligns with RBC reporting. The memo is intended to clarify exactly what is to be included in the scope of reporting for Schedule S, Part 8, and also clarifies that nothing in the new reporting is intended to override any guidance in the RBC instructions.

Kim Hudson made a motion, seconded by Tom Hudson, to receive the memorandum (Attachment Two-J). The motion passed unanimously.

B. Macroprudential (E) Working Group: FABNs and Other Structures

Nauheimer stated that this memorandum is in support of blanks proposal 2026-04BWG and provides some additional explanation.

Kim Hudson made a motion, seconded by Wegner, to receive the memorandum (Attachment Two-K). The motion passed unanimously.

Having no further business, the Blanks (E) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Committees/E Committee/APPTF/2026 Spring NM/Minutes/BWG/03 05 2026 blanks.docx

**NAIC BLANKS (E) WORKING GROUP**

**Blanks Agenda Item Submission Form**

<p style="text-align: right;">DATE: <u>9/5/2025</u></p> <p><b>CONTACT PERSON:</b> _____</p> <p><b>TELEPHONE:</b> _____</p> <p><b>EMAIL ADDRESS:</b> _____</p> <p><b>ON BEHALF OF:</b> _____</p> <p><b>NAME:</b> <u>Dale Bruggeman</u></p> <p><b>TITLE:</b> <u>Chair SAPWG</u></p> <p><b>AFFILIATION:</b> <u>Ohio Department of Insurance</u></p> <p><b>ADDRESS:</b> <u>50W. Town St., 3<sup>rd</sup> Fl., Ste. 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;"><b>FOR NAIC USE ONLY</b></p> <p>Agenda Item # <u>2025-17BWG MOD</u> Year <u>2026</u> Changes to Existing Reporting [ X ] New Reporting Requirement [ ]</p> <hr/> <p style="text-align: center;"><b>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</b></p> <p>No Impact [ X ] Modifies Required Disclosure [ ]</p> <p>Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [ No ] ***If Yes, complete question below***</p> <hr/> <p style="text-align: center;"><b>DISPOSITION</b></p> <p>[ ] Rejected For Public Comment [ ] Referred To Another NAIC Group [ ] Received For Public Comment [ X ] Adopted Date <u>3/5/2026</u> [ ] Rejected Date _____ [ ] Deferred Date _____ [ ] Other (Specify) _____</p>
--	---

**BLANK(S) TO WHICH PROPOSAL APPLIES**

- |   |   |   |
|---|---|---|
| <input checked="" type="checkbox"/> ANNUAL STATEMENT                  | <input checked="" type="checkbox"/> INSTRUCTIONS  | <input checked="" type="checkbox"/> CROSSCHECKS   |
| <input checked="" type="checkbox"/> QUARTERLY STATEMENT               | <input checked="" type="checkbox"/> BLANK         |   |
| <input checked="" type="checkbox"/> Life, Accident & Health/Fraternal | <input type="checkbox"/> Separate Accounts        | <input checked="" type="checkbox"/> Title         |
| <input checked="" type="checkbox"/> Property/Casualty                 | <input type="checkbox"/> Protected Cell           | <input type="checkbox"/> Other _____              |
| <input checked="" type="checkbox"/> Health                            | <input type="checkbox"/> Health (Life Supplement) | <input type="checkbox"/> Life (Health Supplement) |

Anticipated Effective Date: Annual 2026 / 1<sup>st</sup> Quarter 2027

**IDENTIFICATION OF ITEM(S) TO CHANGE**

Add an annual general interrogatory that indicates the method used for reporting residuals and update Notes to Financials (Note 1C6 and 5D) for consistent reporting between SSAP No. 26, SSAP No. 43, and SSAP No. 21.

**REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE\*\***

This proposal was prepared to make updates for 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*. (SAPWG Ref #2025-20)

**\*\*\*IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL\*\*\***

**NAIC STAFF COMMENTS**

Comment on Effective Reporting Date: \_\_\_\_\_

Other Comments:

\*\* This section must be completed on all forms.

**ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, PROPERTY, HEALTH & TITLE**

**GENERAL INTERROGATORIES**

**PART 1 – COMMON INTERROGATORIES**

**INVESTMENT**

**↓** **====** **Detail Eliminated To Conserve Space** **====** **↓**

40.1 [Indicate whether the reporting entity utilizes the Practical Expedient \(PE\) or Allowable Earned Yield \(AEY\) method for residuals, or if the reporting entity is transitioning \(T\) from PE to AEY. All residuals held by a company shall follow the same measurement method unless the company is transitioning from the PE to AEY method. See SSAP No. 21 – Other Admitted Assets.](#)

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

\*\*\* Drafting Note – all lines after these new lines will be renumbered. \*\*\*

**ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, PROPERTY, HEALTH & TITLE**

**NOTES TO FINANCIAL STATEMENTS**

**Note 1 - Summary of Significant Accounting Policies and Going Concern**

Instruction:

Refer to *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures* for accounting guidance regarding disclosure requirements. The major disclosure requirements are as follows:

**Detail Eliminated To Conserve Space**

- C. Disclose all accounting policies that materially affect the assets, liabilities, capital and surplus or results of operations.

Include:

- (1) Basis at which the short-term investments are stated.
- (2) Basis at which the bonds, mandatory convertible securities and SVO-Identified investments identified in SSAP No. 26 are stated, and the amortization method.

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 SSAP No. 26. If utilizing the systematic value measurement method approach for SVO-Identified investments, the reporting entity must include the following information:

- Whether the reporting entity consistently utilizes the same measurement method for all SVO-Identified investments (e.g., fair value or systematic value). If different measurement methods are used, information on why the reporting entity has elected to use fair value for some SVO-Identified investments and systematic value for others.
- 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.)
- Identification of securities still held that no longer qualify for the systematic value method. This should separately identify those securities that are still within scope of SSAP No. 26 and those that are being reported under a different SSAP.

- (3) Basis at which the common stocks are stated.
- (4) Basis at which the preferred stocks are stated.
- (5) Description of the valuation basis of the mortgage loans.
- (6) Basis at which the asset-backed securities [and non-bond debt securities](#) are stated and the adjustment methodology used for each type of security (prospective or retrospective).

**Detail Eliminated To Conserve Space**

Illustration:

C. Accounting Policy

Life premiums are recognized as income over the premium-paying period of the related policies. Annuity considerations are recognized as revenue when received. Health premiums are earned ratably over the terms of the related insurance and reinsurance contracts or policies. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred.

The amount of dividends to be paid to policyholders is determined annually by the Company's Board of Directors. The aggregate amount of policyholders' dividends is related to actual interest, mortality, morbidity, and expense experience for the year and judgment as to the appropriate level of statutory surplus to be retained by the Company.

In addition, the company uses the following accounting policies:

 **Detail Eliminated To Conserve Space** 

- (6) Asset-backed securities [and non-bond debt securities](#) are stated at either amortized cost or the lower of amortized cost or fair value. The retrospective adjustment method is used to value all securities, except for interest only securities or securities where the yield had become negative, that are valued using the prospective method.

 **Detail Eliminated To Conserve Space** 

**ANNUAL STATEMENT INSTRUCTIONS – PROPERTY, HEALTH & TITLE**

**NOTES TO FINANCIAL STATEMENTS**

**Note 5 - Investments**

Instruction:

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, Ddescriptions 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, Ffor 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, Aall 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 \(4\),](#) 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.](#)

**Illustration:**

D. ~~Asset-Backed Securities~~ [Debt Securities and Residual Interests](#)

- (1) Prepayment assumptions for ~~mortgage-backed/~~asset-backed ~~and structured~~-securities [and non-bond debt securities](#) were obtained from broker-dealer survey values or internal estimates.

**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.**

- (2) [For securities in scope of SSAP No. 43 and non-bond debt securities in scope of SSAP No. 21 with a recognized OTTI:](#)

(1)	(2)	(3)
Amortized Cost Basis Before Other-than- Temporary Impairment	Other-than- Temporary Impairment Recognized in Loss	Fair Value 1 – 2

OTTI recognized 1<sup>st</sup> Quarter

≡≡≡
≡≡≡
≡≡≡
≡≡≡

**Detail Eliminated To Conserve Space**

**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.**

- (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:](#)

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

**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.**

**(NOTE: THIS DOES NOT INCLUDE THE BEGINNING NARRATIVE.)**

- (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 \(including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains\). This disclosure shall include all impaired securities even if reported at fair value with an unrealized loss recognized:](#)

	1	2	3	4	5
	SSAP No. 26 - ICO	SSAP No. 43 - ABS	SSAP No. 21 - Non-Bond Debt Securities	SSAP No. 21 - Residuals under the Allowable Earned Yield Method	Total - Impaired Debt Securities
<a href="#">Aggregate Amount of Unrealized Losses:</a>					
<a href="#">Less Than 12 Months:</a>	\$	\$	\$	\$	\$
<a href="#">12 Months or Longer:</a>	\$	\$	\$	\$	\$
<a href="#">Aggregate Related Fair Value of Securities:</a>					
<a href="#">Less Than 12 Months:</a>	\$	\$	\$	\$	\$
<a href="#">12 Months or Longer:</a>	\$	\$	\$	\$	\$

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.

**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.**

(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.

	Sales			Maturities		
	<u>1</u> Proceeds	<u>2</u> Realized Gains	<u>3</u> Realized Losses	<u>4</u> Proceeds	<u>5</u> Realized Gains	<u>6</u> Realized Losses
<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>Total</u>	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

**ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL**

**NOTES TO FINANCIAL STATEMENTS**

**Note 5 - Investments**

Instruction:

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.



**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.**

- (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:](#)

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

**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.**

**(NOTE: THIS DOES NOT INCLUDE THE BEGINNING NARRATIVE.)**

- (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 \(including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains\). This disclosure shall include all impaired securities even if reported at fair value with an unrealized loss recognized:](#)

	1	2	3	4	5
	SSAP No. 26 - ICO	SSAP No. 43 - ABS	SSAP No. 21 – Non-Bond Debt Securities	SSAP No. 21 – Residuals under the Allowable Earned Yield Method	Total – Impaired Debt Securities
<a href="#">Aggregate Amount of Unrealized Losses:</a>					
<a href="#">Less Than 12 Months:</a>	\$	\$	\$	\$	\$
<a href="#">12 Months or Longer:</a>	\$	\$	\$	\$	\$
<a href="#">Aggregate Related Fair Value of Securities:</a>					
<a href="#">Less Than 12 Months:</a>	\$	\$	\$	\$	\$
<a href="#">12 Months or Longer:</a>	\$	\$	\$	\$	\$

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.

**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.**

(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.

	Sales			Maturities		
	<u>1</u> Proceeds	<u>2</u> Realized Gains	<u>3</u> Realized Losses	<u>4</u> Proceeds	<u>5</u> Realized Gains	<u>6</u> Realized Losses
<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>Total</u>	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

**ANNUAL STATEMENT BLANKS – LIFE/FRATERNAL, PROPERTY, HEALTH & TITLE**

**GENERAL INTERROGATORIES**  
**PART 1 – COMMON INTERROGATORIES**  
**INVESTMENT**

**Detail Eliminated To Conserve Space**

- 40.1 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. Enter PE or AEY for the method the company utilizes, unless the company is transitioning from the PE to AEY method, then enter T. PE for Practical Expedient, AEY for Allowable Earned Yield, or T for Transitioning.)~~ PE [ ] AEY [ ] T [ ]
- 40.2 If the company is transitioning from the Practical Expedient (PE) to Allowable Earned Yield (AEY) method, what is the transition date to apply the AEY method? ~~Date format MM/DD/YYYY. (Under SSAP No. 21, residuals acquired prior to the transition date shall continue the PE method, whereas residuals after the transition date shall follow the AEY method.)~~

\*\*\* Drafting Note – all lines after these new lines will be renumbered. \*\*\*



## QUARTERLY STATEMENT INSTRUCTIONS –PROPERTY, HEALTH & TITLE

### Note 5 - Investments

Instruction:

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 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 \(4\)](#), 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.](#)

**Detail Eliminated To Conserve Space**

Illustration:

D. ~~Asset-Backed Securities~~ [Debt Securities and Residual Interests](#)

- (1) Prepayment assumptions for ~~mortgage-backed~~/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:](#)

1	2	3
Amortized Cost Basis Before Other-Than-Temporary Impairment	Other-Than-Temporary Impairment Recognized in Loss	Fair Value 1 – 2

OTTI recognized 1<sup>st</sup> Quarter

**Detail Eliminated To Conserve Space**

- (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:](#)

	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
<u>Asset-Backed Securities:</u>							
<u>ABS Total</u>							
<u>Non-Bond Debt Securities:</u>							
<u>Non-Bond Debt Total</u>							
<u>Residuals:</u>							
<u>Residual Total</u>							
<u>Aggregate Total</u>		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 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:](#)

	1 SSAP No. 26 - ICO	2 SSAP No. 43 - ABS	3 SSAP No. 21 - Non- Bond Debt Securities	4 SSAP No. 21 - Residuals under the Allowable Earned Yield Method	5 Total - Impaired Debt Securities
<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.

**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.**

(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.

	Sales			Maturities		
	<u>1</u> Proceeds	<u>2</u> Realized Gains	<u>3</u> Realized Losses	<u>4</u> Proceeds	<u>5</u> Realized Gains	<u>6</u> Realized Losses
<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>	\$	\$	\$	\$	\$	\$

**QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL**

**NOTES TO FINANCIAL STATEMENTS**

**Note 5 - Investments**

Instruction:

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 \(4\),](#) 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.](#)

Illustration:

D. ~~Asset-Backed Securities~~ [Debt Securities and Residual Interests](#)

- (1) Prepayment assumptions for ~~mortgage-backed/~~asset-backed ~~and structured~~ securities [and non-bond debt securities](#) were obtained from broker-dealer survey values or internal estimates.

**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.**

- (2) [For securities in scope of SSAP No. 43 and non-bond debt securities in scope of SSAP No. 21 with a recognized OTTI:](#)

(1) Amortized Cost Basis Before Other-than-Temporary Impairment	(2) Other-than-Temporary Impairment Recognized in Loss		(3)
	(2a) Interest	(2b) Non-interest	Fair Value 1 – (2a + 2b)
OTTI recognized 1 <sup>st</sup> Quarter			
a. Intent to sell	\$ _____	\$ _____	\$ _____

≡
**Detail Eliminated To Conserve Space**
≡

**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.**

- (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:](#)

	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
<a href="#">Asset-Backed Securities:</a>							
<a href="#">ABS Total</a>							
<a href="#">Non-Bond Debt Securities:</a>							
<a href="#">Non-Bond Debt Total</a>							
<a href="#">Residuals:</a>							
<a href="#">Residual Total</a>							
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

**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.**

**(NOTE: THIS DOES NOT INCLUDE THE BEGINNING NARRATIVE.)**

- (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 \(including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains\). This disclosure shall include all impaired securities even if reported at fair value with an unrealized loss recognized:](#)

	1 SSAP No. 26 - ICO	2 SSAP No. 43 - ABS	3 SSAP No. 21 – Non-Bond Debt Securities	4 SSAP No. 21 – Residuals under the Allowable Earned Yield Method	5 Total – Impaired Debt Securities
<a href="#">Aggregate Amount of Unrealized Losses:</a>					
<a href="#">Less Than 12 Months:</a>	\$	\$	\$	\$	\$
<a href="#">12 Months or Longer:</a>	\$	\$	\$	\$	\$
<a href="#">Aggregate Related Fair Value of Securities:</a>					
<a href="#">Less Than 12 Months:</a>	\$	\$	\$	\$	\$
<a href="#">12 Months or Longer:</a>	\$	\$	\$	\$	\$

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.

**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.**

(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.

	Sales			Maturities		
	<u>1</u> Proceeds	<u>2</u> Realized Gains	<u>3</u> Realized Losses	<u>4</u> Proceeds	<u>5</u> Realized Gains	<u>6</u> Realized Losses
<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>Total</u>	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

[https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2026/2026 Spring/Summary and Minutes/BWG/Att 2A\\_2025-17BWG\\_Modified.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/APPTF/2026/2026%20Spring/Summary%20and%20Minutes/BWG/Att2A_2025-17BWG_Modified.docx)

**NAIC BLANKS (E) WORKING GROUP**  
**Blanks Agenda Item Submission Form**

<p style="text-align: right;">DATE: <u>9/19/2025</u></p> <p><b>CONTACT PERSON:</b> _____</p> <p><b>TELEPHONE:</b> _____</p> <p><b>EMAIL ADDRESS:</b> _____</p> <p><b>ON BEHALF OF:</b> _____</p> <p><b>NAME:</b> <u>Steve Drutz</u></p> <p><b>TITLE:</b> <u>Chief Financial Analyst</u></p> <p><b>AFFILIATION:</b> <u>WA Office of the Insurance Commissioner</u></p> <p><b>ADDRESS:</b> _____</p>	<p style="text-align: center;"><b>FOR NAIC USE ONLY</b></p> <p>Agenda Item # <u>2025-18BWG</u> Year <u>2026</u> Changes to Existing Reporting [ X ] New Reporting Requirement [ ]</p> <p style="text-align: center;"><b>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</b></p> <p>No Impact [ X ] Modifies Required Disclosure [ ]</p> <p>Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [ No ] <i>***If Yes, complete question below***</i></p> <p style="text-align: center;"><b>DISPOSITION</b></p> <p>[ ] Rejected For Public Comment [ ] Referred To Another NAIC Group [ ] Received For Public Comment [ X ] Adopted Date <u>3/5/2026</u> [ ] Rejected Date _____ [ ] Deferred Date _____ [ ] Other (Specify) _____</p>
--	--

**BLANK(S) TO WHICH PROPOSAL APPLIES**

- |  |   |   |
|--|---|---|
| <input checked="" type="checkbox"/> ANNUAL STATEMENT       | <input checked="" type="checkbox"/> INSTRUCTIONS  | <input checked="" type="checkbox"/> CROSSCHECKS   |
| <input type="checkbox"/> QUARTERLY STATEMENT               | <input type="checkbox"/> BLANK                    |   |
| <input type="checkbox"/> Life, Accident & Health/Fraternal | <input type="checkbox"/> Separate Accounts        | <input type="checkbox"/> Title                    |
| <input type="checkbox"/> Property/Casualty                 | <input type="checkbox"/> Protected Cell           | <input type="checkbox"/> Other _____              |
| <input checked="" type="checkbox"/> Health                 | <input type="checkbox"/> Health (Life Supplement) | <input type="checkbox"/> Life (Health Supplement) |

Anticipated Effective Date: Annual 2026

**IDENTIFICATION OF ITEM(S) TO CHANGE**

Add instructions for Health General Interrogatory 10.21 through 10.24 to add clarifying instructions and an example to the Health General Interrogatory Part 2 Instructions. Also add a crosscheck from the general interrogatory to Exhibit 7, Part 1.

**REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE\*\***

This proposal was created to add clarity to what should be included in each line of interrogatory 10.2 by adding instructions, an example, and a crosscheck reference back to Exhibit 7, Part 1.

**\*\*\*IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL\*\*\***

**NAIC STAFF COMMENTS**

Comment on Effective Reporting Date: \_\_\_\_\_

Other Comments:

\*\* This section must be completed on all forms.

**ANNUAL STATEMENT INSTRUCTIONS – HEALTH**

**GENERAL INTERROGATORIES**

**PART 2 – HEALTH INTERROGATORIES**



**Detail Eliminated To Conserve Space**

9. This interrogatory only applies to those lines of accident and health business that include a medical trend risk, i.e., Comprehensive Medical, Medicare Supplement, Dental, and Stop-Loss and Minimum Premium. Premiums entered should be earned premium for the current calendar year period and not for the entire period of the rate guarantees. Premium amounts should be shown net of reinsurance only when the reinsurance ceded premium is also subject to the same rate guarantee.

[10.21 Report the maximum incentive pool/bonus arrangement amounts contractually available to be paid out for the reporting year.](#)

[10.22 Report the actual amount paid to the providers during the reporting year as required by the bonus arrangements.](#)

[10.23 Report the maximum amount of withholds contractually available to be paid to providers for the reporting year.](#)

[10.24 Report the actual amount of withholds paid to the providers during the reporting year.](#)

[EXAMPLE \(10.2 If yes\):](#)

<a href="#">10.21</a>	<a href="#">Maximum amount payable bonuses</a>	<a href="#">\$ 1,000,000</a>
<a href="#">10.22</a>	<a href="#">Amount actually paid for year bonuses</a>	<a href="#">\$ 750,000</a>
<a href="#">10.23</a>	<a href="#">Maximum amount payable withholds</a>	<a href="#">\$ 1,250,000</a>
<a href="#">10.24</a>	<a href="#">Amount actually paid for year withholds</a>	<a href="#">\$ 500,000</a>

[Line 10.22 plus 10.24 should equal Exhibit 7, Part 1, Column 1, Line 7 plus 8.](#)

11. If the Plans’ statutory minimum capital and surplus requirement is based upon a contingency reserve for statutory minimum capital and surplus that is other than a flat dollar amount, the calculation must be shown. An example of the disclosure of a calculation based upon 2% of the net capitation revenue from risk contracts is:

Net earned subscription revenue	\$	33,103,906
		2%
Addition to Reserve		662,078
Reserve Balance Beginning of Year		353,689
Reserve Balance End of Year		1,025,767

Item 11.4 should equal Column 1, Line 3 of the Five-Year History Page.

[https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2026/2026 Spring/Summary and Minutes/BWG/Att 2B\\_2025-18BWG.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/APPTF/2026/2026%20Spring/Summary%20and%20Minutes/BWG/Att2B_2025-18BWG.docx)

**NAIC BLANKS (E) WORKING GROUP**  
**Blanks Agenda Item Submission Form**

<p style="text-align: right;">DATE: <u>10/9/2025</u></p> <p>CONTACT PERSON: _____</p> <p>TELEPHONE: _____</p> <p>EMAIL ADDRESS: _____</p> <p>ON BEHALF OF: _____</p> <p>NAME: <u>Kelly Hopper</u></p> <p>TITLE: <u>Chief of Regulatory Operations</u></p> <p>AFFILIATION: <u>Missouri Dept of Commerce &amp; Insurance</u></p> <p>ADDRESS: _____</p>	<p style="text-align: center;"><b>FOR NAIC USE ONLY</b></p> <p>Agenda Item # <u>2025-19BWG MOD</u> Year <u>2026</u></p> <p>Changes to Existing Reporting [ X ] New Reporting Requirement [ ]</p> <p style="text-align: center;"><b>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</b></p> <p>No Impact [ X ] Modifies Required Disclosure [ ]</p> <p>Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [ No ] ***If Yes, complete question below***</p> <p style="text-align: center;"><b>DISPOSITION</b></p> <p>[ ] Rejected For Public Comment [ ] Referred To Another NAIC Group [ ] Received For Public Comment [ X ] Adopted Date <u>3/5/2026</u> [ ] Rejected Date _____ [ ] Deferred Date _____ [ ] Other (Specify) _____</p>
--	--

**BLANK(S) TO WHICH PROPOSAL APPLIES**

- |  |   |   |
|--|---|---|
| <input checked="" type="checkbox"/> ANNUAL STATEMENT       | <input type="checkbox"/> INSTRUCTIONS             | <input checked="" type="checkbox"/> CROSSCHECKS   |
| <input checked="" type="checkbox"/> QUARTERLY STATEMENT    | <input checked="" type="checkbox"/> BLANK         |   |
| <input type="checkbox"/> Life, Accident & Health/Fraternal | <input type="checkbox"/> Separate Accounts        | <input checked="" type="checkbox"/> Title         |
| <input checked="" type="checkbox"/> Property/Casualty      | <input type="checkbox"/> Protected Cell           | <input type="checkbox"/> Other _____              |
| <input checked="" type="checkbox"/> Health                 | <input type="checkbox"/> Health (Life Supplement) | <input type="checkbox"/> Life (Health Supplement) |

Anticipated Effective Date: Annual 2026 / Quarterly 2027

**IDENTIFICATION OF ITEM(S) TO CHANGE**

Add a code of "S" to the Active Status column on Schedule T to identify if a license has been suspended.

**REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE\*\***

The purpose of this proposal is to provide clarification if a license is active or suspended and will inform regulators and consumers if the company has a suspended license.

**\*\*\*IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL\*\*\***

**NAIC STAFF COMMENTS**

Comment on Effective Reporting Date: \_\_\_\_\_

Other Comments:

\*\* This section must be completed on all forms.

**ANNUAL STATEMENT INSTRUCTIONS – HEALTH**

**SCHEDULE T – PREMIUMS AND OTHER CONSIDERATIONS**

**ALLOCATED BY STATES AND TERRITORIES**

Premiums are reported on a written basis, gross of reinsurance.

Written premium is defined as the contractually determined amount charged by the reporting entity to the policyholder for the effective period of the contract based on the expectation of risk, policy benefits, and expenses associated with the coverage provided by the terms of the insurance contract. For health contracts without fixed contract periods, premiums written will be equal to the amount collected during the reporting period plus uncollected premiums at the end of the period less uncollected premiums at the beginning of the period.

All premium adjustments (both increases and decreases), including but not limited to Affordable Care Act (ACA) premium adjustments related to the risk adjustment program, shall be allocated as premium in the respective jurisdiction.

Column 1 – Active Status

Use the following codes to identify the reporting entity’s status for each state or territory reported in the schedule as of the end of the reporting period. Enter the code that applies to the reporting entity’s status in the state or territory. Each line must have an entry in order to subtotal Footnote (a).

- L – Licensed or Chartered (Licensed Insurance Carrier and Domiciled Risk Retention Groups referred to in some states as admitted.)
- R – Registered (Non-domiciled Risk Retention Groups)
- E – Eligible (Reporting Entities eligible or approved to write Surplus Lines in the state. In some states referred to as nonadmitted.)
- Q – Qualified (Qualified or Accredited Reinsurer)
- S – Suspended ([State licensing status of final and public suspension](#))
- N – None of the above (Not allowed to write business in the state or none of the above codes apply)

**ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL**

**SCHEDULE T – PREMIUMS AND ANNUITY CONSIDERATIONS**

**ALLOCATED BY STATES AND TERRITORIES**

This schedule is intended to exhibit the amount of premium and annuity considerations, and deposit-type contracts allocated to each state. For Life Companies only, this Schedule also provides: (a) the starting point for the calculation of state premium taxes, and (b) the starting point for the calculation of premium-based, state guaranty association assessments. (The basis for such assessments is developed in the Life, Health, and Annuity Guaranty Association Assessable Premium Exhibit, not in Schedule T.) See the instructions to the Life, Health, and Annuity Guaranty Association Assessable Premium Exhibit for allocated and unallocated annuities reported in Columns 3, 5, and 7.

Report premiums and annuity considerations for life and health contracts and deposit-type contracts for direct business. Exclude contract proceeds left with the reporting entity, such as amounts for supplemental contracts, dividend or refund accumulations and other similar items. Dividends or refunds on contracts that are used to pay renewal life and accident and health insurance premiums or annuity considerations should be included in the amounts allocated to the states and territories in Columns 2, 3, 4, and 5.

All premium adjustments (both increases and decreases), including but not limited to Affordable Care Act (ACA) premium adjustments related to the risk adjustment program, shall be allocated as premium in the respective jurisdiction.

Refer to *SSAP No. 50—Classifications of Insurance or Managed Care Contracts* for life, accident and health and deposit-type contract definitions, *SSAP No. 51—Life Contracts* and *SSAP No. 52—Deposit-Type Contracts* for accounting guidance.

Column 1 – Active Status

Use the following codes to identify the reporting entity’s status for each state or territory reported in the schedule as of the end of the reporting period. Enter the code that applies to the reporting entity’s status in the state or territory. Each line must have an entry in order to subtotal Footnote (a).

- L – Licensed or Chartered (Licensed Insurance Carrier and Domiciled Risk Retention Groups referred to in some states as admitted.)
- R – Registered (Non-domiciled Risk Retention Groups)
- E – Eligible (Reporting Entities eligible or approved to write Surplus Lines in the state. In some states referred to as nonadmitted.)
- Q – Qualified (Qualified or Accredited Reinsurer)
- S – Suspended ([State licensing status of final and public suspension](#))
- N – None of the above (Not allowed to write business in the state or none of the above codes apply)

**ANNUAL STATEMENT INSTRUCTIONS – PROPERTY**

**ALLOCATED BY STATES AND TERRITORIES**

This schedule is intended to report premiums, losses, and other items allocated to each state or territory during the current reporting period, regardless of the reporting entity’s license status in that state or territory. Allocation of premiums and the other items reported on this schedule should be based on the physical location of the insured risk (except individual and group health insurance). Amounts reported as losses should be assigned to the state in which the associated premium has been allocated.

All U.S. business must be allocated by state regardless of license status.

All premium adjustments (both increases and (decreases)), including but not limited to Affordable Care Act (ACA) premium adjustments related to the risk adjustment program, shall be allocated as premium in the respective jurisdiction.

Column 1 – Active Status

Use the following codes to identify the reporting entity’s status for each state or territory reported in the schedule as of the end of the reporting period. Enter the code that applies to the reporting entity’s status in the state or territory. Each line must have an entry in order to subtotal Footnote (a).

- L – Licensed or Chartered (Licensed Insurance Carrier and Domiciled Risk Retention Groups referred to in some states as admitted.)
- R – Registered (Non-domiciled Risk Retention Groups)
- E – Eligible (Reporting Entities eligible or approved to write Surplus Lines in the state (other than their state of domicile – see DSLI). In some states referred to as nonadmitted.)
- Q – Qualified (Qualified or Accredited Reinsurer)
- D – DSLI (Domestic Surplus Lines Insurer (DSLI) – Reporting Entities authorized to write Surplus Lines in the state of domicile)
- S – Suspended (State licensing status of final and public suspension)
- N – None of the above (Not allowed to write business in the state or none of the above codes apply)

**ANNUAL STATEMENT INSTRUCTIONS – TITLE**

**SCHEDULE T – EXHIBIT OF PREMIUMS WRITTEN**

**BY STATES AND TERRITORIES**



**Detail Eliminated To Conserve Space**

Column 1 – Active Status

Use the following codes to identify the reporting entity’s status for each state or territory reported in the schedule as of the end of the reporting period. Enter the code that applies to the reporting entity’s status in the state or territory. Each line must have an entry in order to subtotal Footnote (a).

- L – Licensed or Chartered (Licensed Insurance Carrier and Domiciled Risk Retention Groups referred to in some states as admitted.)
- R – Registered (Non-domiciled Risk Retention Groups)
- E – Eligible (Reporting Entities eligible or approved to write Surplus Lines in the state. In some states referred to as nonadmitted.)
- Q – Qualified (Qualified or Accredited Reinsurer)
- S – Suspended ([State licensing status of final and public suspension](#))
- N – None of the above (Not allowed to write business in the state or none of the above codes apply)

**QUARTERLY STATEMENT INSTRUCTIONS – HEALTH**

**SCHEDULE T – PREMIUMS AND OTHER CONSIDERATIONS**

**CURRENT YEAR TO DATE – ALLOCATED BY STATES AND TERRITORIES**

All U.S. business must be allocated by state regardless of license status. Premiums are reported on a year-to-date written basis, gross of reinsurance.

Written premium is defined as the contractually determined amount charged by the reporting entity to the policyholder for the effective period of the contract based on the expectation of risk, policy benefits and expenses associated with the coverage provided by the terms of the insurance contract. For health contracts without fixed contract periods, premiums written will be equal to the amount collected during the reporting period plus uncollected premiums at the end of the period less uncollected premiums at the beginning of the period.

All premium adjustments (both increases and decreases), including but not limited to Affordable Care Act (ACA) premium adjustments related to the risk adjustment program, shall be allocated as premium in the respective jurisdiction.

Columns 2  
thru 10

– Direct Business Only Year to Date

Display year-to-date direct premiums written by state.

Include: Gross premiums, including policy and membership fees, less return premiums and premiums on policies not taken.

Column 1

– Active Status

Use the following codes to identify the reporting entity’s status for each state or territory reported in the schedule as of the end of the reporting period. Enter the code that applies to the reporting entity’s status in the state or territory. Each line must have an entry in order to subtotal Footnote (a).

- L – Licensed or Chartered (Licensed Insurance Carrier and Domiciled Risk Retention Groups referred to in some states as admitted.)
- R – Registered (Non-domiciled Risk Retention Groups)
- E – Eligible (Reporting Entities eligible or approved to write Surplus Lines in the state. In some states referred to as nonadmitted.)
- Q – Qualified (Qualified or Accredited Reinsurer)
- S – Suspended (State licensing status of final and public suspension)
- N – None of the above (Not allowed to write business in the state or none of the above codes apply)

**QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL**

**SCHEDULE T – PREMIUMS AND ANNUITY CONSIDERATIONS**

**CURRENT YEAR TO DATE – ALLOCATED BY STATES AND TERRITORIES**

This schedule is intended to exhibit the amount of premium and annuity considerations, and deposit-type contracts allocated to each state. All U.S. business must be allocated by state regardless of license status. Report year-to-date premiums and annuity considerations for life and accident and health contracts and deposit-type contracts for direct business. Exclude contract proceeds left with the reporting entity, such as amounts for supplemental contracts, dividend or refund accumulations and other similar items. Dividends or refunds on contracts that are used to pay renewal life and accident and health insurance premiums or annuity considerations should be included in the amounts allocated to the states and territories in Columns 2, 3, 4 and 5.

All premium adjustments (both increases and decreases), including but not limited to Affordable Care Act (ACA) premium adjustments related to the risk adjustment program, shall be allocated as premium in the respective jurisdiction.

Refer to *SSAP No. 50—Classifications of Insurance or Managed Care Contracts*, for life, accident and health and deposit-type contract definitions; *SSAP No. 51—Life Contracts*; and *SSAP No. 52—Deposit-Type Contracts*, for accounting guidance.

Column 1 – Active Status

Use the following codes to identify the reporting entity’s status for each state or territory reported in the schedule as of the end of the reporting period. Enter the code that applies to the reporting entity’s status in the state or territory. Each line must have an entry in order to subtotal Footnote (a).

- |                           |   |
|---------------------------|---|
| L – Licensed or Chartered | (Licensed Insurance Carrier and Domiciled Risk Retention Groups referred to in some states as admitted.)                  |
| R – Registered            | (Non-domiciled Risk Retention Groups)   |
| E – Eligible              | (Reporting Entities eligible or approved to write Surplus Lines in the state. In some states referred to as nonadmitted.) |
| Q – Qualified             | (Qualified or Accredited Reinsurer)   |
| <u>S – Suspended</u>      | <u>(State licensing status of final and public suspension)</u>  |
| N – None of the above     | (Not allowed to write business in the state or none of the above codes apply)   |

**QUARTERLY STATEMENT INSTRUCTIONS – PROPERTY**

**SCHEDULE T – EXHIBIT OF PREMIUMS WRITTEN**

**CURRENT YEAR TO DATE – ALLOCATED BY STATES AND TERRITORIES**

This schedule is intended to report premiums, losses and other items allocated to each state or territory during the current reporting period, regardless of the reporting entity’s license status in that state or territory. Allocation of premiums and the other items reported on this schedule should be based on the physical location of the insured risk (except individual and group health insurance). Amounts reported as losses should be assigned to the state in which the associated premium has been allocated.

All U.S. business must be allocated by state regardless of license status.

All premium adjustments (both increases and decreases), including but not limited to Affordable Care Act (ACA) premium adjustments related to the risk adjustment program, shall be allocated as premium in the respective jurisdiction.

Column 1 – Active Status

Use the following codes to identify the reporting entity’s status for each state or territory reported in the schedule as of the end of the reporting period. Enter the code that applies to the reporting entity’s status in the state or territory. Each line must have an entry in order to subtotal Footnote (a).

L – Licensed or Chartered	(Licensed Insurance Carrier and Domiciled Risk Retention Groups referred to in some states as admitted.)
R – Registered	(Non-domiciled Risk Retention Groups)
E – Eligible	(Reporting Entities eligible or approved to write Surplus Lines in the state (other than their state – see DSLI). In some states referred to as nonadmitted.)
Q – Qualified	(Qualified or Accredited Reinsurer)
D – DSLI	(Domestic Surplus Lines Insurer (DSLI) – Reporting Entities authorized to write Surplus Lines in the state of domicile)
<u>S – Suspended</u>	<u>(State licensing status of final and public suspension)</u>
N – None of the above	(Not allowed to write business in the state or none of the above codes apply)

**QUARTERLY STATEMENT INSTRUCTIONS – TITLE**

**SCHEDULE T – EXHIBIT OF PREMIUMS WRITTEN**

**CURRENT YEAR TO DATE – BY STATES AND TERRITORIES**

All U.S. business must be reported by state regardless of license status.

Column 1 – Active Status

Use the following codes to identify the reporting entity’s status for each state or territory reported in the schedule as of the end of the reporting period. Enter the code that applies to the reporting entity’s status in the state or territory. Each line must have an entry in order to subtotal Footnote (a).

- |                           |   |
|---------------------------|---|
| L – Licensed or Chartered | (Licensed Insurance Carrier and Domiciled Risk Retention Groups referred to in some states as admitted.)                  |
| R – Registered            | (Non-domiciled Risk Retention Groups)   |
| E – Eligible              | (Reporting Entities eligible or approved to write Surplus Lines in the state. In some states referred to as nonadmitted.) |
| Q – Qualified             | (Qualified or Accredited Reinsurer)   |
| <u>S – Suspended</u>      | <u>(State licensing status of final and public suspension)</u>  |
| N – None of the above     | (Not allowed to write business in the state or none of the above codes apply)   |

**ANNUAL STATEMENT BLANK – HEALTH**

**SCHEDULE T – PREMIUMS AND OTHER CONSIDERATIONS**  
Allocated by States and Territories



- (a) Active Status Counts:
- |   |  |
|---|--|
| 1. L – Licensed or Chartered – Licensed insurance carrier or domiciled RRG .....                    | 4. Q – Qualified - Qualified or accredited reinsurer .....   |
| 2. R – Registered – Non-domiciled RRGs .....  | 5. <del>S</del> – <del>Suspended – State licensing status of final and public suspension</del> ..... |
| 3. E – Eligible - Reporting entities eligible or approved to write surplus lines in the state ..... | 5. N – None of the above - Not allowed to write business in the state .....                          |
- (b) Explanation of basis of allocation by states, premiums by state, etc.

**ANNUAL STATEMENT BLANK – LIFE/FRATERNAL**

**SCHEDULE T – PREMIUMS AND ANNUITY CONSIDERATIONS**  
Allocated by States and Territories



- (a) Active Status Counts:
- |   |  |
|---|--|
| 1. L – Licensed or Chartered - Licensed insurance carrier or domiciled RRG .....                    | 4. Q – Qualified - Qualified or accredited reinsurer .....   |
| 2. R – Registered - Non-domiciled RRGs .....  | 5. <del>S</del> – <del>Suspended – State licensing status of final and public suspension</del> ..... |
| 3. E – Eligible - Reporting entities eligible or approved to write surplus lines in the state ..... | 5. N – None of the above - Not allowed to write business in the state .....                          |
- (b) Explanation of basis of allocation by states, etc., of premiums and annuity considerations
- (c) Column 4 should balance with Exhibit 1, Lines 6.4, 10.4 and 16.4, Col.6, or with Schedule H, Part 1, Column 1, Line 1 indicate which; \_\_\_\_\_.

**ANNUAL STATEMENT BLANK – PROPERTY**

**SCHEDULE T – EXHIBIT OF PREMIUMS WRITTEN**  
Allocated By States And Territories



- (a) Active Status Counts:
- |   |   |
|---|---|
| 1. L – Licensed or Chartered - Licensed insurance carrier or domiciled RRG .....  | <del>4. Q – Qualified – Qualified or accredited reinsurer .....</del>   |
| 2. R – Registered - Non-domiciled RRGs .....  | 5. D – Domestic Surplus Lines Insurer (DSLII) – Reporting entities authorized to write surplus lines in the state of domicile. .... |
| 3. E – Eligible - Reporting entities eligible or approved to write surplus lines in the state (other than their state of domicile – See DSLI) ..... | 6. <del>S</del> – <del>Suspended – State licensing status of final and public suspension</del> .....                                |
| 4. Q – Qualified - Qualified or accredited reinsurer .....  | 7. N – None of the above – Not allowed to write business in the state .....   |
- (b) Explanation of basis of allocation of premiums by states, etc.

**ANNUAL STATEMENT BLANK – TITLE**

**SCHEDULE T – EXHIBIT OF PREMIUMS WRITTEN**  
By States and Territories



- (a) Active Status Counts:
- |   |  |
|---|--|
| 1. L – Licensed or Chartered - Licensed insurance carrier or domiciled RRG .....                    | 4. Q – Qualified - Qualified or accredited reinsurer .....   |
| 2. R – Registered - Non-domiciled RRGs .....  | 5. <del>S</del> – <del>Suspended – State licensing status of final and public suspension</del> ..... |
| 3. E – Eligible - Reporting entities eligible or approved to write surplus lines in the state ..... | 5. N – None of the above - Not allowed to write business in the state .....                          |

(b) Each type of rate must be coded with a combination of the five activity codes (R, S, X, C, and/or E) listed in the instructions. Use the code combination corresponding to the state's statutory definitions of title insurance premium. If more than one combination of activities is indicated in the statutory definition, all relevant combinations must be listed. See the Schedule T instructions.

**QUARTERLY STATEMENT BLANK – HEALTH**

**SCHEDULE T – PREMIUMS AND OTHER CONSIDERATIONS**  
Current Year to Date – Allocated by States and Territories



**Detail Eliminated To Conserve Space**

(a) Active Status Counts:

- |   |  |
|---|--|
| 1. L – Licensed or Chartered - Licensed insurance carrier or domiciled RRG ..... _____                  | 4. Q – Qualified - Qualified or accredited reinsurer..... _____                                      |
| 2. R – Registered - Non-domiciled RRGs ..... _____  | 5. <a href="#">S – Suspended – State licensing status of final and public suspension</a> ..... _____ |
| 3. E – Eligible - Reporting entities eligible or approved to write surplus lines in the state ... _____ | 5 <del>6</del> . N – None of the above – Not allowed to write business in the state ..... _____      |

**QUARTERLY STATEMENT BLANK – LIFE/FRATERNAL**

**SCHEDULE T – PREMIUMS AND ANNUITY CONSIDERATIONS**  
Current Year To Date - Allocated by States and Territories



**Detail Eliminated To Conserve Space**

(a) Active Status Counts:

- |  |  |
|--|--|
| 1. L – Licensed or Chartered - Licensed insurance carrier or domiciled RRG ..... _____                   | 4. Q – Qualified - Qualified or accredited reinsurer ..... _____                                     |
| 2. R – Registered - Non-domiciled RRGs ..... _____   | 5. <a href="#">S – Suspended – State licensing status of final and public suspension</a> ..... _____ |
| 3. E – Eligible - Reporting entities eligible or approved to write surplus lines in the state..... _____ | 5 <del>6</del> . N – None of the above - Not allowed to write business in the state ..... _____      |

**QUARTERLY STATEMENT BLANK – PROPERTY**

**SCHEDULE T – EXHIBIT OF PREMIUMS WRITTEN**  
Current Year to Date – Allocated by States and Territories



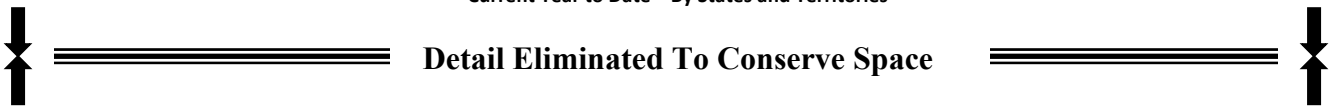
**Detail Eliminated To Conserve Space**

(a) Active Status Counts:

- |  |   |
|--|---|
| 1. L – Licensed or Chartered - Licensed insurance carrier or domiciled RRG ..... _____   | <del>4. Q – Qualified – Qualified or accredited reinsurer..... _____</del>  |
| 2. R – Registered - Non-domiciled RRGs ..... _____   | 5. D – Domestic Surplus Lines Insurer (DSL) – Reporting entities authorized to write surplus lines in the state of domicile. .... _____ |
| 3. E – Eligible - Reporting entities eligible or approved to write surplus lines in the state (other than their state of domicile – See DSL) ..... _____ | 6. <a href="#">S – Suspended – State licensing status of final and public suspension</a> ..... _____                                    |
| 4. <a href="#">Q – Qualified - Qualified or accredited reinsurer</a> ..... _____   | 7 <del>6</del> . N – None of the above – Not allowed to write business in the state ..... _____   |

**QUARTERLY STATEMENT BLANK – TITLE**

**SCHEDULE T – EXHIBIT OF PREMIUMS WRITTEN**  
Current Year to Date – By States and Territories



**Detail Eliminated To Conserve Space**

(a) Active Status Counts:

- |  |  |
|--|--|
| 1. L – Licensed or Chartered - Licensed insurance carrier or domiciled RRG ..... _____                   | 4. Q – Qualified - Qualified or accredited reinsurer..... _____                                      |
| 2. R – Registered - Non-domiciled RRGs ..... _____   | 5. <a href="#">S – Suspended – State licensing status of final and public suspension</a> ..... _____ |
| 3. E – Eligible - Reporting entities eligible or approved to write surplus lines in the state..... _____ | 5 <del>6</del> . N – None of the above - Not allowed to write business in the state ..... _____      |

**NAIC BLANKS (E) WORKING GROUP**  
**Blanks Agenda Item Submission Form**

<p style="text-align: right;">DATE: <u>10/24/25</u></p> <p>CONTACT PERSON: _____</p> <p>TELEPHONE: _____</p> <p>EMAIL ADDRESS: _____</p> <p>ON BEHALF OF: _____</p> <p>NAME: <u>Dale Bruggeman</u></p> <p>TITLE: <u>Chair SAPWG</u></p> <p>AFFILIATION: <u>Ohio Department of Insurance</u></p> <p>ADDRESS: <u>50W. Town St., 3<sup>rd</sup> Fl., Ste. 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;"><b>FOR NAIC USE ONLY</b></p> <p>Agenda Item # <u>2025-20BWG MOD</u> Year <u>2026</u></p> <p>Changes to Existing Reporting [ <input checked="" type="checkbox"/> ] New Reporting Requirement [ <input type="checkbox"/> ]</p> <p style="text-align: center;"><b>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</b></p> <p>No Impact [ <input checked="" type="checkbox"/> ] Modifies Required Disclosure [ <input type="checkbox"/> ]</p> <p>Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [ <input type="checkbox"/> No ] <i>***If Yes, complete question below***</i></p> <p style="text-align: center;"><b>DISPOSITION</b></p> <p>[ <input type="checkbox"/> ] Rejected For Public Comment [ <input type="checkbox"/> ] Referred To Another NAIC Group [ <input type="checkbox"/> ] Received For Public Comment [ <input checked="" type="checkbox"/> ] Adopted Date <u>3/5/2026</u> [ <input type="checkbox"/> ] Rejected Date _____ [ <input type="checkbox"/> ] Deferred Date _____ [ <input type="checkbox"/> ] Other (Specify) _____</p>
--	--

**BLANK(S) TO WHICH PROPOSAL APPLIES**

- |   |   |   |
|---|---|---|
| <input checked="" type="checkbox"/> ANNUAL STATEMENT                  | <input checked="" type="checkbox"/> INSTRUCTIONS      | <input type="checkbox"/> CROSSCHECKS              |
| <input type="checkbox"/> QUARTERLY STATEMENT                          | <input checked="" type="checkbox"/> BLANK             |   |
| <input checked="" type="checkbox"/> Life, Accident & Health/Fraternal | <input checked="" type="checkbox"/> Separate Accounts | <input checked="" type="checkbox"/> Title         |
| <input checked="" type="checkbox"/> Property/Casualty                 | <input type="checkbox"/> Protected Cell               | <input type="checkbox"/> Other _____              |
| <input checked="" type="checkbox"/> Health                            | <input type="checkbox"/> Health (Life Supplement)     | <input type="checkbox"/> Life (Health Supplement) |

Anticipated Effective Date: Annual 2026

**IDENTIFICATION OF ITEM(S) TO CHANGE**

Update Schedule D, Part 6, Section 1, reporting categories and Asset Valuation Reserve lines to update the classification of investment subsidiaries.

**REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE\*\***

This proposal updates investment subsidiary categories due to questions on the classification of investments as “investment subsidiaries” on Schedule D, Part 6, Section 1 and Asset Valuation Reserve. (SAPWG Ref #2024-21)

**\*\*\*IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL\*\*\***

**NAIC STAFF COMMENTS**

Comment on Effective Reporting Date: \_\_\_\_\_

Other Comments:

\*\* This section must be completed on all forms.

**ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, PROPERTY, HEALTH & TITLE**

**SCHEDULE D – PART 6 – SECTION 1**

**VALUATION OF SHARES OF SUBSIDIARY, CONTROLLED OR AFFILIATED COMPANIES**

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:

<u>Category</u>	<u>Line Number</u>
<b>Preferred Stocks:</b>	
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
<del>*Investment Subsidiary .....</del>	<del>0799999</del>
Other Affiliates .....	<del>0899999</del> <u>0799999</u>
Subtotals – Preferred Stocks .....	<del>0999999</del> <u>0899999</u>
<b>Common Stocks:</b>	
Parent .....	<del>1099999</del> <u>0999999</u>
U.S. Property & Casualty Insurer .....	<del>1199999</del> <u>1099999</u>
U.S. Life Insurer .....	<del>1299999</del> <u>1199999</u>
U.S. Health Entity #.....	<del>1399999</del> <u>1299999</u>
Alien Insurer .....	<del>1499999</del> <u>1399999</u>
Non-Insurer Which Controls Insurer .....	<del>1599999</del> <u>1499999</u>
<del>*Investment Subsidiary .....</del>	<del>1699999</del>
Other Affiliates .....	<del>1799999</del> <u>1599999</u>
Subtotals – Common Stocks .....	<del>1899999</del> <u>1699999</u>
Totals – Preferred and Common Stocks .....	<del>1999999</del> <u>1799999</u>

# – Include in this category any health entities that file the Health Risk-Based Capital formula.

~~\*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.~~

  **Detail Eliminated To Conserve Space**





**ANNUAL STATEMENT BLANK – LIFE/FRATERNAL AND SEPARATE ACCOUNTS**

**\*\*\* Drafting Note \*\*\* - The Line numbers on the AVR schedule are subject to change with proposal 2025-27BWG. 2025-27BWG is redoing how the line numbers are separated on the AVR schedule.**

**ASSET VALUATION RESERVE  
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS  
EQUITY AND OTHER INVESTED ASSET COMPONENT**

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	Basic Contribution		Reserve Objective		Maximum Reserve	
							5 Factor	6 Amount (Cols. 4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols. 4x9)
<b>COMMON STOCK</b>												
1		Unaffiliated public .....		XXX	XXX		0.0000		0.1580 (a)		0.1580 (a)	
2		Unaffiliated private.....		XXX	XXX		0.0000		0.1945		0.1945	
3		Federal Home Loan Bank.....		XXX	XXX		0.0000		0.0061		0.0097	
4		Affiliated life with AVR.....		XXX	XXX		0.0000		0.0000		0.0000	
<i>Affiliated Investment Subsidiary:</i>												
5		<del>Fixed income exempt obligations .....</del>					<del>XXX</del>		<del>XXX</del>		<del>XXX</del>	
6		<del>Fixed income highest quality .....</del>					<del>XXX</del>		<del>XXX</del>		<del>XXX</del>	
7		<del>Fixed income high quality .....</del>					<del>XXX</del>		<del>XXX</del>		<del>XXX</del>	
8		<del>Fixed income medium quality.....</del>					<del>XXX</del>		<del>XXX</del>		<del>XXX</del>	
9		<del>Fixed income low quality.....</del>					<del>XXX</del>		<del>XXX</del>		<del>XXX</del>	
10		<del>Fixed income lower quality.....</del>					<del>XXX</del>		<del>XXX</del>		<del>XXX</del>	
11		<del>Fixed income in or near default.....</del>					<del>XXX</del>		<del>XXX</del>		<del>XXX</del>	
12		<del>Unaffiliated common stock public.....</del>					<del>0.0000</del>		<del>0.1580 (a)</del>		<del>0.1580 (a)</del>	
13		<del>Unaffiliated common stock private.....</del>					<del>0.0000</del>		<del>0.1945</del>		<del>0.1945</del>	
14		<del>Real estate.....</del>					<del>(b)</del>		<del>(b)</del>		<del>(b)</del>	
545		Affiliated-certain other (See SVO Purposes & Procedures Manual) .....		XXX	XXX		0.0000		0.1580		0.1580	
46		Affiliated - all other.....		XXX	XXX		0.0000		0.1945		0.1945	
47		Total common stock (Sum of Lines 1 through 46)					XXX		XXX		XXX	
<b>REAL ESTATE</b>												
48		Home office property (General Account only) .....					0.0000		0.0912		0.0912	
49		Investment properties .....					0.0000		0.0912		0.0912	
2010		Properties acquired in satisfaction of debt .....					0.0000		0.1337		0.1337	
1124		Total real estate (Sum of Lines 48 through 2010)					XXX		XXX		XXX	
<b>OTHER INVESTED ASSETS</b>												
<b>INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF BONDS</b>												
1222		Exempt obligations .....		XXX	XXX		0.0000		0.0000		0.0000	
1323	1	Highest quality.....		XXX	XXX		0.0005		0.0016		0.0033	
1424	2	High quality .....		XXX	XXX		0.0021		0.0064		0.0106	
1525	3	Medium quality .....		XXX	XXX		0.0099		0.0263		0.0376	
1626	4	Low quality .....		XXX	XXX		0.0245		0.0572		0.0817	
1727	5	Lower quality.....		XXX	XXX		0.0630		0.1128		0.1880	
1828	6	In or near default.....		XXX	XXX		0.0000		0.2370		0.2370	
1929		Total with bond characteristics (Sum of Lines 1222 through 1828)		XXX	XXX		XXX		XXX		XXX	

**ASSET VALUATION RESERVE (Continued)**  
**BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS**  
**EQUITY AND OTHER INVESTED ASSET COMPONENT**

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	Basic Contribution		Reserve Objective		Maximum Reserve	
							5 Factor	6 Amount (Cols.4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols.4x9)
		<b>INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF PREFERRED STOCKS</b>										
<del>2030</del>	1	Highest quality .....		XXX	XXX		0.0005		0.0016		0.0033	
<del>2131</del>	2	High quality .....		XXX	XXX		0.0021		0.0064		0.0106	
<del>2232</del>	3	Medium quality .....		XXX	XXX		0.0099		0.0263		0.0376	
<del>2333</del>	4	Low quality .....		XXX	XXX		0.0245		0.0572		0.0817	
<del>2434</del>	5	Lower quality .....		XXX	XXX		0.0630		0.1128		0.1880	
<del>2535</del>	6	In or near default .....		XXX	XXX		0.0000		0.2370		0.2370	
<del>2636</del>		Affiliated life with AVR .....		XXX	XXX		0.0000		0.0000		0.0000	
<del>2737</del>		Total with preferred stock characteristics (Sum of Lines <del>2030</del> through <del>2636</del> )		XXX	XXX		XXX		XXX		XXX	
		<b>INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF MORTGAGE LOANS</b>										
		In Good Standing Affiliated:										
<del>2838</del>		Mortgages – CM1 – highest quality .....			XXX		0.0011		0.0057		0.0074	
<del>2939</del>		Mortgages – CM2 – high quality .....			XXX		0.0040		0.0114		0.0149	
<del>3040</del>		Mortgages – CM3 – medium quality .....			XXX		0.0069		0.0200		0.0257	
<del>3141</del>		Mortgages – CM4 – low medium quality .....			XXX		0.0120		0.0343		0.0428	
<del>3242</del>		Mortgages – CM5 – low quality .....			XXX		0.0183		0.0486		0.0628	
<del>3343</del>		Residential mortgages – insured or guaranteed .....			XXX		0.0003		0.0007		0.0011	
<del>3444</del>		Residential mortgages – all other .....		XXX	XXX		0.0015		0.0034		0.0046	
<del>3545</del>		Commercial mortgages – insured or guaranteed .....			XXX		0.0003		0.0007		0.0011	
		Overdue, Not in Process Affiliated:										
<del>3646</del>		Farm mortgages .....			XXX		0.0480		0.0868		0.1371	
<del>3747</del>		Residential mortgages – insured or guaranteed .....			XXX		0.0006		0.0014		0.0023	
<del>3848</del>		Residential mortgages – all other .....			XXX		0.0029		0.0066		0.0103	
<del>3949</del>		Commercial mortgages – insured or guaranteed .....			XXX		0.0006		0.0014		0.0023	
<del>4050</del>		Commercial mortgages – all other .....			XXX		0.0480		0.0868		0.1371	
		In Process of Foreclosure Affiliated:										
<del>4151</del>		Farm mortgages .....			XXX		0.0000		0.1942		0.1942	
<del>4252</del>		Residential mortgages – insured or guaranteed .....			XXX		0.0000		0.0046		0.0046	
<del>4353</del>		Residential mortgages – all other .....			XXX		0.0000		0.0149		0.0149	
<del>4454</del>		Commercial mortgages – insured or guaranteed .....			XXX		0.0000		0.0046		0.0046	
<del>4555</del>		Commercial mortgages – all other .....			XXX		0.0000		0.1942		0.1942	
<del>4656</del>		Total affiliated (Sum of Lines <del>2838</del> through <del>4555</del> ) .....			XXX		XXX		XXX		XXX	
<del>4757</del>		Unaffiliated – in good standing with covenants .....			XXX		(eb)		(eb)		(eb)	
		Unaffiliated – in good standing defeased with government securities .....			XXX							
<del>4858</del>		Unaffiliated – in good standing primarily senior .....			XXX		0.0011		0.0057		0.0074	
<del>4959</del>		Unaffiliated – in good standing all other .....			XXX		0.0040		0.0114		0.0149	
<del>5060</del>		Unaffiliated – in good standing all other .....			XXX		0.0069		0.0200		0.0257	
<del>5161</del>		Unaffiliated – overdue, not in process .....			XXX		0.0480		0.0868		0.1371	
<del>5262</del>		Unaffiliated – in process of foreclosure .....			XXX		0.0000		0.1942		0.1942	
<del>5363</del>		Total unaffiliated (Sum of Lines <del>4757</del> through <del>5262</del> ) .....			XXX		XXX		XXX		XXX	
<del>5464</del>		Total with mortgage loan characteristics (Lines <del>4656</del> + <del>5363</del> )			XXX		XXX		XXX		XXX	

**ASSET VALUATION RESERVE (Continued)**  
**BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS**  
**EQUITY AND OTHER INVESTED ASSET COMPONENT**

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	Basic Contribution		Reserve Objective		Maximum Reserve	
							5 Factor	6 Amount (Cols. 4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols. 4x9)
<b>INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF COMMON STOCK</b>												
<a href="#">5565</a>		Unaffiliated public .....		XXX	XXX		0.0000		0.1580(a)		0.1580(a)	
<a href="#">5666</a>		Unaffiliated private .....		XXX	XXX		0.0000		0.1945		0.1945	
<a href="#">5767</a>		Affiliated life with AVR .....		XXX	XXX		0.0000		0.0000		0.0000	
<a href="#">5868</a>		Affiliated certain other (See SVO Purposes & Procedures Manual) .....		XXX	XXX		0.0000		0.1580		0.1580	
<a href="#">5969</a>		Affiliated other - all other .....		XXX	XXX		0.0000		0.1945		0.1945	
<a href="#">6070</a>		Total with common stock characteristics (Sum of Lines <a href="#">5565</a> through <a href="#">5969</a> ) .....		XXX	XXX		XXX		XXX		XXX	
<b>INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF REAL ESTATE</b>												
<a href="#">6174</a>		Home office property (General Account only) .....					0.0000		0.0912		0.0912	
<a href="#">6272</a>		Investment properties .....					0.0000		0.0912		0.0912	
<a href="#">6373</a>		Properties acquired in satisfaction of debt .....					0.0000		0.1337		0.1337	
<a href="#">6474</a>		Total with real estate characteristics (Sum of Lines <a href="#">6174</a> through <a href="#">6473</a> ) .....					XXX		XXX		XXX	
<b>INVESTMENTS IN TAX CREDIT STRUCTURES</b>												
<a href="#">6575</a>		Yield guaranteed state tax credit investments .....					0.0003		0.0006		0.0010	
<a href="#">6676</a>		Qualifying federal tax credit investments .....					0.0063		0.0120		0.0190	
<a href="#">6777</a>		Qualifying state tax credit investments .....					0.0063		0.0120		0.0190	
<a href="#">6878</a>		Other tax credit investments .....					0.0273		0.0600		0.0975	
<a href="#">6979</a>		Total tax credit investments (Sum of Lines <a href="#">6575</a> through <a href="#">6878</a> ) .....					XXX		XXX		XXX	
<b>RESIDUAL TRanches OR INTERESTS</b>												
<a href="#">7080</a>		Bonds – unaffiliated .....		XXX	XXX		0.0000		0.1580		0.1580	
<a href="#">7181</a>		Bonds – affiliated .....		XXX	XXX		0.0000		0.1580		0.1580	
<a href="#">7282</a>		Common stock – unaffiliated .....		XXX	XXX		0.0000		0.1580		0.1580	
<a href="#">7383</a>		Common stock – affiliated .....		XXX	XXX		0.0000		0.1580		0.1580	
<a href="#">7484</a>		Preferred stock – unaffiliated .....		XXX	XXX		0.0000		0.1580		0.1580	
<a href="#">7585</a>		Preferred stock – affiliated .....		XXX	XXX		0.0000		0.1580		0.1580	
<a href="#">7686</a>		Real estate – unaffiliated .....					0.0000		0.1580		0.1580	
<a href="#">7787</a>		Real estate – affiliated .....					0.0000		0.1580		0.1580	
<a href="#">7888</a>		Mortgage loans – unaffiliated .....		XXX	XXX		0.0000		0.1580		0.1580	
<a href="#">7989</a>		Mortgage loans – affiliated .....		XXX	XXX		0.0000		0.1580		0.1580	
<a href="#">8090</a>		Other – unaffiliated .....		XXX	XXX		0.0000		0.1580		0.1580	
<a href="#">8191</a>		Other – affiliated .....		XXX	XXX		0.0000		0.1580		0.1580	
<a href="#">8292</a>		Total residual tranches or interests (Sum of Lines <a href="#">7080</a> through <a href="#">8191</a> ) .....					XXX		XXX		XXX	
<b>SURPLUS NOTES AND CAPITAL NOTES</b>												
<a href="#">8393</a>	1	Highest quality .....		XXX	XXX		0.0005		0.0016		0.0033	
<a href="#">8494</a>	2	High quality .....		XXX	XXX		0.0021		0.0064		0.0106	
<a href="#">8595</a>	3	Medium quality .....		XXX	XXX		0.0099		0.0263		0.0376	
<a href="#">8696</a>	4	Low quality .....		XXX	XXX		0.0245		0.0572		0.0817	
<a href="#">8797</a>	5	Lower quality .....		XXX	XXX		0.0630		0.1128		0.1880	
<a href="#">8898</a>	6	In or near default .....		XXX	XXX		0.0000		0.2370		0.2370	
<a href="#">8999</a>		Total surplus notes and capital notes (Sum of Lines <a href="#">8393</a> through <a href="#">8898</a> ) .....		XXX	XXX		XXX		XXX		XXX	
<b>ALL OTHER INVESTMENTS</b>												
<a href="#">90100</a>		NAIC 1 working capital finance investments .....		XXX			0.0000		0.0042		0.0042	
<a href="#">91101</a>		NAIC 2 working capital finance investments .....		XXX			0.0000		0.0137		0.0137	
<a href="#">92102</a>		Other invested assets - Schedule BA .....		XXX			0.0000		0.1580		0.1580	
<a href="#">93103</a>		Other short-term invested assets - Schedule DA .....		XXX			0.0000		0.1580		0.1580	
<a href="#">94104</a>		Total all other (Sum of Lines <a href="#">90100</a> through <a href="#">93103</a> ) .....		XXX			XXX		XXX		XXX	
<a href="#">95105</a>		Total other invested assets - Schedules BA & DA (Sum of Lines <a href="#">1929</a> , <a href="#">2737</a> , <a href="#">5464</a> , <a href="#">6070</a> , <a href="#">6474</a> , <a href="#">6979</a> , <a href="#">8292</a> , <a href="#">8999</a> and <a href="#">94104</a> ) .....					XXX		XXX		XXX	

(a) Times the company's weighted average portfolio beta (Minimum .1215, Maximum .2431).

(b) ~~Determined using same factors and breakdowns used for directly owned real estate.~~

(c) This will be the factor associated with the risk category determined in the company generated worksheet.

**NAIC BLANKS (E) WORKING GROUP**

**Blanks Agenda Item Submission Form**

<p style="text-align: right;"><b>DATE:</b> <u>10/23/2025</u></p> <p><b>CONTACT PERSON:</b> <u>Roberto Perez</u></p> <p><b>TELEPHONE:</b> <u>787-239-5842</u></p> <p><b>EMAIL ADDRESS:</b> <u>rperez1@naic.org</u></p> <p><b>ON BEHALF OF:</b> _____</p> <p><b>NAME:</b> <u>Miriam Fisk</u></p> <p><b>TITLE:</b> <u>Chair</u></p> <p><b>AFFILIATION:</b> <u>Actuarial Opinion (C) Working Group</u></p> <p><b>ADDRESS:</b> <u>miriam.fisk@tdi.texas.gov</u></p> <p>_____</p>	<p style="text-align: center;"><b>FOR NAIC USE ONLY</b></p> <p>Agenda Item # <u>2025-21BWG</u></p> <p>Year <u>2026</u></p> <p>Changes to Existing Reporting <input checked="" type="checkbox"/> [ X ]</p> <p>New Reporting Requirement <input type="checkbox"/> [ ]</p> <hr/> <p style="text-align: center;"><b>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</b></p> <p>No Impact <input checked="" type="checkbox"/> [ X ]</p> <p>Modifies Required Disclosure <input type="checkbox"/> [ ]</p> <p>Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? <input type="checkbox"/> [ No ]</p> <p><i>***If Yes, complete question below***</i></p> <hr/> <p style="text-align: center;"><b>DISPOSITION</b></p> <p><input type="checkbox"/> [ ] Rejected For Public Comment</p> <p><input type="checkbox"/> [ ] Referred To Another NAIC Group</p> <p><input type="checkbox"/> [ ] Received For Public Comment</p> <p><input checked="" type="checkbox"/> [ X ] Adopted Date <u>3/5/2026</u></p> <p><input type="checkbox"/> [ ] Rejected Date _____</p> <p><input type="checkbox"/> [ ] Deferred Date _____</p> <p><input type="checkbox"/> [ ] Other (Specify) _____</p>
---	--

**BLANK(S) TO WHICH PROPOSAL APPLIES**

- |  |  |   |
|--|--|---|
| <input checked="" type="checkbox"/> [ X ] ANNUAL STATEMENT     | <input checked="" type="checkbox"/> [ X ] INSTRUCTIONS | <input type="checkbox"/> [ ] CROSSCHECKS              |
| <input type="checkbox"/> [ ] QUARTERLY STATEMENT               | <input type="checkbox"/> [ ] BLANK                     |   |
| <input type="checkbox"/> [ ] Life, Accident & Health/Fraternal | <input type="checkbox"/> [ ] Separate Accounts         | <input type="checkbox"/> [ ] Title                    |
| <input checked="" type="checkbox"/> [ X ] Property/Casualty    | <input type="checkbox"/> [ ] Protected Cell            | <input type="checkbox"/> [ ] Other _____              |
| <input type="checkbox"/> [ ] Health                            | <input type="checkbox"/> [ ] Health (Life Supplement)  | <input type="checkbox"/> [ ] Life (Health Supplement) |

Anticipated Effective Date: Annual 2026

**IDENTIFICATION OF ITEM(S) TO CHANGE**

Revise the definition of Accepted Actuarial Designation based on the Actuarial Opinion Working Group’s assessment of the educational materials of the Society of Actuaries (SOA) and Casualty Actuarial Society (CAS), completed in 2025.

Specified that the reserve for Direct and Assumed Unearned Premiums for P&C Long Duration Contracts and the reserve for Net Unearned Premiums for P&C Long Duration Contracts should be disclosed in Exhibit A regardless of whether the amounts are material. Clarified that comments should be included if those amounts are non-zero but immaterial.

Clarified the instructions on the reconciliation of data used by the Appointed Actuary to Schedule P.

Clarified requirements for the Actuarial Report when the Appointed Actuary has made use of an analysis or opinion produced by another person not under the Appointed Actuary’s direction for a material portion of the reserves.

Removed the following disclosure item from exhibit B: “The net reserves for losses and loss adjustment expenses for the Company’s share of voluntary and involuntary underwriting pools’ and associations’ unpaid losses and loss adjustment expenses that are included in reserves shown on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines”

Revised the label of an Exhibit B disclosure item from “The total claims made extended loss and loss adjustment expense, and unearned premium reserves” to “Extended reporting endorsement policy reserve associated with claims-made contracts” and added clarifying instructions related to this item.

---

**REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE\*\***

The proposed changes to the definition of Accepted Actuarial Designation were prompted by changes to the FSA educational pathway effective in fall 2025 and the Working Group’s routine assessment of the SOA and CAS’s educational materials in 2024-2025. The assessment, last performed in 2019, determined under what conditions specific actuarial designations meet the NAIC’s Minimum Actuarial Educational Standards for a P/C Appointed Actuary.

In response to concerns raised by regulators, the proposal provides more detailed instructions on the reconciliation of data used by the Appointed Actuary to Schedule P.

In light of changes recently made to Actuarial Standard of Practice No. 36, the proposal adjusts the requirements for the Actuarial Report when the Appointed Actuary has made use of an analysis or opinion not produced under the Appointed Actuary’s direction for a material portion of the reserves.

The other proposed changes are made in response to concerns that these items have been interpreted by Appointed Actuaries in a variety of ways, leading to inconsistencies in the disclosed amounts. Reserves for Unearned Premiums for P&C Long Duration Contracts have been inconsistently reported in Exhibit A when the amount is not zero but the Appointed Actuary deems the amount immaterial, so proposed changes include clarification. The Exhibit B disclosure for “The net reserves for losses and loss adjustment expenses for the Company’s share of voluntary and involuntary underwriting pools’ and associations’ unpaid losses and loss adjustment expenses...” has been reported inconsistently but is also of limited utility to regulators, so the proposal removes this item. The Exhibit B disclosure for “The total claims made extended loss and loss adjustment expense, and unearned premium reserves” has been reported inconsistently, so the proposal renames the item and adds clarifying guidance that aligns with SSAP No. 65.

---

**\*\*\*IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL\*\*\***

---

**NAIC STAFF COMMENTS**

Comment on Effective Reporting Date: \_\_\_\_\_

Other Comments:

---

\*\* This section must be completed on all forms.

Revised 11/17/2022

**ANNUAL STATEMENT INSTRUCTIONS –PROPERTY**

**ACTUARIAL OPINION**

1. There is to be included with or attached to Page 1 of the Annual Statement the statement of the Appointed Actuary, entitled “Statement of Actuarial Opinion” (Actuarial Opinion), setting forth his or her opinion relating to reserves specified in the SCOPE paragraph. The Actuarial Opinion, both the narrative and required Exhibits, shall be in the format of and contain the information required by this section of the *Annual Statement Instructions – Property and Casualty*.

Upon initial engagement, the Appointed Actuary must be appointed by the Board of Directors by Dec. 31 of the calendar year for which the opinion is rendered. The Company shall notify the domiciliary commissioner within five business days of the initial appointment with the following information:

- a. Name and title (and, in the case of a consulting actuary, the name of the firm).
- b. Manner of appointment of the Appointed Actuary (e.g., who made the appointment and when).
- c. A statement that the person meets the requirements of a Qualified Actuary (or was approved by the domiciliary commissioner) and that documentation was provided to the Board of Directors.

Once this notification is furnished, no further notice is required with respect to this person unless the Board of Directors takes action to no longer appoint or retain the actuary or the actuary no longer meets the requirements of a Qualified Actuary.

If subject to the *U.S. Qualification Standards*, the Appointed Actuary shall annually attest to having met the continuing education requirements under Section 3 of the *U.S. Qualification Standards* for issuing Actuarial Opinions. As agreed with the actuarial organizations, the Casualty Actuarial Society (CAS) and Society of Actuaries (SOA) will determine the process for receiving the attestations for their respective members and make available the attestations to the public. An Appointed Actuary subject to the *U.S. Qualification Standards* and not a member of the CAS or SOA shall select one of the above organizations to submit their attestation.

The Appointed Actuary shall provide to the Board of Directors qualification documentation on occasion of their [initial](#) appointment directly or through company management. The documentation should include brief biographical information and a description of how the definition of “Qualified Actuary” is met or expected to be met (in the case of continuing education) for that year. The documentation should describe the Appointed Actuary’s responsible experience relevant to the subject of the Actuarial Opinion. The Board of Directors shall document their review of those materials and any other information they may deem relevant, including information that may be requested directly from the Appointed Actuary. It is generally expected that the review of the Appointed Actuary’s qualification documentation should take place at the level within a holding company structure that is responsible for overseeing insurance operations. If a statutory entity is a subsidiary or a non-lead pool member with an Appointed Actuary whose qualifications were reviewed by the pool lead or principal’s Board, the statutory entity’s Board can satisfy the review requirement by acknowledging the parent Board’s review. This can be done by noting in the meeting minutes the name of the principal or lead entity and the date the parent Board reviewed the qualification documentation, or by attaching a copy of the parent Board’s meeting minutes reflecting their review of the qualification documentation. The qualification documentation shall be considered workpapers and be available for inspection upon regulator request or during a financial examination.



**Detail Eliminated To Conserve Space**

1A. Definitions

“Appointed Actuary” is a Qualified Actuary (or individual otherwise approved by the domiciliary commissioner) appointed by the Board of Directors in accordance with Section 1 of these instructions.

“Board of Directors” can include the designated Board of Directors, its equivalent or an appropriate committee directly reporting to the Board of Directors.

“Qualified Actuary” is a person who:

- (i) Meets the basic education, experience, and continuing education requirements of the Specific Qualification Standard for Statements of Actuarial Opinion, NAIC Property and Casualty Annual Statement, as set forth in the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (U.S. Qualifications Standards)*, promulgated by the American Academy of Actuaries (Academy);
- (ii) Has obtained and maintains an Accepted Actuarial Designation; and
- (iii) Is a member of a professional actuarial association that requires adherence to the same *Code of Professional Conduct* promulgated by the Academy, requires adherence to the *U.S. Qualification Standards*, and participates in the Actuarial Board for Counseling and Discipline when its members are practicing in the U.S.

An exception to parts (i) and (ii) of this definition would be an actuary evaluated by the Academy’s Casualty Practice Council and determined to be a Qualified Actuary for particular lines of business and business activities.

“Accepted Actuarial Designation” in item (ii) of the definition of a Qualified Actuary, is an actuarial designation accepted as meeting or exceeding the NAIC’s Minimum Property/Casualty (P/C) Actuarial Educational Standards for a P/C Appointed Actuary (published on the NAIC website). The following actuarial designations, with any noted conditions, are accepted as meeting or exceeding basic education minimum standards:

- (i) Fellow of the CAS (FCAS) – Condition: basic education must include Exam 6 – Regulation and Financial Reporting (United States);
- (ii) Associate of the CAS (ACAS) – Conditions: basic education must include Exam 6 – Regulation and Financial Reporting (United States) and Exam 7 – Advanced Estimation of Policy-Claims Liabilities, Insurance Company Valuation, and Enterprise Risk Management;
- (iii) Fellow of the SOA (FSA) – Conditions: basic education must include completion of the following courses: GI 101 Ratemaking and Reserving; GI 201 Operational, Financial, Regulatory, and Legal; GI 301 Further Topics in General Insurance; and GI 302 General Insurance in the U.S. general insurance track, including the following optional exams: the United States’ version of the Financial and Regulatory Environment Exam and the Advanced Topics in General Insurance Exam.

The table below provides some allowable exam substitutions for (i), (ii), and (iii) in the definition of “Accepted Actuarial Designation:” ~~Noting that~~ Since CAS and SOA exams have changed over time, exceptions are granted for exams completed under earlier syllabi. ~~for (i) and (ii) provide for FCAS/ACAS designations achieved before an exam was created (e.g. CAS Exam 6-US) or with an earlier version of an exam or exam topic (e.g., 2010 CAS Exam 6 instead of the current CAS Exam 7 Section A). FCAS/ACAS qualified under the 2018 and prior Statement of Actuarial Opinion instructions can use the noted substitution rules to achieve qualification under the new instructions by demonstrating basic and/or continuing education of the required topics including material in CAS Exam 6 (US) and section A of CAS Exam 7 (in the May 2019 CAS syllabus). Exceptions for (iii) for an FSA are also included in the table. The SOA exams completed in the general insurance track in 2019 and prior~~



4. The SCOPE paragraph should contain a sentence such as the following:

"I have examined the actuarial assumptions and methods used in determining reserves listed in Exhibit A, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials, as of December 31, 20\_\_, and reviewed information provided to me through XXX date."

Exhibit A should list those items and amounts with respect to which the Appointed Actuary is expressing an opinion.

As required by SSAP No. 65, Exhibit A should also include the reserve for Direct and Assumed Unearned Premiums for P&C Long Duration Contracts and the reserve for Net Unearned Premiums for P&C Long Duration Contracts, regardless of whether the amounts are material.

The Appointed Actuary should state that the items in the SCOPE, on which he or she is expressing an opinion, reflect Disclosure items 8 through ~~13~~12.2 in Exhibit B.

The SCOPE paragraph should include a paragraph such as the following regarding the data used by the Appointed Actuary in forming the opinion:

"In forming my opinion on the loss and loss adjustment expense reserves, I relied upon data prepared by \_\_\_\_\_ (~~officer~~ individual's name and title at the Company). I evaluated that data for reasonableness and consistency. I also reconciled ~~that the~~ data used in my analysis to Schedule P, Part 1 of the Company's current Annual Statement. In other respects, my examination included such review of the actuarial assumptions and methods used and such tests of the calculations as I considered necessary."

5. The OPINION paragraph should include a sentence that at least covers the points listed in the following illustration:

"In my opinion, the amounts carried in Exhibit A on account of the items identified:

- A. Meet the requirements of the insurance laws of (state of domicile).
- B. Are computed in accordance with accepted actuarial standards.
- C. Make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements."

If the Scope includes material Unearned Premium Reserves for P&C Long Duration Contracts, ~~or~~ Other Loss Reserve items, or Other Premium Reserve items on which the Appointed Actuary is expressing an opinion, the Actuarial Opinion should contain language such as the following:

- D. Make a reasonable provision for the unearned premium reserves for P&C Long Duration Contracts and/or <insert Other ~~Loss~~ Reserve item on which the Appointed Actuary is expressing an Opinion> of the Company under the terms of its contracts and agreements.

If the Unearned Premium Reserves for P&C Long Duration Contracts reported on lines 7 or 8 of Exhibit A are non-zero but the Appointed Actuary deems the amounts immaterial and is not issuing an opinion on these amounts, the Appointed Actuary should include clarifying comments in the SCOPE, OPINION, and/or RELEVANT COMMENTS sections of the opinion.

If there is any aggregation or combination of items in Exhibit A, the opinion language should clearly identify the combined items.

Insurance laws and regulations shall at all times take precedence over the actuarial standards.

If the Appointed Actuary has ~~made use of the analysis of~~ another actuary's [analysis that was not produced under not within](#) the Appointed Actuary's [control direction](#) (such as for pools and associations, for a subsidiary or for special lines of business) for a material portion of the reserves, the other actuary must be identified by name, credential, and affiliation within the OPINION paragraph. If the Appointed Actuary has ~~made use of~~ the work of a non-actuary (such as for modeling) for a material portion of the reserves, that individual must be identified by name and affiliation and a description of the type of analysis performed must be provided.

**Detail Eliminated To Conserve Space**

6. The Appointed Actuary must provide RELEVANT COMMENT paragraphs to address the following topics of regulatory importance.
- A. Company-Specific Risk Factors

The Appointed Actuary should include an explanatory paragraph to describe the major factors, combination of factors or particular conditions underlying the risks and uncertainties the Appointed Actuary considers relevant. The explanatory paragraph should not include general, broad statements about risks and uncertainties due to economic changes, judicial decisions, regulatory actions, political or social forces, etc., nor is the Appointed Actuary required to include an exhaustive list of all potential sources of risks and uncertainties.

- B. Risk of Material Adverse Deviation

The Appointed Actuary must provide specific RELEVANT COMMENT paragraphs to address the risk of material adverse deviation. The Appointed Actuary must identify the materiality standard and the basis for establishing this standard. The materiality standard must also be disclosed in U.S. dollars in Exhibit B: Disclosures. The Appointed Actuary should explicitly state whether or not he or she reasonably believes that there are significant risks and uncertainties that could result in material adverse deviation. This determination is also to be disclosed in Exhibit B.

- C. Other Disclosures in Exhibit B

RELEVANT COMMENT paragraphs should describe the significance of each of the remaining Disclosure items (8 through [1413](#)) in Exhibit B. The Appointed Actuary should address the items individually and in combination when commenting on a material impact.

[Disclosure item 11 in Exhibit B requests amounts for the extended reporting endorsement policy reserve associated with claims-made contracts. This policy reserve is required by SSAP No. 65 if a claims-made policy provides extended reporting coverage at no additional charge in the event of death, disability, or retirement of a natural person insured. In such instance, the company must accrue a policy reserve before the triggering event \(the death, disability, or retirement of the insured\) to assure that premiums are not earned prematurely. The amount of the reserve should be adequate to pay for all future claims arising from these coverage features after recognition of future premiums to be paid by current insureds for these benefits. SSAP No. 65 states that this reserve shall be classified as a component part of the unearned premium reserve, but some companies instead report the reserves as part of the loss and loss adjustment expense reserves. The reserve amount reported on Exhibit B, item 11 should be greater than or equal to the amount reported in Item 1.2 of the Schedule P Interrogatories. The Schedule P Interrogatory only asks for the policy reserve associated with medical professional liability policies, but item 11 on Exhibit B should include policy reserves for all P&C lines of business, not just medical professional liability; this extended reporting coverage is also available for other lines, such as legal professional liability, architect professional liability, etc.](#)

**Detail Eliminated To Conserve Space**

7. The Actuarial Opinion must include assurance that an Actuarial Report and underlying actuarial workpapers supporting the Actuarial Opinion will be maintained at the Company and available for regulatory examination for seven (7) years. The Actuarial Report contains significant proprietary information. It is expected that the Actuarial Report be held confidential and not be intended for public inspection. The Actuarial Report must be available by May 1 of the year following the year-end for which the Actuarial Opinion was rendered or within two (2) weeks after a request from an individual state commissioner.

The Actuarial Report should be consistent with the documentation and disclosure requirements of ASOP No. 41, Actuarial Communications. The Actuarial Report must contain both narrative and technical components. The narrative component should provide sufficient detail to clearly explain to Company management, the Board of Directors, the regulator or other authority the findings, recommendations, and conclusions, as well as their significance. The technical component should provide sufficient documentation and disclosure for another actuary practicing in the same field to evaluate the work. This technical component must show the analysis from the basic data (e.g., loss triangles) to the conclusions.

*Actuarial Guideline LI—The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves (AG 51) in the NAIC Accounting Practices and Procedures Manual requires a company with over 10,000 in force lives covered by long-term care (LTC) insurance contracts as of the valuation date to perform a stand-alone asset adequacy analysis for its in force long-term care (LTC) contracts. The Actuarial Report and workpapers summarizing the results, assumptions and testing procedures for the asset adequacy testing of LTC business must be in compliance with AG 51 requirements. When referring to AG 51, the term “Actuarial Memorandum” is synonymous with Actuarial Report and workpapers.*

The Actuarial Report should contain disclosure of all reserve amounts associated with A&H Long Duration Contracts reported by the Company; the reserve amounts in the Actuarial Report should tie to the Annual Statement.

The Actuarial Report must also include:

- A. A description of the Appointed Actuary’s relationship to the Company, with clear presentation of the Appointed Actuary’s role in advising the Board of Directors and/or management regarding the carried reserves. The Actuarial Report should identify how and when the Appointed Actuary presents the analysis to the Board of Directors and, where applicable, to the officer(s) of the Company responsible for determining the carried reserves.
- B. An exhibit that ties to the Annual Statement and compares the Appointed Actuary’s conclusions to the carried amounts consistent with the segmentation of exposure or liability groupings used in the analysis. The Appointed Actuary’s conclusions include the Appointed Actuary’s point estimate(s), range(s) of reasonable estimates or both.
- C. An exhibit that reconciles and maps the data used by the Appointed Actuary, consistent with the segmentation of exposure or liability groupings used in the Appointed Actuary’s analysis, to the Annual Statement Schedule P line of business reporting. An explanation should be provided for any material differences.
  - i. [The reconciliation should compare the data used by the Appointed Actuary in the analysis to Schedule P. It is not sufficient to reconcile the data provided by the Company to the Appointed Actuary to Schedule P. It is important for the Appointed Actuary to demonstrate that in the process of performing the actuarial analysis, data was neither created nor destroyed. This is commonly accomplished by showing a clear mapping from the Appointed Actuary’s analysis exhibits to the actuarial data shown in the Schedule P reconciliation.](#)

ii. If the reconciliation was not produced under the Appointed Actuary’s direction, the Appointed Actuary should identify who performed the reconciliation and confirm that the Appointed Actuary reviewed the reconciliation for reasonableness.

D. An exhibit or appendix showing the change in the Appointed Actuary’s estimates from the prior Actuarial Report, including extended discussion of factors underlying any material changes. The exhibit or appendix should illustrate the changes on a net basis but should also include the changes on a gross basis, if relevant. If the Appointed Actuary is newly appointed and does not review the work of the prior Appointed Actuary, then the Appointed Actuary should disclose this.

E. Extended comments on trends that indicate the presence or absence of risks and uncertainties that could result in material adverse deviation.

F. Extended comments on factors that led to unusual IRIS ratios for One-Year Reserve Development to Policyholders’ Surplus, Two-Year Reserve Development to Policyholders’ Surplus or Estimated Current Reserve Deficiency to Policyholders’ Surplus, and how these factors were addressed in prior and current analyses.

G. If the Appointed Actuary has used an analysis or opinion not produced under the Appointed Actuary’s direction for a material portion of the reserves:

i. The dollar amount of the reserves covered by the other’s analysis or opinion and the percentage of the total reserves subject to the Appointed Actuary’s opinion that these other reserves represent.

ii. Whether and to what extent the Appointed Actuary reviewed the other’s underlying analysis, including items such as methods and assumptions used and underlying arithmetic calculations.

iii. If the Appointed Actuary reviewed the other’s underlying analysis, the Appointed Actuary’s conclusions from the review.



**Exhibit B: DISCLOSURES**

**DATA TO BE FILED IN BOTH PRINT AND DATA CAPTURE FORMATS**

NOTE: Exhibit B should be completed for Net dollar amounts included in the SCOPE. If an answer would be different for Direct and Assumed amounts, identify and discuss the difference within RELEVANT COMMENTS.

- |  |       |       |       |
|--|-------|-------|-------|
| 1. Name of the Appointed Actuary   | Last  | First | Mid   |
|  | _____ | _____ | _____ |
| 2. The Appointed Actuary’s relationship to the Company<br>Enter E or C based upon the following:<br>E if an Employee of the Company or Group<br>C if a Consultant  |       |       | _____ |
| 3. The Appointed Actuary’s Accepted Actuarial Designation<br>(indicated by the letter code):<br>F if a Fellow of the Casualty Actuarial Society (FCAS)<br>A if an Associate of the Casualty Actuarial Society (ACAS) |       |       | _____ |

- S if a Fellow of the Society of Actuaries (FSA) ~~through the General Insurance track~~
  - M if the actuary does not have an Accepted Actuarial Designation but is approved by the Academy's Casualty Practice Council.
  - O for Other
4. Type of Opinion, as identified in the OPINION paragraph. Enter R, I, E, Q, or N based upon the following:
- R if Reasonable
  - I if Inadequate or Deficient Provision
  - E if Excessive or Redundant Provision
  - Q if Qualified. Use Q when part of the OPINION is Qualified.
  - N if No Opinion
5. Materiality Standard expressed in U.S. dollars (used to Answer Question #6) \$ \_\_\_\_\_
6. Are there significant risks that could result in Material Adverse Deviation? Yes [  ] No [  ] Not Applicable [  ]
7. Statutory Surplus (Liabilities, Surplus, and Other Funds page, Col 1, Line 37) \$ \_\_\_\_\_
8. Anticipated net salvage and subrogation included as a reduction to loss reserves as reported in Schedule P (should equal Part 1 Summary, Col 23, Line 12 \* 1000) \$ \_\_\_\_\_
9. Discount included as a reduction to loss reserves and loss adjustment expense reserves as reported in Schedule P
- 9.1 Nontabular Discount [Notes, Line 32B23, (Amounts 1, 2, 3 & 4)], Electronic Filing Cols 1, 2, 3, & 4 \$ \_\_\_\_\_
  - 9.2 Tabular Discount [Notes, Line 32A23, (Amounts 1 & 2)], Electronic Filing Col 1 & 2 \$ \_\_\_\_\_
- ~~10. The net reserves for losses and loss adjustment expenses for the Company's share of voluntary and involuntary underwriting pools' and associations' unpaid losses and loss adjustment expenses that are included in reserves shown on the Liabilities, Surplus, and Other Funds page, Losses and Loss Adjustment Expenses lines~~ \$ \_\_\_\_\_
1110. The net reserves for losses and loss adjustment expenses that the Company carries for the following liabilities included on the Liabilities, Surplus, and Other Funds page, Losses and Loss Adjustment Expenses lines \*
- 1110.1 Asbestos, as disclosed in the Notes to Financial Statements (Notes, Line 33A03D, ending net asbestos reserves for current year) Electronic Filing Col 5 \$ \_\_\_\_\_
  - 1110.2 Environmental, as disclosed in the Notes to Financial Statements (Notes, Line 33D03D, ending net environmental reserves for current year), Electronic Filing Col 5 \$ \_\_\_\_\_

- ~~12~~11. Extended reporting endorsement policy reserve associated with claims-made contracts ~~The total claims-made extended loss and loss adjustment expense, and unearned premium reserves~~ (Greater than or equal to Schedule P Interrogatories, Line 1.2)
- ~~12~~11.1 Amount reported as loss and loss adjustment expense reserves \$ \_\_\_\_\_
- ~~12~~11.2 Amount reported as unearned premium reserves \$ \_\_\_\_\_
- ~~13~~12. The net reserves for the A&H Long Duration Contracts that the Company carries on the following lines on the Liabilities, Surplus, and Other Funds page:
- ~~13~~12.1 Losses \$ \_\_\_\_\_
- ~~13~~12.2 Loss Adjustment Expenses \$ \_\_\_\_\_
- ~~13~~12.3 Unearned Premium \$ \_\_\_\_\_
- ~~13~~12.4 Write-In (list separately, adding additional lines as needed, and identify (e.g., "Premium Deficiency Reserves", "Contract Reserves other than Premium Deficiency Reserves" or "AG 51 Reserves")) \$ \_\_\_\_\_
- ~~14~~13. Other items on which the Appointed Actuary is providing relevant comment (list separately, adding additional lines as needed) \$ \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\* The reserves disclosed in item ~~11~~10 above, should exclude amounts relating to contracts specifically written to cover asbestos and environmental exposures. Contracts specifically written to cover these exposures include Environmental Impairment Liability (post 1986), Asbestos Abatement, Pollution Legal Liability, Contractor's Pollution Liability, Consultant's Environmental Liability, and Pollution and Remediation Legal Liability.

[https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2026/2026 Spring/Summary and Minutes/BWG/Att 2E\\_2025-21BWG.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/APPTF/2026/2026%20Spring/Summary%20and%20Minutes/BWG/Att2E_2025-21BWG.docx)

**NAIC BLANKS (E) WORKING GROUP**  
**Blanks Agenda Item Submission Form**

<p style="text-align: right;">DATE: <u>12/10/2025</u></p> <p>CONTACT PERSON: _____</p> <p>TELEPHONE: _____</p> <p>EMAIL ADDRESS: _____</p> <p>ON BEHALF OF: _____</p> <p>NAME: <u>Dale Bruggeman</u></p> <p>TITLE: <u>Chair SAPWG</u></p> <p>AFFILIATION: <u>Ohio Department of Insurance</u></p> <p>ADDRESS: <u>50W. Town St., 3<sup>rd</sup> Fl., Ste. 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;"><b>FOR NAIC USE ONLY</b></p> <p>Agenda Item # <u>2025-22BWG MOD</u> Year <u>2026</u></p> <p>Changes to Existing Reporting [ X ] New Reporting Requirement [ ]</p> <hr/> <p style="text-align: center;"><b>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</b></p> <p>No Impact [ X ] Modifies Required Disclosure [ ]</p> <p>Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [ No ] <i>***If Yes, complete question below***</i></p> <hr/> <p style="text-align: center;"><b>DISPOSITION</b></p> <p>[ ] Rejected For Public Comment [ ] Referred To Another NAIC Group [ ] Received For Public Comment [ X ] Adopted Date <u>3/5/2026</u> [ ] Rejected Date _____ [ ] Deferred Date _____ [ ] Other (Specify) _____</p>
--	---

**BLANK(S) TO WHICH PROPOSAL APPLIES**

- |   |   |   |
|---|---|---|
| <input checked="" type="checkbox"/> ANNUAL STATEMENT                  | <input checked="" type="checkbox"/> INSTRUCTIONS      | <input checked="" type="checkbox"/> CROSSCHECKS   |
| <input checked="" type="checkbox"/> QUARTERLY STATEMENT               | <input checked="" type="checkbox"/> BLANK             |   |
| <input checked="" type="checkbox"/> Life, Accident & Health/Fraternal | <input checked="" type="checkbox"/> Separate Accounts | <input checked="" type="checkbox"/> Title         |
| <input checked="" type="checkbox"/> Property/Casualty                 | <input type="checkbox"/> Protected Cell               | <input type="checkbox"/> Other _____              |
| <input checked="" type="checkbox"/> Health                            | <input type="checkbox"/> Health (Life Supplement)     | <input type="checkbox"/> Life (Health Supplement) |

Anticipated Effective Date: Annual 2026

**IDENTIFICATION OF ITEM(S) TO CHANGE**

[To the Annual and Quarterly Statement Instructions](#), add an electronic-only column to Schedule D, Part 1, Section 1 and 2; Schedule D, Part 2, Sections 1 and 2; [Schedule D, Parts 3, 4, and 5](#); Schedule BA; Schedule DA; [Schedule DL](#); and Schedule E, Part 2, to identify whether the investment is publicly registered, Rule 144, private placement security, or not applicable. Add a new part to Note 5 – Investments to report the total book adjusted carrying value, 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.

**REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE\*\***

This proposal was prepared to all regulators to better identify different types of private placement securities. (SAPWG Ref #2025-19)

**\*\*\*IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL\*\*\***

**NAIC STAFF COMMENTS**

Comment on Effective Reporting Date: \_\_\_\_\_

Other Comments:

\*\* This section must be completed on all forms.

Revised 11/17/2022

**ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, PROPERTY, HEALTH & TITLE**

**SCHEDULE D – PART 1- SECTION 1**

**LONG-TERM BONDS – ISSUER CREDIT OBLIGATIONS OWNED DECEMBER 31 OF CURRENT YEAR**



**\*\* Columns 21 through ~~36~~37 will be electronic only. \*\***

Column 37 – Private Security Code

Identify whether the investment is 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 including those under Rule 504 and 506), 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:

1. Public
2. 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter, or dealer.
3. Private Placement Securities – Includes “Reg D – 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.
4. Not Applicable (N/A) – 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).

**SCHEDULE D – PART 1 – SECTION 2**

**ASSET-BACKED SECURITIES OWNED DECEMBER 31 OF CURRENT YEAR**



**\*\* Columns 22 through ~~37~~38 will be electronic only. \*\***

Column 38 – Private Security Code

Identify whether the investment is 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 including those under Rule 504 and 506), 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:

1. Public
2. 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter, or dealer.
3. Private Placement Securities – Includes “Reg D – 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.
4. Not Applicable (N/A) – 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).

**SCHEDULE D – PART 2 – SECTION 1**

**PREFERRED STOCKS OWNED DECEMBER 31 OF CURRENT YEAR**



**\*\* Columns 21 through 27-28 will be electronic only. \*\***

Column 28 – Private Security Code

Identify whether the investment is 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 including those under Rule 504 and 506), 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:

1. Public
2. 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter, or dealer.
3. Private Placement Securities – Includes “Reg D – 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.
4. Not Applicable (N/A) – 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).

**SCHEDULE D – PART 2 – SECTION 2**

**COMMON STOCKS OWNED DECEMBER 31 OF CURRENT YEAR**



**\*\* Columns 18 through 25-26 will be electronic only. \*\***

Column 26 – Private Security Code

Identify whether the investment is 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 including those under Rule 504 and 506), 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:

1. Public
2. 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter, or dealer.
3. Private Placement Securities – Includes “Reg D – 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.
4. Not Applicable (N/A) – 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).

**SCHEDULE D – PART 3**

**LONG-TERM BONDS AND STOCKS ACQUIRED DURING CURRENT YEAR**



**Detail Eliminated To Conserve Space**



**\*\* Columns 9 through 14-15 will be electronic only. \*\***

Column 26 – Private Security Code

Identify whether the investment is 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 including those under Rule 504 and 506), 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:

1. Public
2. 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter, or dealer.
3. Private Placement Securities – Includes “Reg D – 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.
4. Not Applicable (N/A) – 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).

**SCHEDULE D – PART 4**

**LONG-TERM BONDS AND STOCKS SOLD, REDEEMED OR OTHERWISE DISPOSED OF  
DURING CURRENT YEAR**



**Detail Eliminated To Conserve Space**



**\*\* Columns 21 through 26-27 will be electronic only. \*\***

Column 27 – Private Security Code

Identify whether the investment is 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 including those under Rule 504 and 506), 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:

1. Public
2. 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter, or dealer.
3. Private Placement Securities – Includes “Reg D – 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.
4. Not Applicable (N/A) – 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).

**SCHEDULE D – PART 5**

**LONG-TERM BONDS AND STOCKS ACQUIRED DURING THE YEAR AND FULLY DISPOSED OF  
DURING CURRENT YEAR**



**Detail Eliminated To Conserve Space**



**\*\* Columns 21 through 26-27 will be electronic only. \*\***

Column 27 – Private Security Code

Identify whether the investment is 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 including those under Rule 504 and 506), 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:

1. Public
2. 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter, or dealer.
3. Private Placement Securities – Includes “Reg D – 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.
4. Not Applicable (N/A) – 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).

**SCHEDULE BA – PART 1**

**OTHER LONG-TERM INVESTED ASSETS OWNED DECEMBER 31 OF CURRENT YEAR**



**\*\* Columns 21 through ~~26~~27 will be electronic only. \*\***

Column 27 – Private Security Code

Use only for investments included in the following subtotal lines.

Debt Securities That Do Not Qualify as Bonds

Debt Securities That Do Not Reflect a Creditor Relationship in Substance

NAIC Designation Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0199999

Affiliated ..... 0299999

NAIC Designation Not Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0399999

Affiliated ..... 0499999

Debt Securities That Lack Substantive Credit Enhancement

NAIC Designation Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0599999

Affiliated ..... 0699999

NAIC Designation Not Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0799999

Affiliated ..... 0899999

Debt Securities That Do Not Qualify as Bonds Solely to a Lack of Meaningful Cash Flows

NAIC Designation Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0999999

Affiliated ..... 1099999

NAIC Designation Not Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 1199999

Affiliated ..... 1299999

Residual Tranches or Interests with Underlying Assets Having Characteristics of:

Bonds

Unaffiliated ..... 4499999

Affiliated ..... 4599999

Preferred Stock

Unaffiliated ..... 4699999

Affiliated ..... 4799999

Common Stock

Unaffiliated ..... 4899999

Affiliated ..... 4999999

Real Estate

Unaffiliated ..... 5099999

Affiliated ..... 5199999

Mortgage Loans

Unaffiliated ..... 5299999

Affiliated ..... 5399999

Other

Unaffiliated ..... 5499999

Affiliated ..... 5599999

Identify whether the investment is 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 including those under Rule 504 and 506), 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:

1. Public
2. 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter, or dealer.
3. Private Placement Securities – Includes “Reg D – 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.
4. Not Applicable (N/A) – 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).

**SCHEDULE BA – PART 2**

**OTHER LONG-TERM INVESTED ASSETS ACQUIRED AND ADDITIONS MADE DURING THE YEAR**



**Detail Eliminated To Conserve Space**

**\*\* Columns 12 through 15-16 will be electronic only. \*\***

Column 16 – Private Security Code

Use only for investments included in the following subtotal lines.

Debt Securities That Do Not Qualify as Bonds

Debt Securities That Do Not Reflect a Creditor Relationship in Substance

NAIC Designation Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0199999

Affiliated ..... 0299999

NAIC Designation Not Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0399999

Affiliated ..... 0499999

Debt Securities That Lack Substantive Credit Enhancement

NAIC Designation Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0599999

Affiliated ..... 0699999

NAIC Designation Not Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0799999

Affiliated ..... 0899999

Debt Securities That Do Not Qualify as Bonds Solely to a Lack of Meaningful Cash Flows

NAIC Designation Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0999999

Affiliated ..... 1099999

NAIC Designation Not Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 1199999

Affiliated ..... 1299999

Residual Tranches or Interests with Underlying Assets Having Characteristics of:

Bonds

Unaffiliated ..... 4499999

Affiliated ..... 4599999

Preferred Stock

Unaffiliated ..... 4699999

Affiliated ..... 4799999

Common Stock

Unaffiliated ..... 4899999

Affiliated ..... 4999999

Real Estate

Unaffiliated ..... 5099999

Affiliated ..... 5199999

Mortgage Loans

Unaffiliated ..... 5299999

Affiliated ..... 5399999

Other

Unaffiliated ..... 5499999

Affiliated ..... 5599999

Identify whether the investment is 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 including those under Rule 504 and 506), 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:

1. Public
2. 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter, or dealer.
3. Private Placement Securities – Includes “Reg D – 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.
4. Not Applicable (N/A) – 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).

**SCHEDULE BA – PART 3**

**OTHER LONG-TERM INVESTED ASSETS DISPOSED, TRANSFERRED OR REPAID DURING THE YEAR**



Detail Eliminated To Conserve Space

\*\* Columns 21 through 24-25 will be electronic only. \*\*

Column 25 – Private Security Code

Use only for investments included in the following subtotal lines.

Debt Securities That Do Not Qualify as Bonds

Debt Securities That Do Not Reflect a Creditor Relationship in Substance

NAIC Designation Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0199999

Affiliated ..... 0299999

NAIC Designation Not Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0399999

Affiliated ..... 0499999

Debt Securities That Lack Substantive Credit Enhancement

NAIC Designation Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0599999

Affiliated ..... 0699999

NAIC Designation Not Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0799999

Affiliated ..... 0899999

Debt Securities That Do Not Qualify as Bonds Solely to a Lack of Meaningful Cash Flows

NAIC Designation Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0999999

Affiliated ..... 1099999

NAIC Designation Not Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 1199999

Affiliated ..... 1299999

Residual Tranches or Interests with Underlying Assets Having Characteristics of:

Bonds

Unaffiliated ..... 4499999

Affiliated ..... 4599999

Preferred Stock

Unaffiliated ..... 4699999

Affiliated ..... 4799999

Common Stock

Unaffiliated ..... 4899999

Affiliated ..... 4999999

Real Estate

Unaffiliated ..... 5099999

Affiliated ..... 5199999

Mortgage Loans

Unaffiliated ..... 5299999

Affiliated ..... 5399999

Other

Unaffiliated ..... 5499999

Affiliated ..... 5599999

Identify whether the investment is 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 including those under Rule 504 and 506), 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:

1. Public
2. 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter, or dealer.
3. Private Placement Securities – Includes “Reg D – 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.
4. Not Applicable (N/A) – 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).

**SCHEDULE DA – PART 1**

**SHORT-TERM INVESTMENTS OWNED DECEMBER 31 OF CURRENT YEAR**



**\*\* Columns 20 through 22-23 will be electronic only. \*\***

Column 23 – Private Security Code

Identify whether the investment is 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 including those under Rule 504 and 506), 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:

1. Public
2. 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter, or dealer.
3. Private Placement Securities – Includes “Reg D – 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.
4. Not Applicable (N/A) – 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).

**SCHEDULE DL – PART 1**

**SECURITIES LENDING COLLATERAL ASSETS**

Reinvested Collateral Assets Owned December 31 Current Year  
(Securities lending collateral assets reported in aggregate on Line 10 of the Asset page  
(Line 9 for Separate Accounts) and not included on Schedules A, B, BA, D, DB, and E)



**\*\* Columns 8 through 12-13 will be electronic only. \*\***

Column 13 – Private Security Code

Identify whether the investment is 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 including those under Rule 504 and 506), 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:

1. Public
2. 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter, or dealer.
3. Private Placement Securities – Includes “Reg D – 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.
4. Not Applicable (N/A) – 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).

**SCHEDULE DL – PART 2**

**SECURITIES LENDING COLLATERAL ASSETS**

Reinvested Collateral Assets Owned December 31 Current Year  
(Securities lending collateral assets included on Schedules A, B, BA, D, DB, and E  
and not reported in aggregate on Line 10 of the Asset page (Line 9 for Separate Accounts))



**\*\* Columns 8 through ~~12-13~~ will be electronic only. \*\***

Column 13 – Private Security Code

Identify whether the investment is 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 including those under Rule 504 and 506), 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:

1. Public
2. 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter, or dealer.
3. Private Placement Securities – Includes “Reg D – 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.
4. Not Applicable (N/A) – 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).

**SCHEDULE E – PART 2 – CASH EQUIVALENTS**



**Detail Eliminated To Conserve Space**



**\*\* Columns 10 through ~~11-12~~ will be electronic only. \*\***

Column 12 – Private Security Code

Identify whether the investment is 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 including those under Rule 504 and 506), 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:

1. Public
2. 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter, or dealer.
3. Private Placement Securities – Includes “Reg D – 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.
4. Not Applicable (N/A) – 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).

**SCHEDULE D – PART 1A**

**QUALITY AND MATURITY DISTRIBUTION OF ALL BONDS OWNED DECEMBER 31**  
**BY MAJOR TYPE AND NAIC DESIGNATION**



**Detail Eliminated To Conserve Space**

~~Column 11 is to contain publicly traded securities i.e., those securities that have been assigned a CUSIP/CINS number in the *Valuations of Securities*. Any securities outside the CUSIP/PPN/CINS coding system will be considered publicly traded for Annual Statement purposes (e.g., short term investments). Exclude bonds that are qualified for resale under SEC Rule 144A or freely tradable under SEC Rule 144.~~

~~Column 12 is to contain privately placed securities as identified with Private Placement Numbers (PPN) in the *Valuations of Securities*. A PPN can be differentiated by the presence of a \*, #, or @ sign appearing in either the sixth, seventh or eighth digit of the nine digit CUSIP-like number. Include bonds that are qualified for resale under SEC Rule 144A or freely tradable under SEC Rule 144 that have been assigned a CUSIP/CINS number in the *Valuations of Securities*.~~

~~Footnote (a)~~

~~Include bonds that are qualified for resale under SEC Rule 144A.~~

~~Include bonds that are freely tradable under SEC Rule 144 (e.g., that are presently held by, and for the immediately preceding three year period have been held by, persons unrelated to the issuer); however, there shall be excluded any such security containing a contractual restriction against resale (a “right of first refusal” provision is not considered a restriction against resale).~~

Footnote (d<sub>c</sub>)

Provide the total book/adjusted carrying value amount reported in Section 52, Column 1 by NAIC designation that represents the amount of securities reported in Schedule DA and Schedule E, Part 2.

The sum of the amounts by NAIC designation (NAIC 1, NAIC 2, NAIC 3, NAIC 4, NAIC 5, and NAIC 6) reported in the footnote should equal the sum of Schedule DA, Part 1, Column 6, Line 0509999999 plus Schedule E, Part 2, Column 7, Line 0509999999.

**NOTES TO FINANCIAL STATEMENTS**

**Note 5 - Investments**

**Instruction:**

T. Private Securities

Aggregate each type (public, Rule 144A, private placement, or not applicable) by investment schedule, capturing the total book/adjusted carrying value (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 of the Accounting Practices and Procedures Manual.

**Illustration:**

T. Private Securities

**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.**

	<u>1</u> <u>Total</u> <u>BACV</u>	<u>2</u> <u>Total</u> <u>FV</u>	<u>3</u> <u>FV</u> <u>Level 2</u>	<u>4</u> <u>FV</u> <u>Level 3</u>	<u>5</u> <u>Aggregate</u> <u>Deferred</u> <u>Interest</u>	<u>6</u> <u>Aggregate</u> <u>Paid-In-Kind</u> <u>Interest</u>	<u>7</u> <u>BACV w/</u> <u>PLR as NAIC</u> <u>Designation</u>
<u>(1) Short-Term Investments</u>							
<u>a. Public</u>	.....	.....	.....	.....	.....	.....	.....
<u>b. 144A</u>	.....	.....	.....	.....	.....	.....	.....
<u>c. Private Placement Securities</u>	.....	.....	.....	.....	.....	.....	.....
<u>d. Not Applicable (N/A)</u>	.....	.....	.....	.....	.....	.....	.....
<u>(2) Cash Equivalents</u>							
<u>a. Public</u>	.....	.....	.....	.....	.....	.....	.....
<u>b. 144A</u>	.....	.....	.....	.....	.....	.....	.....
<u>c. Private Placement Securities</u>	.....	.....	.....	.....	.....	.....	.....
<u>d. Not Applicable (N/A)</u>	.....	.....	.....	.....	.....	.....	.....
<u>(3) Issuer Credit Obligations</u>							
<u>a. Public</u>	.....	.....	.....	.....	.....	.....	.....
<u>b. 144A</u>	.....	.....	.....	.....	.....	.....	.....
<u>c. Private Placement Securities</u>	.....	.....	.....	.....	.....	.....	.....
<u>d. Not Applicable (N/A)</u>	.....	.....	.....	.....	.....	.....	.....
<u>(4) Asset-Backed Securities</u>							
<u>a. Public</u>	.....	.....	.....	.....	.....	.....	.....
<u>b. 144A</u>	.....	.....	.....	.....	.....	.....	.....
<u>c. Private Placement Securities</u>	.....	.....	.....	.....	.....	.....	.....
<u>d. Not Applicable (N/A)</u>	.....	.....	.....	.....	.....	.....	.....
<u>(5) Preferred Stocks</u>							
<u>a. Public</u>	.....	.....	.....	.....	.....	.....	.....
<u>b. 144A</u>	.....	.....	.....	.....	.....	.....	.....
<u>c. Private Placement Securities</u>	.....	.....	.....	.....	.....	.....	.....
<u>d. Not Applicable (N/A)</u>	.....	.....	.....	.....	.....	.....	.....
<u>(6) Common Stocks</u>							
<u>a. Public</u>	.....	.....	.....	.....	.....	.....	.....
<u>b. 144A</u>	.....	.....	.....	.....	.....	.....	.....

<u>c. Private Placement Securities</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>
<u>d. Not Applicable (N/A)</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>
<u>(7) Other Long-Term Invested Assets: Non-Bond Debt Securities &amp; Residuals</u>							
<u>a. Public</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>
<u>b. 144A</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>
<u>c. Private Placement Securities</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>
<u>d. Not Applicable (N/A)</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>

**ANNUAL STATEMENT BLANK – LIFE/FRATERNAL**

**ANNUAL AUDITED FINANCIAL REPORTS**



**Detail Eliminated To Conserve Space**

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 <del>Privately Placed</del> <a href="#">Rule 144A</a>	_____
<a href="#">Total Bonds – All Private Placement Securities (Excluding Rule 144A)</a>	_____
<a href="#">Total Bonds Not Applicable to 1933 Act</a>	_____

**QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, PROPERTY, HEALTH & TITLE**

**SCHEDULE D – PART 3**

**LONG-TERM BONDS AND STOCKS ACQUIRED DURING THE CURRENT QUARTER**



**\*\* Columns 10 through 15-16 will be electronic only. \*\***

Column 16 – Private Security Code

Identify whether the investment is 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 including those under Rule 504 and 506), 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:

1. Public
2. 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter, or dealer.
3. Private Placement Securities – Includes “Reg D – 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.
4. Not Applicable (N/A) – 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).

**SCHEDULE D – PART 4**

**LONG-TERM BONDS AND STOCKS SOLD, REDEEMED OR OTHERWISE  
DISPOSED OF DURING THE CURRENT QUARTER**



**Detail Eliminated To Conserve Space**



**\*\* Columns 22 through 27-28 will be electronic only. \*\***

Column 28 – Private Security Code

Identify whether the investment is 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 including those under Rule 504 and 506), 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:

1. Public
2. 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter, or dealer.
3. Private Placement Securities – Includes “Reg D – 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.
4. Not Applicable (N/A) – 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).

**SCHEDULE BA – PART 2**

**OTHER LONG-TERM INVESTED ASSETS ACQUIRED  
AND ADDITIONS MADE DURING THE CURRENT QUARTER**

✂

✂

**Detail Eliminated To Conserve Space**

**\*\* Columns 14 through 17-18 will be electronic only. \*\***

Column 18 – Private Security Code

Use only for investments included in the following subtotal lines.

Debt Securities That Do Not Qualify as Bonds

Debt Securities That Do Not Reflect a Creditor Relationship in Substance

NAIC Designation Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0199999

Affiliated ..... 0299999

NAIC Designation Not Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0399999

Affiliated ..... 0499999

Debt Securities That Lack Substantive Credit Enhancement

NAIC Designation Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0599999

Affiliated ..... 0699999

NAIC Designation Not Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0799999

Affiliated ..... 0899999

Debt Securities That Do Not Qualify as Bonds Solely to a Lack of Meaningful Cash Flows

NAIC Designation Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0999999

Affiliated ..... 1099999

NAIC Designation Not Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 1199999

Affiliated ..... 1299999

Residual Tranches or Interests with Underlying Assets Having Characteristics of:

Bonds

Unaffiliated ..... 4499999

Affiliated ..... 4599999

Preferred Stock

Unaffiliated ..... 4699999

Affiliated ..... 4799999

Common Stock

Unaffiliated ..... 4899999

Affiliated ..... 4999999

Real Estate

Unaffiliated ..... 5099999

Affiliated ..... 5199999

Mortgage Loans

Unaffiliated ..... 5299999

Affiliated ..... 5399999

Other

Unaffiliated ..... 5499999

Affiliated ..... 5599999

Identify whether the investment is 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 including those under Rule 504 and 506), 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:

1. Public
2. 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter, or dealer.
3. Private Placement Securities – Includes “Reg D – 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.
4. Not Applicable (N/A) – 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).

**SCHEDULE BA – PART 3**

**OTHER LONG-TERM INVESTED ASSETS DISPOSED, TRANSFERRED OR REPAID  
DURING THE CURRENT QUARTER**



**Detail Eliminated To Conserve Space**

**\*\* Columns 21 through 24-25 will be electronic only. \*\***

Column 25 – Private Security Code

Use only for investments included in the following subtotal lines.

Debt Securities That Do Not Qualify as Bonds

Debt Securities That Do Not Reflect a Creditor Relationship in Substance

NAIC Designation Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0199999

Affiliated ..... 0299999

NAIC Designation Not Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0399999

Affiliated ..... 0499999

Debt Securities That Lack Substantive Credit Enhancement

NAIC Designation Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0599999

Affiliated ..... 0699999

NAIC Designation Not Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0799999

Affiliated ..... 0899999

Debt Securities That Do Not Qualify as Bonds Solely to a Lack of Meaningful Cash Flows

NAIC Designation Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 0999999

Affiliated ..... 1099999

NAIC Designation Not Assigned by the Securities Valuation Office (SVO)

Unaffiliated ..... 1199999

Affiliated ..... 1299999

Residual Tranches or Interests with Underlying Assets Having Characteristics of:

Bonds

Unaffiliated ..... 4499999

Affiliated ..... 4599999

Preferred Stock

Unaffiliated ..... 4699999

Affiliated ..... 4799999

Common Stock

Unaffiliated ..... 4899999

Affiliated ..... 4999999

Real Estate

Unaffiliated ..... 5099999

Affiliated ..... 5199999

Mortgage Loans

Unaffiliated ..... 5299999

Affiliated ..... 5399999

Other

Unaffiliated ..... 5499999

Affiliated ..... 5599999

Identify whether the investment is 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 including those under Rule 504 and 506), 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:

1. Public
2. 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter, or dealer.
3. Private Placement Securities – Includes “Reg D – 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.
4. Not Applicable (N/A) – 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).

**SCHEDULE DL – PART 1**

**SECURITIES LENDING COLLATERAL ASSETS**

Reinvested Collateral Assets Owned Current Statement Date  
(Securities lending collateral assets reported in aggregate on Line 10 of the asset page  
(Line 9 for Separate Accounts) and not included on Schedules A, B, BA, D, DB and E.)



**\*\* Columns 8 through 10-11 will be electronic only. \*\***

Column 11 – Private Security Code

Identify whether the investment is 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 including those under Rule 504 and 506), 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:

1. Public
2. 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter, or dealer.
3. Private Placement Securities – Includes “Reg D – 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.
4. Not Applicable (N/A) – 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).

**SCHEDULE DL – PART 2**

**SECURITIES LENDING COLLATERAL ASSETS**

Reinvested Collateral Assets Owned Current Statement Date  
(Securities lending collateral assets included on Schedules A, B, BA, D, DB and E  
(Line 9 for Separate Accounts) and not reported in aggregate on Line 10 of the asset page.)



**Detail Eliminated To Conserve Space**

**\*\* Columns 8 through 10-11 will be electronic only. \*\***

Column 11 – Private Security Code

Identify whether the investment is 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 including those under Rule 504 and 506), 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:

1. Public
2. 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter, or dealer.
3. Private Placement Securities – Includes “Reg D – 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.
4. Not Applicable (N/A) – 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).

**SCHEDULE E – PART 2 – CASH EQUIVALENTS**

**INVESTMENTS OWNED END OF CURRENT QUARTER**



**\*\* Columns 10 and 11 will be electronic only. \*\***

Column 11 – Private Security Code

Identify whether the investment is 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 including those under Rule 504 and 506), 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:

1. Public
2. 144A – Includes all permitted exclusions for resales that do not involve the issuer, underwriter, or dealer.
3. Private Placement Securities – Includes “Reg D – 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.
4. Not Applicable (N/A) – 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).

## **NOTES TO FINANCIAL STATEMENTS**

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 that 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 that have not changed significantly in amount or composition since the end of the most recently completed fiscal year, may be omitted but the footnote number and annotation such as “no change” should be included. However, provide disclosure for annual Note 1A, 1C(2), 1C(6), 1D, 5D, 5E(3)b, 5F, 5G, 5H, 5I, 5L, 5M(2), 5M(3), 5N, 5R, [5T](#), 8A(8), 8B(2)a, 8B(2)b, 8B(2)c, 11B, 12A(4), 17B(2), 17B(4)a, 17B(4)b, 17C, 20, 24E and 25 in all quarters; and all other Notes where events subsequent to the end of the most recent fiscal year have occurred that have a material impact on the reporting entity. 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. If the reporting entity has changed the accounting policies since the end of its preceding year, the changes shall be disclosed in the quarterly financial statements. Information should be reported for current year-to-date.

### **Note 5 - Investments**

#### Instruction:

#### T. Private Securities

[Aggregate each type \(public, Rule 144A, private placement, or not applicable\) by investment schedule, capturing the total book/adjusted carrying value \(BACV\), 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 of the \*Accounting Practices and Procedures Manual\*.](#)

#### Illustration:

#### T. Private Securities

**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.**

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
	Total BACV	Total FV	FV Level 2	FV Level 3	Aggregate Deferred Interest	Aggregate Paid-In-Kind Interest	BACV w/ PLR as NAIC Designation
<u>(1) Short-Term Investments</u>							
<u>a. Public</u>	.....	.....	.....	.....	.....	.....	.....
<u>b. 144A</u>	.....	.....	.....	.....	.....	.....	.....
<u>c. Private Placement Securities</u>	.....	.....	.....	.....	.....	.....	.....
<u>d. Not Applicable (N/A)</u>	.....	.....	.....	.....	.....	.....	.....
<u>(2) Cash Equivalents</u>							
<u>a. Public</u>	.....	.....	.....	.....	.....	.....	.....
<u>b. 144A</u>	.....	.....	.....	.....	.....	.....	.....
<u>c. Private Placement Securities</u>	.....	.....	.....	.....	.....	.....	.....
<u>d. Not Applicable (N/A)</u>	.....	.....	.....	.....	.....	.....	.....
<u>(3) Issuer Credit Obligations</u>							
<u>a. Public</u>	.....	.....	.....	.....	.....	.....	.....
<u>b. 144A</u>	.....	.....	.....	.....	.....	.....	.....
<u>c. Private Placement Securities</u>	.....	.....	.....	.....	.....	.....	.....
<u>d. Not Applicable (N/A)</u>	.....	.....	.....	.....	.....	.....	.....
<u>(4) Asset-Backed Securities</u>							
<u>a. Public</u>	.....	.....	.....	.....	.....	.....	.....
<u>b. 144A</u>	.....	.....	.....	.....	.....	.....	.....
<u>c. Private Placement Securities</u>	.....	.....	.....	.....	.....	.....	.....
<u>d. Not Applicable (N/A)</u>	.....	.....	.....	.....	.....	.....	.....
<u>(5) Preferred Stocks</u>							
<u>a. Public</u>	.....	.....	.....	.....	.....	.....	.....
<u>b. 144A</u>	.....	.....	.....	.....	.....	.....	.....
<u>c. Private Placement Securities</u>	.....	.....	.....	.....	.....	.....	.....
<u>d. Not Applicable (N/A)</u>	.....	.....	.....	.....	.....	.....	.....
<u>(6) Common Stocks</u>							
<u>a. Public</u>	.....	.....	.....	.....	.....	.....	.....
<u>b. 144A</u>	.....	.....	.....	.....	.....	.....	.....
<u>c. Private Placement Securities</u>	.....	.....	.....	.....	.....	.....	.....
<u>d. Not Applicable (N/A)</u>	.....	.....	.....	.....	.....	.....	.....
<u>(7) Other Long-Term Invested Assets:     Non-Bond Debt Securities &amp; Residuals</u>							
<u>a. Public</u>	.....	.....	.....	.....	.....	.....	.....
<u>b. 144A</u>	.....	.....	.....	.....	.....	.....	.....
<u>c. Private Placement Securities</u>	.....	.....	.....	.....	.....	.....	.....
<u>d. Not Applicable (N/A)</u>	.....	.....	.....	.....	.....	.....	.....

**ANNUAL STATEMENT BLANK – LIFE/FRATERNAL, PROPERTY, HEALTH & TITLE**

**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

	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)
<b>52. Total Bonds Current Year</b>												
52.1 NAIC 1	(d)								XXX	XXX		
52.2 NAIC 2	(d)								XXX	XXX		
52.3 NAIC 3	(d)								XXX	XXX		
52.4 NAIC 4	(d)								XXX	XXX		
52.5 NAIC 5	(d)						(e)		XXX	XXX		
52.6 NAIC 6	(d)						(e)		XXX	XXX		
52.7 Totals							(a)		XXX	XXX		
52.8 Line 52.7 as a % of Col. 7								XXX	XXX	XXX		
<b>53. Total Bonds Prior Year</b>												
53.1 NAIC 1							XXX	XXX				
53.2 NAIC 2							XXX	XXX				
53.3 NAIC 3							XXX	XXX				
53.4 NAIC 4							XXX	XXX				
53.5 NAIC 5							XXX	XXX	(c)			
53.6 NAIC 6							XXX	XXX	(c)			
53.7 Totals							XXX	XXX	(b)			
53.8 Line 53.7 as a % of Col. 9							XXX	XXX		XXX		
<b>54. Total Publicly Traded Bonds</b>												
54.1 NAIC 1												XXX
54.2 NAIC 2												XXX
54.3 NAIC 3												XXX
54.4 NAIC 4												XXX
54.5 NAIC 5												XXX
54.6 NAIC 6												XXX
54.7 Totals												XXX
54.8 Line 54.7 as a % of Col. 7								XXX	XXX	XXX		XXX
54.9 Line 54.7 as a % of L52.7, C7, Sn 52								XXX	XXX	XXX		XXX
<b>55. Total Privately Placed Bonds</b>												
55.1 NAIC 1											XXX	
55.2 NAIC 2											XXX	
55.3 NAIC 3											XXX	
55.4 NAIC 4											XXX	
55.5 NAIC 5											XXX	
55.6 NAIC 6											XXX	
55.7 Totals											XXX	
55.8 Line 55.7 as a % of Col. 7								XXX	XXX	XXX	XXX	
55.9 Line 55.7 as a % of L52.7, C7, Sn 52								XXX	XXX	XXX	XXX	

(a) Includes \$ ..... freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.  
 (b) Includes \$ ..... current year of bonds with Z designations and \$ ..... prior year of bonds with Z designations. The letter "Z" means the NAIC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement.  
 (c) Includes \$ ..... current year, \$ ..... prior year of bonds with SGI designations and \$ ..... current year, \$ ..... prior year of bonds with 6\* designations. "SGI" means the NAIC designation was assigned by the SVO in reliance on the insurer's certification that the issuer is current in all principal and interest payments. "6\*" means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.  
 (d) Includes the following amount of short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$ .....; NAIC 2 \$ .....; NAIC 3 \$ .....; NAIC 4 \$ .....; NAIC 5 \$ .....; NAIC 6 \$ .....  
[https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/MemberMeetings/E CMT/APP/2026/2026 Spring/Summary and Minutes/BWG/Att 2F\\_2025-22BWG\\_Modified.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/MemberMeetings/E%20CMT/APP/2026/2026%20Spring/Summary%20and%20Minutes/BWG/Att%202F_2025-22BWG_Modified.docx)

**NAIC BLANKS (E) WORKING GROUP**  
**Blanks Agenda Item Submission Form**

<p style="text-align: right;">DATE: <u>12/10/2025</u></p> <p>CONTACT PERSON: _____</p> <p>TELEPHONE: _____</p> <p>EMAIL ADDRESS: _____</p> <p>ON BEHALF OF: _____</p> <p>NAME: <u>Dale Bruggeman</u></p> <p>TITLE: <u>Chair SAPWG</u></p> <p>AFFILIATION: <u>Ohio Department of Insurance</u></p> <p>ADDRESS: <u>50W. Town St., 3<sup>rd</sup> Fl., Ste. 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;"><b>FOR NAIC USE ONLY</b></p> <p>Agenda Item # <u>2025-28BWG MOD</u> Year <u>2026</u></p> <p>Changes to Existing Reporting [ X ] New Reporting Requirement [ ]</p> <p style="text-align: center;"><b>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</b></p> <p>No Impact [ X ] Modifies Required Disclosure [ ]</p> <p>Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [ No ] ***If Yes, complete question below***</p> <p style="text-align: center;"><b>DISPOSITION</b></p> <p>[ ] Rejected For Public Comment [ ] Referred To Another NAIC Group [ ] Received For Public Comment [ X ] Adopted Date <u>3/5/2026</u> [ ] Rejected Date _____ [ ] Deferred Date _____ [ ] Other (Specify) _____</p>
--	--

**BLANK(S) TO WHICH PROPOSAL APPLIES**

- |   |   |   |
|---|---|---|
| <input checked="" type="checkbox"/> ANNUAL STATEMENT                  | <input checked="" type="checkbox"/> INSTRUCTIONS      | <input type="checkbox"/> CROSSCHECKS              |
| <input checked="" type="checkbox"/> QUARTERLY STATEMENT               | <input type="checkbox"/> BLANK                        |   |
| <input checked="" type="checkbox"/> Life, Accident & Health/Fraternal | <input checked="" type="checkbox"/> Separate Accounts | <input checked="" type="checkbox"/> Title         |
| <input checked="" type="checkbox"/> Property/Casualty                 | <input type="checkbox"/> Protected Cell               | <input type="checkbox"/> Other _____              |
| <input checked="" type="checkbox"/> Health                            | <input type="checkbox"/> Health (Life Supplement)     | <input type="checkbox"/> Life (Health Supplement) |

Anticipated Effective Date: Annual 2026 / 1st Quarter 2027

**IDENTIFICATION OF ITEM(S) TO CHANGE**

Add two investment characteristics categories to the annual Schedule A, Part 1, to clarify if an investment is owned by a qualifying statutory trust. Also, update the annual and quarterly Schedule B instructions for reporting guidance for mortgages held in qualifying investments in statutory trusts and to add loan type codes to identify the mortgage loans.

**REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE\*\***

The purpose of this proposal is to update the reporting guidance for qualifying trust structures, that hold residential mortgage loans in scope of *SSAP No. 37 – Mortgage Loans*. (SAPWG Ref #2025-13)

**\*\*\*IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL\*\*\***

**NAIC STAFF COMMENTS**

Comment on Effective Reporting Date: \_\_\_\_\_

Other Comments:

\*\* This section must be completed on all forms.

**ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, PROPERTY, HEALTH, & TITLE**

**SCHEDULE A – PART 1**

**REAL ESTATE OWNED DECEMBER 31 OF CURRENT YEAR**



**Detail Eliminated To Conserve Space**

Column 18 – Investment Characteristics

Enter the number of the characteristic below. If none of the characteristics ~~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*.

**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. [Residential mortgage loans held within qualifying statutory trust\(s\) are separately reported in this same manner.](#)

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

 **Detail Eliminated To Conserve Space** 

**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 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”.](#)

[If there is more than one loan type codes, then list the appropriate code\(s\) separated by commas.](#)  
Otherwise, leave the column blank.

**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.



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”.](#)

[If there is more than one loan type codes, then list the appropriate code\(s\) separated by commas.](#)  
Otherwise, leave the column blank.

**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.



**Detail Eliminated To Conserve Space**

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”.](#)

[If there is more than one loan type codes, then list the appropriate code\(s\) separated by commas.](#) Otherwise, leave the column blank.

**QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, PROPERTY, HEALTH, & TITLE**

**SCHEDULE B – PART 2**

**MORTGAGE LOANS ACQUIRED AND ADDITIONS MADE DURING THE CURRENT QUARTER**

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 quarter 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.



**Detail Eliminated To Conserve Space**

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”.](#)

[If there is more than one loan type codes, then list the appropriate code\(s\) separated by commas.](#)

Otherwise, leave the column blank.

**SCHEDULE B – PART 3**

**MORTGAGE LOANS DISPOSED, TRANSFERRED OR REPAID DURING THE CURRENT QUARTER**

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 either 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. Mortgage loans acquired and sold during the same quarter should be reported in both Part 2 and Part 3.

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.



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”.](#)

[If there is more than one loan type codes, then list the appropriate code\(s\) separated by commas.](#)

Otherwise, leave the column blank.

[https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2026/2026 Spring/Summary and Minutes/BWG/Att 2G\\_2025-28BWG\\_Modified.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/APPTF/2026/2026%20Spring/Summary%20and%20Minutes/BWG/Att2G_2025-28BWG_Modified.docx)

**NAIC BLANKS (E) WORKING GROUP**  
**Blanks Agenda Item Submission Form**

<p style="text-align: right;">DATE: <u>12/10/2025</u></p> <p>CONTACT PERSON: _____</p> <p>TELEPHONE: _____</p> <p>EMAIL ADDRESS: _____</p> <p>ON BEHALF OF: _____</p> <p>NAME: <u>Dale Bruggeman</u></p> <p>TITLE: <u>Chair SAPWG</u></p> <p>AFFILIATION: <u>Ohio Department of Insurance</u></p> <p>ADDRESS: <u>50W. Town St., 3<sup>rd</sup> Fl., Ste. 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;"><b>FOR NAIC USE ONLY</b></p> <p>Agenda Item # <u>2025-30BWG MOD</u> Year <u>2026</u></p> <p>Changes to Existing Reporting [ X ] New Reporting Requirement [ ]</p> <hr/> <p style="text-align: center;"><b>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</b></p> <p>No Impact [ X ] Modifies Required Disclosure [ ]</p> <p>Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [ No ] ***If Yes, complete question below***</p> <hr/> <p style="text-align: center;"><b>DISPOSITION</b></p> <p>[ ] Rejected For Public Comment [ ] Referred To Another NAIC Group [ ] Received For Public Comment [ X ] Adopted Date <u>3/5/2026</u> [ ] Rejected Date _____ [ ] Deferred Date _____ [ ] Other (Specify) _____</p>
--	--

**BLANK(S) TO WHICH PROPOSAL APPLIES**

- |   |   |   |
|---|---|---|
| <input checked="" type="checkbox"/> ANNUAL STATEMENT                  | <input checked="" type="checkbox"/> INSTRUCTIONS  | <input type="checkbox"/> CROSSCHECKS              |
| <input checked="" type="checkbox"/> QUARTERLY STATEMENT               | <input type="checkbox"/> BLANK                    |   |
| <input checked="" type="checkbox"/> Life, Accident & Health/Fraternal | <input type="checkbox"/> Separate Accounts        | <input checked="" type="checkbox"/> Title         |
| <input checked="" type="checkbox"/> Property/Casualty                 | <input type="checkbox"/> Protected Cell           | <input type="checkbox"/> Other _____              |
| <input checked="" type="checkbox"/> Health                            | <input type="checkbox"/> Health (Life Supplement) | <input type="checkbox"/> Life (Health Supplement) |

Anticipated Effective Date: Annual 2026 / 1<sup>st</sup> Quarter 2027

**IDENTIFICATION OF ITEM(S) TO CHANGE**

Update Notes to Financials Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans to clarify reporting retirement plan assets at net asset value (NAV).

**REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE\*\***

The purpose of this proposal is to provide clarification to Note 12 on how to complete fair value disclosures for retirement plan assets measured at NAV. (SAPWG Ref #2025-21)

**\*\*\*IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL\*\*\***

**NAIC STAFF COMMENTS**

Comment on Effective Reporting Date: \_\_\_\_\_

Other Comments:

\*\* This section must be completed on all forms.

**ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, PROPERTY, HEALTH & TITLE**

**NOTES TO FINANCIAL STATEMENTS**



**Detail Eliminated To Conserve Space**

**Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

The disclosures required for this Note shall be aggregated for all of a reporting entity's defined benefit pension plans and for all of a reporting entity's other defined benefit postretirement plans unless disaggregating in groups is considered to provide useful information or is otherwise required by *SSAP No. 92—Postretirement Benefits Other Than Pensions* or *SSAP No. 102—Pensions*. Disclosures shall be 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—Fair Value are not to be categorized within the fair value hierarchy, a reporting entity shall separately identify NAV \(or its equivalent\) as required under SSAP No. 100.](#) Disclosures about pension plans with assets in excess of the accumulated benefit obligation generally may be aggregated with disclosures about pension plans with accumulated benefit obligations in excess of assets. The same aggregation is permitted for other postretirement benefit plans. If aggregate disclosures are presented, a reporting entity shall disclose:

- The aggregate benefit obligation and aggregate fair value of plan assets for plans with benefit obligations in excess of plan assets as of the measurement date of each statement of financial position presented.
- The aggregate pension accumulated benefit obligation and aggregate fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets.

Refer to *SSAP No. 11—Postemployment Benefits and Compensated Absences*, *SSAP No. 92—Postretirement Benefits Other Than Pensions* and *SSAP No. 102—Pensions* for additional guidance.



**Detail Eliminated To Conserve Space**

**Note 12C – Instruction:**

- C. 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 a reporting entity'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
- ❖ Other contracts
- Investment funds (segregated by type of fund)
- Real estate.

These examples are not meant to be all inclusive. A reporting entity should consider the overall objectives in determining whether additional classes of plan assets or further disaggregation of classes should be disclosed.

The disclosure should include 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, a reporting entity shall disclose the effect of the measurements on changes in plan assets for the period. To meet those objectives, the reporting entity shall disclose the following information for each class of plan assets disclosed above for each annual period:

- (1) The level within the fair value hierarchy in which the fair value measurements falls in their entirety, 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.](#)

NOTE: 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 falls in its entirety 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.

- (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.

- (3) [Investments measured using the NAV practical expedient must also comply with the NAV disclosure requirements detailed within SSAP No. 100.](#)

**Note 12C – Illustration:**

C.

**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.**

- (1) Fair Value Measurements of Plan Assets at Reporting Date

Description for each class of plan assets	(Level 1)	(Level 2)	(Level 3)	Total/Net Asset Value (NAV)	Net Asset Value (NAV) Total
.....	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
Total Plan Assets	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....

NOTE: See the instructions for this illustration for examples of descriptions of plan assets.

**QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, PROPERTY, HEALTH & TITLE**

**Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

The disclosures required for this Note shall be aggregated for all of a reporting entity's defined benefit pension plans and for all of a reporting entity's other defined benefit postretirement plans unless disaggregating in groups is considered to provide useful information or is otherwise required by *SSAP No. 92—Postretirement Benefits Other Than Pensions* or *SSAP No. 102—Pensions*. Disclosures shall be 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—Fair Value are not to be categorized within the fair value hierarchy, a reporting entity shall separately identify NAV \(or its equivalent\) as required under SSAP No. 100.](#) Disclosures about pension plans with assets in excess of the accumulated benefit obligation generally may be aggregated with disclosures about pension plans with accumulated benefit obligations in excess of assets. The same aggregation is permitted for other postretirement benefit plans. If aggregate disclosures are presented, a reporting entity shall disclose:

- The aggregate benefit obligation and aggregate fair value of plan assets for plans with benefit obligations in excess of plan assets as of the measurement date of each statement of financial position presented.
- The aggregate pension accumulated benefit obligation and aggregate fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets.

Refer to *SSAP No. 11—Postemployment Benefits and Compensated Absences*; *SSAP No. 92—Postretirement Benefits Other Than Pensions*; and *SSAP No. 102—Pensions*, for additional guidance.

[https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2026/2026 Spring/Summary and Minutes/BWG/Att 2H\\_2025-30BWG\\_Modified.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/APPTF/2026/2026%20Spring/Summary%20and%20Minutes/BWG/Att2H_2025-30BWG_Modified.docx)

**Blanks (E) Working Group**  
**Editorial Revisions to the Blanks and Instructions**  
**(presented at the March 5, 2026, Meeting)**

Statement Type:

**H** = Health; **L/F** = Life/Fraternal Combined; **P/C** = Property/Casualty; **SA** = Separate Accounts; **T** = Title

Effective	Table Name	Description	Statement Type	Filing Type
2026	Investment Schedule General Instructions	<p><b>CHANGE TO INSTRUCTION</b></p> <p>Correct the wording for the General Classifications Preferred Stock Only section on the Investment Schedule General Instructions. The instructions say common stock and it should say preferred stock.</p> <p><b>General Classifications Preferred Stock Only:</b></p> <p>Refer to <i>SSAP No. 32—Preferred Stock</i> and <i>SSAP No. 97—Investments in Subsidiary, Controlled, and Affiliated Entities</i>.</p> <p>Investments in the form of <del>common</del>-preferred stock that are in substance residual interests or a residual security tranche, as defined in <i>SSAP No. 43—Asset-Backed Securities</i> or <i>SSAP No. 48—Joint Ventures, Partnerships, and Limited Liability Companies</i>, shall be reported on Schedule BA – Other Long-Term Assets in the reporting lines for residuals.</p>	H, L/F, P/C, T, SA	Annual
2026	Health Supplement Analysis of Operations	<p><b>CHANGE TO INSTRUCTION</b></p> <p>Update the crosscheck reference in the instructions for Column 1 to ensure the correct calculation of the crosscheck.</p> <p>Column 1 – Total</p> <p>Column 1 (Line 19 plus Line 20) minus Column 14 (Line 19 plus Line 20) should equal Analysis of Operations by Lines of Business – Accident and Health Column 1, Line 6 <del>plus</del>-minus the sum of Lines 21 through 24.</p>	L/F	Annual
2026 / 2027	Schedule BA, Parts 1, 2, 3	<p><b>CHANGE TO INSTRUCTION</b></p> <p>Add the Collateral Loans Backed by Mortgage Loans and Real Estate to the Postal Code column. (Annual Column 24 on Sch. BA, Part 1, Column 13 on Sch. BA, Part 2, and Column 22 on Sch. BA, Part 3; Quarterly – Column 15 on Sch. BA, Part 2 and Column 22 on Sch. BA, Part 3)</p>	H, L/F, P/C, T, SA	Annual / Quarterly

Effective	Table Name	Description	Statement Type	Filing Type
		<p>Column 24 – Postal Code</p> <p>Use only for securities included in the following subtotal lines.</p> <p>Interests in Joint Ventures, Partnerships or Limited Liability Companies (Including Non-Registered Private Funds) with Underlying Assets Having the Characteristics of:</p> <p style="padding-left: 40px;">Real Estate</p> <p style="padding-left: 80px;">Unaffiliated ..... 2199999</p> <p style="padding-left: 80px;">Affiliated ..... 2299999</p> <p style="padding-left: 40px;">Mortgage Loans</p> <p style="padding-left: 80px;">Unaffiliated ..... 2399999</p> <p style="padding-left: 80px;">Affiliated ..... 2499999</p> <p style="padding-left: 40px;"><u>Collateral Loans – Reported by Collateral that Secures the Loan</u></p> <p style="padding-left: 60px;"><u>Backed by Mortgage Loans</u></p> <p style="padding-left: 100px;"><u>Unaffiliated ..... 3199999</u></p> <p style="padding-left: 100px;"><u>Affiliated ..... 3299999</u></p> <p style="padding-left: 60px;"><u>Backed by Real Estate</u></p> <p style="padding-left: 100px;"><u>Unaffiliated ..... 3999999</u></p> <p style="padding-left: 100px;"><u>Affiliated ..... 4099999</u></p>		
2026 / 2027	Schedule BA, Parts 1, 2, 3	<p><b>CHANGE TO INSTRUCTION</b></p> <p>Add the Collateral Loans Backed by Mortgage Loans and Real Estate to the Property Type column. (Annual - Column 25 on Sch. BA, Part 1, Column 14 on Sch. BA, Part 2, and Column 23 on Sch. BA, Part 3; Quarterly – Column 16 on Sch. BA, Part 2 and Column 23 on Sch. BA, Part 3)</p>	H, L/F, P/C, T, SA	Annual / Quarterly

Effective	Table Name	Description	Statement Type	Filing Type
		<p>Column 25 – Property Type</p> <p>Use only for securities included in the following subtotal lines.</p> <p>Interests in Joint Ventures, Partnerships or Limited Liability Companies (Including Non-Registered Private Funds) with Underlying Assets Having the Characteristics of:</p> <p style="padding-left: 40px;">Real Estate</p> <p style="padding-left: 80px;">Unaffiliated ..... 2199999</p> <p style="padding-left: 80px;">Affiliated ..... 2299999</p> <p style="padding-left: 40px;">Mortgage Loans</p> <p style="padding-left: 80px;">Unaffiliated ..... 2399999</p> <p style="padding-left: 80px;">Affiliated ..... 2499999</p> <p style="padding-left: 40px;"><u>Collateral Loans – Reported by Collateral that Secures the Loan</u></p> <p style="padding-left: 60px;"><u>Backed by Mortgage Loans</u></p> <p style="padding-left: 100px;"><u>Unaffiliated ..... 3199999</u></p> <p style="padding-left: 100px;"><u>Affiliated ..... 3299999</u></p> <p style="padding-left: 60px;"><u>Backed by Real Estate</u></p> <p style="padding-left: 100px;"><u>Unaffiliated ..... 3999999</u></p> <p style="padding-left: 100px;"><u>Affiliated ..... 4099999</u></p>		
2026 / 2027	Notes to Financial Statements	<p><b>CHANGE TO INSTRUCTION</b></p> <p>Update references to GAAP throughout the instructions that should be referencing U.S. GAAP. This will provide clarify which GAAP method is used.</p> <p>***The example below is from Note 1, but there were also references in Note 10, Note 23, Note 36, Schedule D, Part 6, Section 1, Life Supp. Term &amp; Universal Life Ins. Reins. Ex., Property General Instructions, Property Reinsurance Summary, Property Risk Retention Group Supp., and Title Sch. P, Part 2D that needed to be updated.***</p>	H, L/F, P/C, T	Annual / Quarterly

Effective	Table Name	Description	Statement Type	Filing Type
		<p>(7) The Company carries ABC Non-insurance company at <u>U.S.</u> GAAP equity plus the remaining Goodwill balance of \$ _____.</p> <p>(8) The company has minor ownership interests in joint ventures. The company carries these interests based on the underlying audited <u>U.S.</u> GAAP equity of the investee.</p>		
2026 / 2027	Notes to Financial Statements	<p><b>CHANGE TO INSTRUCTION</b></p> <p>Add a clarification to Note 5L(1) that the General Interrogatory (GI) reference Column 10 is from Annual GI's.</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p style="text-align: center;">10</p> <hr style="border-top: 1px dashed black;"/> <p style="text-align: center;"><u>Annual</u> GI Ref</p> </div>	H, T	Annual / Quarterly
2026 / 2027	Notes to Financial Statements	<p><b>CHANGE TO INSTRUCTION</b></p> <p>Add a clarification to Note 5L(1) that the General Interrogatory (GI) reference Column 14 is from Annual GI's.</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p style="text-align: center;">14</p> <hr style="border-top: 1px dashed black;"/> <p style="text-align: center;"><u>Annual</u> GI Ref</p> </div>	L/F	Annual / Quarterly

Effective	Table Name	Description	Statement Type	Filing Type								
2026 / 2027	Notes to Financial Statements	<p><b>CHANGE TO INSTRUCTION</b></p> <p>Add a clarification to Note 5L(1) that the General Interrogatory (GI) reference Column 14 is from Annual GI's.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">14</td> </tr> <tr> <td style="text-align: center;">-----</td> </tr> <tr> <td style="text-align: center;">Annual GI Ref</td> </tr> </table>	14	-----	Annual GI Ref	P/C	Annual / Quarterly					
14												
-----												
Annual GI Ref												
2027	Cash Flow	<p><b>CHANGE TO BLANK</b></p> <p>Parenthetical missed for quarterly blank in proposal.</p> <p style="padding-left: 40px;">13. Cost of investments acquired (long-term only <a href="#">exclude cash equivalents and short-term investments</a>):</p>	H, L/F, P/C, T	Quarterly								
2027	Notes to Financial Statements	<p><b>CHANGE TO INSTRUCTION</b></p> <p>Update the line number in quarterly Note 5L – Restricted Assets. The update was missed when updating the note for recent adoptions.</p> <p>Illustration: (1)Restricted Assets (Including Pledged)</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: left;">er. Total Restricted Assets (Sum of a through q)</td> <td style="text-align: right;">\$ .....</td> <td style="text-align: right;">\$ .....</td> <td style="text-align: right;">\$ .....</td> <td style="text-align: right;">\$ .....</td> <td style="text-align: right;">\$ .....</td> <td style="text-align: right;">\$ .....</td> <td style="text-align: right;">\$ .....</td> </tr> </table>	er. Total Restricted Assets (Sum of a through q)	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....	L/F, P/C	Quarterly
er. Total Restricted Assets (Sum of a through q)	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....					

Effective	Table Name	Description	Statement Type	Filing Type
2027	Notes to Financial Statements	<p><b>CHANGE TO INSTRUCTION</b></p> <p>Update the line number in quarterly Note 8 – Derivatives to match the changes adopted in proposal 2025-01BWG.</p> <p><u>Instruction:</u></p> <p>A. Derivatives under <i>SSAP No. 86—Derivatives</i></p> <p style="padding-left: 40px;">(89) Disclose the aggregate, non-discounted total premium cost for these contracts and the premium cost due in each of the following four years, and thereafter. Also disclose the aggregate fair value of derivative instruments with financing premiums excluding the impact of financing premiums.</p> <p><u>Illustration:</u></p> <p>A. Derivatives under <i>SSAP No. 86—Derivatives</i></p> <p style="padding-left: 40px;">(89)</p>	H, L/F, P/C, T	Quarterly

<https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member-meetings/e-cmte/apptf/2026/2026-spring/summary-and-minutes/bwg/att-2i-blanks-editorial-changes-march-2026.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 19, 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_meetings/e_cmte/apptf/2025_fall/minutes_and_summary/sapwg/1k-sapwg_to_blanks_modcofwh_sch_s_pt_8.docx)

**MEMORANDUM**

TO: Kevin Clark, Chair, Statutory Accounting Principles (E) Working Group  
Roy Eft, Chair, Blanks (E) Working Group

FROM: Robert Kasinow, Chair, Macroprudential (E) Working Group

DATE: February 17, 2026

RE: Funding Agreements backing Funding Agreement Backed Notes and Other Structures

---

The Macroprudential (E) Working Group received, discussed, and exposed for public comment, a proposal to disclose funding agreements backing Funding Agreement Backed Notes (FABNs). ACLI had originally provided a suggested proposal, which the working group modified slightly and exposed for 30 days ending December 8, 2025. ACLI requested an additional 45 days at the 2025 Fall National Meeting, making comments due January 26, 2026. We received only one comment letter from ACLI on January 26, 2026, attached as a pdf in the email distribution with this memo. NAIC Committee Support has been working with ACLI on the development of the attached proposal.

This latest proposal has been revised to include four new categories of funding agreement backed structures for which we seek disclosure of the funding agreements that back them. The new categories are as follows:

- 1) Funding Agreement Backed Commercial Paper (FABCP)
- 2) Funding Agreement Backed Repurchase Agreements (FABRs)
- 3) Funding Agreement Backed Loans (FABLs)
- 4) Funding Agreements backing Muni Prepay Structures

The Macroprudential (E) Working Group refers this proposal to the Statutory Accounting Principles (E) Working Group on accounting and reporting aspects of the proposal as well as to the Blanks (E) Working Group regarding incorporation into the Annual Statement.

FABNs are debt instruments issued by Special Purpose Vehicles (SPVs) formed by life insurance companies. The life insurance regulated legal entities issue funding agreements to the SPV to pay principal and interest and the SPV in turn pays the principal and interest to the holders of FABNs.

The current insurance statutory Annual Statement reporting framework does not require the reporting of FABNs. However, under the current reporting system insurers do report the amount of funding agreements issued in the aggregate for all purposes, with separate disclosure of funding agreements issued in connection with FHLB advances. This proposal seeks separate reporting of funding agreements that back FABNs and other funding agreement backed structures.

The Macroprudential (E) Working Group is seeking additional funding agreement disclosures to monitor the activity in the FABN market in accordance with its financial stability monitoring objectives. This proposed disclosure will provide the FSTF the ability to identify transmission channels of potential risk to and from (inward and outward risks) the insurance industry and the interconnectedness to the capital markets.

**Disclosure Proposal**

**Exhibit 7 Footnote:**

(b) Funding Agreements that Back Special Purpose Vehicle (“SPV”) Issuances

1. Total Across All Categories  
\$ \_\_\_\_\_
2. Of the total, funding agreements that support funding agreement backed SPV issuances whereby the funding agreement contains a put feature or embedded option\* \$ \_\_\_\_\_

**SSAP No. 52—Deposit-Type Contracts:**

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

- a. Balance of funding agreements (A) per type of issuance, (B) per type of issuance where the transaction contains a put feature or embedded option, and (C) per type of issuance where the terms of the SPV Issuance differ from the terms of the corresponding funding agreement:

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

<b>a) Disclosure of Funding Agreements Backing SPV Issuances</b>	<b>Total Amount</b>	<b>Amount Puttable *</b>	<b>Amount with Different Terms**</b>
1) Funding Agreement Backed Notes (FABN)	\$	\$	\$
2) Funding Agreement Backed Commercial Paper (FABCP)	\$	\$	\$
3) Funding Agreement Backed Repurchase Agreements (FABR)	\$	\$	\$
4) Funding Agreement Backed Loans (FABL)	\$	\$	\$
5) Funding Agreements Issued into Muni Prepay Structures	\$	\$	\$
6) Other Funding Agreements Backing SPV Issuances (Other)	\$	\$	\$
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

(Total Amount should reflect the balance of all funding agreements backing SPV Issuances reported as Deposit-Type Contracts and agree to Exhibit 7.b.1.)

\* As used herein, a funding agreement is “Puttable” or contains a “put feature or embedded option” if such funding agreement contains a provision that allows a contract holder to withdraw from their account value at

[book value] at any time, without being tied to a specific triggering event; under such provision, the insurer has no contractual alternatives to paying out at [book value].

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

- b. For instances in which the SPV is sponsored or formed by the reporting entity and the terms (e.g., principal, interest rate, maturity, rating, or currency) of a funding agreement differ from the terms of the corresponding SPV Issuance, include a narrative description identifying the different terms. (For example, if the funding agreement matures in 3 years, but the FABL matures in 3 months, instances of different interest rates, etc.) *(No template illustration.)*

\*\*\* With respect to FABCP, please respond to this question by identifying instances in which the terms of an SPV Issuance do not match the terms of a deposit made under an FABCP master funding agreement.

\*\*\*\* With respect to funding agreements issued into muni prepay structures, no response is necessary given that the terms of the funding agreement are designed to be different from the SPV issuances.

- c. Disclose the maturity distribution of funding agreements backing SPV Issuances, separately identifying the funding agreements issues as fixed or floating interest rate prior to execution of any interest rate swaps: (The total reported should agree to the total reported for disclosure a.)

<b>Maturity Distribution of Funding Agreements Backing SPV Issuances</b>			
	Fixed Rate	Floating Rate	Total
1 Year or Less	\$	\$	\$
After 1 Year Through 5 Years	\$	\$	\$
After 5 Years Through 10 Years	\$	\$	\$
After 10 Years Through 20 Years	\$	\$	\$
Over 20 Years	\$	\$	\$
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

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

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

<b>Funding Agreements Backing SPV Issuances</b>		<b>Funding Agreements Backing SPV Issuances in USD:</b>
Year-End FA Balance (USD)		\$
Amount of Funding Agreements Backing SPV Issuances in Foreign Currency –		
	AUD	\$
	CAD	\$
	CHF	\$
	EUR	\$
	GBP	\$
	Other	\$
<b>Foreign Currency Total</b>		<b>\$</b>
<b>Total Funding Agreements Backing SPV Issuances</b>		<b>\$</b>

(Total should match Total Amount reported in a.)

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

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2026/2026 spring/summary and minutes/bwg/att 2k\\_mwg referral to sapwg and bwg fabns 2-17-26-revised.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/apptf/2026/2026%20spring/summary%20and%20minutes/bwg/att%20mwg%20referral%20to%20sapwg%20and%20bwg%20fabns%202-17-26-revised.docx)