

Date 11/20/2025

2025 Fall National Meeting
Hollywood, FL

Statutory Accounting Principles (E) Working Group

Tuesday, December 9, 2025

8:45 AM - 10:45 AM EST

Diplomat Convention Center—Grand Ballroom West—Level 2

OVERVIEW AGENDA

HEARING AGENDA

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2. SAPWG Hearing – Review and Adoption of Non-Contested Positions — <i>Dale Bruggeman (OH)</i>		
• Ref #2025-12EP: Editorial Revisions – Preamble	2	4
• Ref #2024-21: Investment Subsidiaries	2	5
• Ref #2025-18: ASU 2019-12, Simplifying the Accounting for Income Taxes	4	6
• Ref #2025-20: Debt Security & Residual Interest Disclosures	4	7
• Ref #2025-21: Retirement Plan Assets Held at NAV	5	8
3. SAPWG Hearing – Review of Comments on Exposed Items— <i>Dale Bruggeman (OH)</i>		
• Ref #2025-01: Sale-Leaseback Clarification	6	9
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OVERVIEW AGENDA

MEETING AGENDA

	<u>Meeting Page</u>	<u>Attachment</u>
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4. SAPWG Meeting – Maintenance Agenda – Pending List—<i>Dale Bruggeman (OH)</i>		
• Ref #2025-22: IMR Impact to Reinsurance Collateral	1	A
• Ref #2025-23: IMR Proof of Reinvestment	4	B
• Ref #2025-24: Commitments and Contingent Commitments	5	C
• Ref #2025-25: Separate Account Nonadmitted Assets	7	D
• Ref #2025-26: SSAP No. 48 Equity Changes	8	E
• Ref #2025-27: SSAP No. 1 Modco/FWH Code	11	F
• Ref #2025-28: Nonadmittance of Long-Term Repos	11	G
• Ref #2025-29: Reporting Clarifications	14	H
• Ref #2025-30: Administrative Services Contracts Disclosure Clarification	15	I
• Ref #2025-31: Update Coverage Gap Reference	17	J, K
• Ref #2025-32: Remove Shaded Text	18	L
• Ref #2025-33: Update to Annual Statement Expense Descriptions and Categories	18	M
• Ref #2025-34: Updates on Economic Scenario Generator and Non-Variable Annuities	19	N
5. SAPWG Meeting – Any Other Matters Brought Before the Working Group—<i>Dale Bruggeman (OH)</i>		
• Memo to Blanks (E) Working Group Clarifying Reporting on Schedule S, Part 8	20	O
• Update on the IMR Ad Hoc Subgroup	20	None
• Notice of Potential Macroprudential (E) Working Group Referral	22	None
• Discussion of Printed Accounting Practices and Procedures Manual	22	None
• Referral from Life Risk-Based Capital (E) Working Group	22	None
• Review of U.S. GAAP Exposures	22	None
• IAIS Audit and Accounting Working Group (AAWG Update)	22	None
➤ Comment Deadline for all items – Friday, February 13, 2026		

Hearing Agenda

Statutory Accounting Principles (E) Working Group Hearing Agenda December 9, 2025

ROLL CALL

Dale Bruggeman, Chair	Ohio	Steve Mayhew/Kristin Hynes	Michigan
Kevin Clark, Vice Chair	Iowa	Ned Cataldo	New Hampshire
Sheila Travis/Richard Russell	Alabama	Bob Kasinow	New York
Kim Hudson	California	Diana Sherman	Pennsylvania
William Arfanis/Michael Estabrook	Connecticut	Jamie Walker	Texas
Rylynn Brown	Delaware	Doug Stolte/Jennifer Blizzard	Virginia
Cindy Andersen	Illinois	Amy Malm/Levi Olson	Wisconsin
Shantell Taylor/Tom Travis	Louisiana		

NAIC Support Staff: Julie Gann, Robin Marcotte, Jake Stultz, Jason Farr, Wil Oden

Note: This meeting will be recorded for subsequent use.

The Statutory Accounting Principles (E) Working Group met in regulator-to-regulator session on Dec. 2, 2025, pursuant to the NAIC Open Meetings Policy paragraph 6 (consultations with NAIC staff related to NAIC technical guidance of the *Accounting Practices and Procedures Manual*). No actions were taken during this meeting, as the discussions were for NAIC staff to present the technical guidance captured within the Fall National Meeting agenda.

REVIEW AND ADOPTION OF MINUTES

1. Summer National Meeting (Attachment 1)
2. September 10, 2025 (Attachment 2)
3. October 6, 2025 (Attachment 3)

REVIEW AND ADOPTION of NON-CONTESTED POSITIONS

The Working Group may individually discuss these items, or may consider adoption in a single motion:

1. Ref #2025-12EP: Editorial Revisions – Preamble
2. Ref #2024-21: Investment Subsidiaries
3. Ref #2025-18: *ASU 2019-12, Simplifying the Accounting for Income Taxes*
4. Ref #2025-20: Debt Security & Residual Interest Disclosures
5. Ref #2025-21: Retirement Plan Assets Held at NAV

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter
2025-12EP (Julie)	Editorial Revisions – Preamble	4 – Agenda Item	Agreement	IP – 5

Summary:

On March 24, 2025, the Working Group exposed editorial revisions to the Preamble, revising an existing footnote and adding a new footnote, pertaining to paragraphs 42-43 for the statutory hierarchy. These revisions clarify treatment of issue papers in Level 5 and reference SEC rules and interpretations as sources of authoritative U.S. GAAP for SEC registrants.

Comments:

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

Recommendation:

NAIC staff recommend that the Working Group adopt the editorial revisions to the Preamble with the correction to reflect “issue papers” as noted by interested parties.

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2024-21 (Julie)	Investment Subsidiaries	5 – Agenda Item	No Comments	IP – 5

Summary:

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

This agenda item was first exposed on March 24, 2025, and was drafted to address questions and concerns which came up regarding the classification of investments as “investment subsidiaries” in Schedule D-6-

1: Valuation of Shares of Subsidiary, Controlled or Affiliated Companies, in the AVR and in the Life RBC formula on pages LR042, LR043 and LR044. The concept of an "investment subsidiary", (an SCA that solely holds assets for the benefit of the reporting entity) was originally recognized in SSAP No. 46, which required these entities to be measured using the equity method adjusted to statutory accounting principles. This approach was aimed at aligning the SCA's valuation with what it would be if the underlying assets were held directly by the insurer. SSAP No. 46 was then replaced by SSAP No. 88 in 2005, which effectively eliminated the concept as investment subsidiary guidance was not included in the new SSAP. However, the investment subsidiary guidance in the annual statement instructions was not deleted when the concept was eliminated from statutory accounting guidance. In 2007, SSAP No. 88 was superseded by SSAP No. 97 which did not reincorporate the investment subsidiary concept. Under SSAP No. 97, SCAs that merely hold assets and do not conduct insurance or conduct specified activities or meet the revenue test are reported under paragraph 8.b.iii using audited U.S. GAAP equity value. It should be noted that *SSAP No. 25—Affiliates and Other Related Parties* is the only SSAP which retains references to investment subsidiaries and does so as part of the guidance for non-economic transactions, where gains on asset transfers are deferred until permanence is confirmed.

It was noted by both regulators and NAIC staff that the current reporting of "investment subsidiaries" lacks transparency for regulators and allows companies to self-calculate the RBC treatment simply by placing the investment in an investment subsidiary rather than directly holding the investment. Placing investments within an investment subsidiary could allow companies to obtain favorable look-through treatment by circumventing specific asset and SSAP treatment of that investment, as there is no explicit asset detail to ensure compliance with SSAP requirements, state investment limitations, or NAIC designation determination requirements. For example, if an investment held a private letter rating and was placed in an investment subsidiary, there would be no way to verify whether that security had complied with the SVO PLR reporting requirements. The same could be true of debt securities and whether they reflect bonds under the principles-based bond definition or if they should be captured as non-bond debt securities. Furthermore, Schedule D-6-1's instruction requires reporting entities to measure investment subsidiaries using "imputed statutory value" which is an undefined term in the instructions and conflicts with SSAP No. 97 which requires measurement based on audited U.S. GAAP. Reporting of the imputed SAP valuation for RBC also relies solely on company-provided records, meaning the calculation cannot be verified using information contained on Schedule D-6-1.

Interested Parties' Comments:

Interested parties have no comment on this item.

Recommendation:

NAIC staff recommend that the Statutory Accounting Principles (E) Working Group adopt this agenda item and communicate support for the Blanks proposal to eliminate investment sub reporting in the AVR and D-6-1, as well as send a referral to the Life Risk-Based Capital (E) Working Group with suggested changes to remove the concept of an investment subsidiary from the RBC instructions. The suggested changes to the Life RBC formula are detailed in the agenda item and were included in the exposure to be effective December 31, 2026.

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2025-18 (Wil)	ASU 2019-12, Simplifying the Accounting for Income Taxes	6 – Agenda Item	Agreement	IP – 7

Summary:

On August 11, 2025, the Working Group exposed revisions to SSAP No. 101—*Income Taxes* to adopt with modification ASU 2019-12 *Simplifying the Accounting for Income Taxes*.

The Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2019-12, Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes* (the ASU) in December 2019 to reduce complexity in income tax accounting standards. The ASU removes several exceptions to calculating and assessing income taxes and tax deferrals and also simplifies the guidance for franchise (non-income based) taxes, goodwill tax basis step-ups, allocation of deferred tax to subsidiaries, reflection of changes to tax law in the interim period calculation of the effective tax rate, and other minor improvements. This agenda item adopts one of the revisions detailed in the ASU and fully incorporates guidance from APB Opinion No. 28 which had previously been adopted by reference. This revision was deemed necessary as stat accounting generally does not incorporate U.S. GAAP guidance by reference anyone and the referenced guidance is part of the language updated by the ASU.

Interested Parties' Comments:

Interested parties agree with the proposed revisions to this item.

Recommendation:

NAIC staff recommends that the Working Group adopt the exposed revisions to SSAP No. 101 to adopt with modification ASU 2019-12 *Simplifying the Accounting for Income Taxes*.

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2025-20 (Julie)	Debt Security & Residual Interest Disclosures	7 – Agenda Item	No Comments	IP – 7

Summary:

On August 11, 2025, the Working Group exposed revisions to improve utilization of existing disclosures, clarify guidance, and incorporate consistent locations and frequency for specific debt security disclosures. As detailed in the agenda item, the exposure also included disclosures for residuals to identify the company's measurement method, whether the company is transitioning from the practical expedient to the allowable earned yield (AEY) method, and for those following the AEY method, information comparable to SSAP No. 43 for impaired securities. With exposure, the Working Group directed staff to sponsor a blanks proposal with the intent for the disclosure revisions to be in effect December 31, 2026.

Interested Parties' Comments:

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

Recommendation:

NAIC staff recommend that the Working Group adopt the exposed revisions to *SSAP No. 26—Bonds; SSAP No. 43—Asset-Backed Securities; SSAP No. 21—Other Admitted Assets* and *SSAP No. 2—Cash, Cash Equivalents, Drafts and short-Term Investments*. These revisions to improve consistency and utilization of existing disclosures, clarify guidance, and incorporate consistent locations and frequency for specific debt disclosures. Additionally, the exposure also included disclosures for residuals to identify the company's measurement method, whether the company is transitioning from the practical expedient to the allowable earned yield (AEY) method and for those following the AEY method, information comparable to *SSAP No. 43* for impaired securities. *For this item, the blanks proposal was already sponsored and exposed by the Blanks (E) Working Group's on Nov. 5, 2025.*

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2025-21 (Wil)	Retirement Plan Assets Held at NAV	8 – Agenda Item	Agreement	IP – 8

Summary:

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

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

Interested Parties' Comments:

Interested Parties agree with the recommended accounting conclusion in this item.

Recommendation:

NAIC staff recommends that the Working Group adopt the exposed revisions to *SSAP No. 92—Postretirement Benefits Other Than Pensions* and *SSAP No. 102—Pensions* to allow NAV in the required fair value disclosure as detailed in the agenda item. With adoption, the Working Group will sponsor a blanks proposal to update the corresponding notes to financial statements.

REVIEW of COMMENTS on EXPOSED ITEMS

The following items are open for discussion and will be considered separately.

1. Ref #2025-01: Sale-Leaseback Clarification
2. Ref #2025-13: Residential Mortgage Loans Held in Statutory Trusts
3. Ref #2024-15: ALM Derivatives
4. Ref #2025-19: Private Placement Securities

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2025-01 (Jake)	Sale-Leaseback Clarification	9 – Agenda Item	Comments Received	Brotherhood – 1 NAMIC/APCIA – 2 IP – 6

Summary:

On August 11, 2025, the Working Group exposed revisions to clarify that sale leasebacks with restrictions on access to the cash received as part of the sale do not qualify for sale leaseback accounting and must be accounted for by the seller using the financing method. This agenda item was drafted in response to a question NAIC staff received on a sales leaseback transaction that included a significant restriction on 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. If the insurer were to be put into receivership during the lease term, the cash would not be able to be used to pay policyholder claims. This agenda item intends to provide guidance that sales 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.

Interested Parties' Comments:

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

National Association of Mutual Insurance Companies (NAMIC) and American Property and Casualty Insurance Association (APCIA) Comments ("The Trades")

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

To make it clear that this edit does not overrule the guidance found in *SSAP No 4 – Assets and Nonadmitted Assets* and *INT 01-31*, regarding collateral pledged for their performance under a contract and for easier flow of reading, the Trades suggest the below edits. First, change the lead in sentence to say, "meets the following criteria." This edit makes it clear to the reader that this type of transaction does not fall under the sale-leaseback accounting method. The second edit suggestion is a rewording of the

first sentence in (c), clarifying that if the cash or assets received by the seller have access restrictions and do not meet the definitions found in SSAP No. 4, the restricted cash and assets are nonadmitted. Our edits underscore that is that total restriction on access to cash or assets, not the mere presence of a restriction, that renders the transaction incompatible with sale accounting.

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

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

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

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

Brotherhood Mutual

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

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

A prospective application would preserve the integrity of past transactions while allowing the industry to move forward in compliance with any new requirements. This approach aligns with principles of fairness and minimizes disruption to ongoing operations and financial planning.

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 meets~~includes all of~~ the following criteria:

- a. A normal leaseback is a lessee-lessor relationship that involves active use of the property by the seller-lessee in consideration for payment of rent, including contingent rentals that are based on future operations of the seller-lessee. The phrase active use of the property by the seller-lessee refers to use of the property during the lease term in the seller-lessee’s trade or business, provided that subleasing of the leased property is minor.
- b. Admitted assets, if the buyer-lessor is a related party, or either admitted or nonadmitted assets if the buyer-lessor is not a related party. For purposes of this paragraph, related parties include those identified in SSAP No. 25 and entities created for the purpose of buying and leasing nonadmitted assets for the reporting entity and/or its affiliates.
- c. When cash or assets received by the seller 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.

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 December 31, 2026.

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2025-13 (Wil)	Residential Mortgage Loans Held in Statutory Trusts	10 – Agenda Item	Comments Received	IP – 6

Summary:

This agenda item was last exposed by the Working Group on August 11, 2025, and proposed additional revisions to this agenda item which included recommended revisions from NAIC staff as well as recommended revisions from interested parties' comment letter. This agenda item was initially exposed on May 22, 2025, and proposed revisions to *SSAP No. 37—Mortgage Loans* in response to interested parties' comments on agenda item 2024-21: Investment Subsidiaries.

This agenda item proposes new guidance in *SSAP No. 37* which would allow for qualifying statutory trust structures to hold and report residential mortgage loans on Schedule B – Mortgage Loans as if they loans were held directly by the insurer. For a statutory trust to be considered qualifying it must meet six criteria; trust must be domiciled in either a U.S. state or territory, insurer must hold 100% beneficial ownership interest of the trust, may only hold certain assets (cash and cash equivalents, real estate received through foreclosure, and residential mortgage loans), may not engage in restricted activities, all cash flows from mortgage loans must flow directly through the trust to the insurer, and the trust must maintain certain documentation requirements.

Statutory trusts which meet all six of the criteria are to be considered qualifying and within the scope of *SSAP No. 37*. Residential mortgage loans held within qualifying statutory trusts would be reported individually on Schedule B as if directly held by the insurer. Effectively all activity and balances within a qualifying statutory trust are to be reported as if directly held by the insurer. The proposed revisions would also establish new disclosures for qualifying statutory trusts which would include a description of the trust, summary of assets and liabilities held within trust, disclosure of material litigation and/or regulator reviews, disclosure of financing transactions, and a summary of mortgage loans held in trust disaggregated by loan standing.

Interested Parties' Comments:

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

1. Under the Exposure Draft, look-through reporting would not be allowed if foreclosed real estate is owned by a wholly-owned LLC of the statutory trust. A fundamental characteristic of these trusts is the separation of legal and beneficial ownership. Therefore, the trustee holds legal title to the trust assets, while the trust beneficiaries are entitled to receive the benefit of the assets.

The bank trustees are comfortable holding legal title to the mortgage loans and being the lender of record because that is their primary vocation. However, some bank trustees are not comfortable holding legal title to foreclosed real estate because of the potential for liability to the bank arising from property-related issues. For that reason, we understand that it can be common for the trustee to transfer title to such mortgage loans to a single member LLC that is 100% owned by the trust prior to foreclosure. Therefore, we kindly ask that the Working Group reconsider allowing the trust to create a 100% trust-owned single member LLC to hold any foreclosed real estate to address this circumstance.

2. We suggest the following edits to the revised footnote 6 for clarity:

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

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

Recommendation:

NAIC staff recommend that the Working Group discuss and provide direction on one of the following:

1. **Adopt this agenda item, including the most recent revisions as summarized below and detailed within the Form A and shown in gray (beginning on page 24 of the agenda item), which establishes new accounting guidance in SSAP No. 37 for residential mortgage loans held within qualifying statutory trusts; or**
2. **Expose an updated draft of the SSAP No. 37 revisions for further public comment.**

NAIC staff do not have a strong preference between these two options. Interested parties have verbally indicated their support for adoption at the Fall National Meeting.

Effective Date - The revisions detailed within the agenda item are proposed to be applied prospectively, with a tentative effective date of January 1, 2027, with early adoption permitted. *If the Working Group chooses Option 2, it should be noted that the agenda item could not be adopted until after January 1, 2026, and further consideration may be required regarding the early adoption date.*

NAIC staff is aware that some companies have also communicated their intention to request permitted practices from their domestic regulators to apply this guidance as of December 31, 2025. While there are proposed updates to the Blanks to improve the accuracy and transparency of Schedule B reporting for residential mortgage loans held in qualifying statutory trusts, no new reporting lines or columns are proposed. The proposed Schedule B reporting codes cannot be added to the Blanks until the 2026 year-end reporting period; however, NAIC staff do not anticipate any structural issues that would complicate reporting for companies electing to early adopt this guidance either at year-end 2025 or throughout 2026. Once a company adopts the guidance, they will need to move the investments from the prior reporting location (likely from Schedule BA for those structured as SSAP No. 48 entities or from D-2-2 for those structured as SCAs). The SSAP includes transition guidance specifying movement at BACV to avoid a gain or loss with the move to Schedule B. The following paragraphs were added to the proposed revisions for both SSAP Nos. 37 and 40 for effective date and implementation:

Drafting Note: Revisions to SSAP Nos. 37 and 40 detailing the effective date revisions are shown below both tracked and shaded.

SSAP No. 37

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

SSAP No. 40

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

Scope - If adopted as exposed, the proposed revisions to SSAP No. 37 would **require reporting entities** to apply the guidance to all qualifying statutory trusts. In other words, application of this guidance would not be optional for statutory trusts that meet the qualifying criteria. This is consistent with the approach used for real estate held in LLCs in scope of SSAP No. 40. These revisions would also effectively remove qualifying statutory trusts from the subsidiary audit requirement that exists for SSAP No. 48 investments; however, the investments and related activity are required to be reported as if directly held by the reporting

entity and would be subject to audit testing procedures as part of the reporting entity's audit.

Summary of Fall 2025 Proposed Revisions - NAIC staff incorporated all revisions recommended in the interested parties' comments, and made the following key revisions:

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

It should be noted that the Fall National Meeting attachment includes revisions recommended by interested parties' to allow qualifying statutory trusts holding foreclosed real estate in LLCs wholly owned by the statutory trust (see most recent comment letter, paragraph 1). This comment was originally provided by interested parties at the Summer National Meeting but was considered and not incorporated by the Working Group at that time. Although initially rejected due to concerns about added complexity and multiple LLC layers, further discussions after the Summer National Meeting between the Working Group, NAIC staff, and interested parties determined that restricting direct ownership of real estate by a statutory trust would lead to several legal and operational challenges, including lack of liability protection, trustee restrictions on holding real estate directly, and potential state transfer taxes and fees. While NAIC staff recognize that allowing wholly-owned LLCs within qualifying statutory trusts adds further complexity, it was concluded that using wholly-owned LLCs to hold foreclosed real estate was the most practical approach to mitigate these risks and avoid costs that could otherwise undermine the statutory trust structure's purpose. The following paragraphs are those which were specifically revised to allow qualifying statutory trusts to hold real estate within an LLC:

Drafting Note: Revisions to SSAP Nos. 37 and 40 to allow for real estate to be held within an LLC are shown below both tracked and shaded.

SSAP No. 37—Mortgage Loans:

Paragraph 5.b.iii. – Assets of the statutory trust may only consist of single residential mortgage loan agreements (meaning each to be legally separate and divisible) of a type that could otherwise be directly held by the reporting entity under SSAP No. 37; residential real estate which the statutory trust ~~of has acquired~~s ownership due to events described in accordance with paragraph

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

Paragraph 5.b.iii.(c) – Real estate directly held by the qualifying statutory trust shall be reported on Schedule A and classified as “Held for Sale” in accordance with SSAP No. 40—Real Estate Investments. Such properties must either be directly-owned by the qualifying statutory trust or held by the qualifying statutory trust as single residential real estate investments that are directly and wholly-owned through a limited liability company (LLC), provided they meet all requirements outlined in SSAP No. 40, paragraph 4.

SSAP No. 40—Real Estate Investments:

3. Real estate investments also include:

a. ~~€~~Certain acquisition, development and construction arrangements (ADC) as defined in SSAP No. 38—Acquisition, Development and Construction Arrangements;

b. ~~and r~~Real estate held within a qualifying statutory trust(s), as defined in SSAP No. 37—Mortgage Loans, that was acquired ~~due to events described through an in substance repossession or foreclosure in accordance with SSAP No. 37, paragraph 18,~~ and shall be reported as if directly held by the reporting entity.

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

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

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2024-15 (Julie)	ALM Derivatives	11 – Agenda Item 11.a – AC Proposal 11.b – FV Proposal	Agreement and Comments	ACLI – 9

Summary:

On September 10, 2025, the Working Group received a presentation on proposed asset-liability matching (ALM) derivative guidance from the ACLI, along with two drafts of potential statutory accounting guidance. These drafts illustrate possible ALM derivative guidance using 1) an amortized cost method and 2) fair value and spread method. The Working Group exposed the entire package (presentation and both potential options for SAP guidance) with a comment period ending October 31, 2025. Comments were specifically requested on whether guidance for ALM derivatives should be further pursued, and if so, whether the amortized cost or fair value method is preferred.

Note: Although this item has support from interested parties, it has been included for discussion as regulator feedback and consideration is key for this item.

Interested Parties' Comments:

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

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

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

Recommendation:

NAIC staff recommend that the Working Group direct NAIC staff to move forward with an issue paper and concurrent SSAP to reflect statutory accounting guidance for interest-rate hedging derivatives used for asset-liability management (ALM) using the amortized cost approach. These items will be presented for exposure in the interim (if possible) or at the 2026 Spring National Meeting with a potential effective date of Jan. 1, 2027. NAIC staff notes that the proposed guidance will likely require revised or new reporting guidance on how to capture these items within existing reports. If the overall recommendation to move forward with this statutory accounting guidance is supported, NAIC staff will work with industry and regulators in the interim to develop proposed reporting solutions that provide the needed information.

NAIC staff recommend the amortized cost method to mirror the *SSAP No. 86—Derivatives* approach for highly-effective hedges, where derivatives would be reported at cost (e.g., zero if there is no upfront cost) without surplus valuation changes from fair value fluctuations throughout the duration. With this approach, if the derivative continues to be highly effective, there would be no unrealized gain or loss recognized until termination, meaning that there would be no need to track or recognize deferred assets or losses throughout the duration of the derivative. At termination, the resulting gain or loss would be recognized with a deferred gain or loss as permitted under the guidance. Under the fair value approach, the fair value fluctuations would be recognized as unrealized gains and losses, resulting in the need to recognize and adjust deferred assets and liabilities throughout the duration and not just at termination. As the deferred balance would be captured in cash flow testing (CFT) and principle-based reserving (PBR), including these unrealized fair value changes in the deferred balance would create an inconsistency in the amount used as an adjustment for CFT and PBR. Use of the amortized cost approach would result with only realized gains and losses being captured in these assessments. As such, in addition to mirroring the *SSAP No. 86* approach for highly effective hedges, the amortized cost method is perceived to be a simpler approach for both application and review.

NAIC staff recommend that the Working Group discuss and provide guidance on the use of asymmetrical derivatives within the standard. Due to the complexity added for the inclusion of these items, and the potential for up-front premiums to be captured as losses and deferred (instead of amortized over the derivative life), NAIC staff supports the continued exclusion, but welcomes further discussion and viewpoints on these derivatives.

Regarding asymmetrical derivatives, this term relates to the payoff profile of the derivative. A typical swap (symmetrical) has no upfront payment or receipt, and at inception has an equal chance of resulting with a gain or loss. Conversely, an option has an asymmetrical payoff profile. If a company buys an option, the purchase price paid is the maximum loss amount, while resulting gains can be much more than the maximum loss. Other asymmetrical derivatives include swaps with ceilings/floors and other non-standard derivatives. The original proposed guidance excluded asymmetrical derivatives to avoid the possibility that companies that buy options that mature out of the money would defer the “loss” although it was the upfront purchase price. It also excluded asymmetrical derivatives to limit the ALM derivative standard to a specified limited population of standard derivatives for ease of application and review.

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2025-19 (Julie)	Private Placement Securities	12 – Agenda Item	Agreement with Comments	IP – 11

Summary:

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

On the October 6, 2025, interim meeting to discuss comments from the August 2025 exposure, the Working Group exposed revisions to the proposed private placement reporting requirements and disclosure. These revisions were exposed for a shortened comment period ending October 31, 2025, to allow for discussion at the 2025 Fall National Meeting. The revisions are summarized as follows:

- 1) Incorporated clarifying revisions to reference *SSAP No. 30—Unaffiliated Common Stock* and *SSAP No. 32—Preferred Stock*, revise the word “securities” to “investments” in the proposed SSAP disclosure and update the categories in the audited financial statements in the “Supplemental Schedule of Selected Statutory-Basis Financial Data” to reflect the revised broad reporting categories.
- 2) Incorporated revisions to collapse the reporting categories into public, Rule 144A, private placement securities, and not applicable. The revisions clarify that all non-publicly registered securities subject to the 1933 Securities Act, excluding Rule 144A, shall be reported as a private placement. Only investments not within the scope of the Securities Act of 1933 shall be reported as not applicable. (For example, long-term certificates of deposit and bank loans that are not securities are likely not subject to the 1933 Securities Act and would be reported as NA.)
- 3) Incorporated revisions to limit the Schedule BA electronic column reporting to items captured as “non-bond debt securities” and “residuals.” The other reporting lines captured on Schedule BA will not be subject to the reporting for public / private classification.
- 4) Incorporated revisions to clarify that the investment schedule electronic column shall be captured in the applicable acquisition and disposal investment schedules for quarterly reporting and in the annual investment schedules. For separate accounts, the investment schedule reporting will be annual only. The aggregate disclosure will not be identified as a required quarterly disclosure but shall follow the preamble concept for interim reporting. (This is detailed in paragraph 65 of the AP&P Preamble and requires disclosure if there have been significant changes from the prior annual report.)
- 5) For Schedule D-1A, proposed revisions to remove the public and privately placed reporting columns, along with the aggregate footnote for Rule 144A.

Interested Parties' Comments:

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

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

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

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

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

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

Recommendation:

NAIC staff recommend that the Working Group adopt the exposed agenda item incorporating the new private security disclosures to be effective year-end 2026, without incorporating revisions from the interested parties' comments. With adoption, the Working Group is also recommended to sponsor a blanks proposal to incorporate the new disclosure requirements. It's anticipated that this blanks proposal will be exposed via a chair-exposure shortly after the Fall National Meeting to allow for the blanks revisions to be adopted for a year-end 2026 effective date.

The interested parties' comments to remove the guidance detailing when disclosures are required and where they should be captured are not supported as these components are common within the SSAPs and ensure consistent application. As a reminder, agenda item 2025-20: Debt Security & Residual Interest Disclosure was recently addressed to ensure consistent reporting frequency and location for parallel debt security disclosures. The revisions within that agenda item (Ref #2025-20) included updating which disclosures were required in the interim and annual financial statements, which were annual audited only, and even included schedule locations to identify where a particular disclosure was predominantly satisfied. Further, the guidance pointing to the preamble requirement for determining whether the disclosure is required in the interim was specifically requested during the last discussion and is consistent with the guidance previously included in SSAP No. 1 for restricted assets. (The SSAP No. 1 guidance has only recently been deleted with a Working Group decision to require the restricted asset disclosure in all interim and annual financial statements.)

With adoption, disclosure requiring individual investment disclosure in the applicable investment schedules and an aggregate disclosure in the notes to the financial statements will be incorporated into the following SSAP locations and required as of December 31, 2026. (The disclosure is new and shown clean from the prior exposures for ease of readability.)

- SSAP No. 2—Cash, Cash Equivalents, Drafts and Short-Term Investments, paragraph 18f.
- SSAP No. 21—Other Admitted Assets – Debt Securities that Do Not Qualify as Bonds, paragraph 27m
- SSAP No. 21—Other Admitted Assets – Residual Transfers or Interests/Loss positions, paragraph 38

- SSAP No. 26—*Bonds*, paragraph 40m.
- SSAP No. 30—*Unaffiliated Common Stock*, paragraph 19
- SSAP No. 32—*Preferred Stock*, paragraph 20
- SSAP No. 43—*Asset-Backed Securities*, paragraph 44.m.

For all investments in scope:

- i. Identify whether each investment is publicly registered, a private placement under Rule 144A (collectively capturing all exclusions for resales that do not involve the issuer, underwriter or dealer), a private placement security, including Regulation D, a general exemption pursuant to Section 4(a)2 of the Securities Act of 1933 or other exclusion from SEC registration for investments captured under the Securities Act of 1933, excluding Rule 144A. (This individual investment disclosure shall be completed within the applicable investment schedules for quarterly acquisitions and disposals as well as for annual investment schedule reporting.)
- ii. The reporting entity must aggregate each type (public, Rule 144A, private placement, or N/A) by investment schedule, capturing the total BACV, fair value (with fair values determined by level 2 and level 3 reported), the total amount of aggregate deferred interest and paid-in-kind interest, and the total BACV supported by private letter ratings. This disclosure is required annually, with quarterly inclusion pursuant to paragraph 65 of the Preamble.

The comment letters are included in Attachment 13: Comment Letters (13 pages)

<https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2025/12-9-25FallNationalMeeting/Hearing/00-12-9-2025-SAPWGHearingAgenda.docx>

**Statutory Accounting Principles (E) Working Group
Meeting Agenda
December 9, 2025**

A. Consideration of Maintenance Agenda – Pending List

1. Ref #2025-22: IMR Impact to Reinsurance Collateral
2. Ref #2025-23: IMR Proof of Reinvestment
3. Ref #2025-24: Commitments and Contingent Commitments
4. Ref #2025-25: Separate Account Nonadmitted Assets
5. Ref #2025-26: SSAP No. 48 Equity Changes
6. Ref #2025-27: SSAP No. 1 Modco/FWH Code
7. Ref #2025-28: Nonadmittance of Long-Term Repos
8. Ref #2025-29: Reporting Clarifications
9. Ref #2025-30: Administrative Services Contracts Disclosure Clarification
10. Ref #2025-31: Update Coverage Gap Reference
11. Ref #2025-32: Remove Shaded Text
12. Ref #2025-33: Update to Annual Statement Expense Descriptions and Categories
13. Ref #2025-34: Updates on Economic Scenario Generator and Non-Variable Annuities

Ref #	Title	Attachment #
2025-22 (Julie)	IMR Impact to Reinsurance Collateral	A – Form A

Summary:

This agenda item has been prepared to establish clear guidance in *SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance* and Schedule S, Part 4, on how IMR derecognized by the cedent pursuant to a reinsurance transaction should be reflected in determining the amount of reinsurance collateral required from the assuming entity to receive reinsurance credit. The requirement for collateral is only a component for assuming reinsurers that are unauthorized or certified for which full or partial collateral is required under the *Credit for Reinsurance Model Law* (#785) and *Credit for Reinsurance Model Regulation* (#786). It does not apply to reciprocal jurisdiction reinsurers, authorized, accredited or licensed reinsurers where collateral is not required.

Although the existing guidance in SSAP No. 61 requires derecognized net positive IMR to be captured as an increase in the collateral requirement, from what industry communicated during the IMR Ad Hoc Group discussions, this SSAP No. 61 requirement has not been consistently followed. Industry representatives advised that the inclusion of eliminated net positive IMR in the collateral requirement has been driven by the terms of their reinsurance treaties. NAIC staff have highlighted that this is inconsistent with statutory accounting principles, and deviations should have been supported by a permitted or prescribed practice. Through discussions of the IMR Ad Hoc Group, consensus of the group was reached that SSAP No. 61 does appropriately require that any IMR associated with reinsured reserves be included in any collateral requirements under the Credit for Reinsurance Models.

However, there is no current mention of derecognized net negative IMR in the existing SSAP No. 61 for collateral requirements, and the IMR Ad Hoc Group has been discussing if/how derecognized net negative IMR should factor into the collateral requirement for reinsurance credit. If net negative IMR were to be included in the collateral requirement, it would reduce required collateral. As the ad hoc group was not able to arrive at a consensus position between regulators and industry on how this should be treated, this Form A includes two possible options for the Working Group to consider.

One point of note for which the ad hoc group was able to reach consensus was that the consideration of net negative IMR should not consider the admissibility of the IMR for the cedant prior to reinsurance. Rather, the balance should be either fully included or fully excluded from the collateral requirement. This is because the calculation of any surplus-based limitation of negative IMR admissibility would become circular after the reinsurance is in place and unable to be repeated from that point forward.

The question being presented to the Working Group to decide is as follows:

Should the treatment of derecognized net negative IMR reduce required collateral for reinsurance (i.e. be treated symmetrically with positive IMR)? If the treatment is symmetrical, then derecognized net positive IMR increases the collateral requirement, and derecognized net negative IMR would decrease the collateral requirement. If the treatment is asymmetrical, derecognized net positive IMR still increases the collateral requirement, but derecognized net negative IMR would not decrease the collateral requirement.

The agenda item includes discussion and illustrations for the two potential options. The arguments for each option are summarized below:

- **Symmetrical Treatment:** Industry advocates for IMR to be treated symmetrically for reinsurance collateral requirements. The rationale for including IMR in the collateral requirement, whether positive or negative, is the view that it represents a valuation adjustment to the ceded reserves. It reflects the partial unlocking of the reserve valuation rate resulting from sales and reinvestments of the supporting fixed income investments. Therefore, the most accurate reflection of the value of the current reserves being ceded is inclusive of the IMR balance. For this reason, any collateral requirements should be inclusive of IMR regardless of direction. Asymmetrical treatment is generally viewed by industry as arbitrary and punitive and may have an unfavorable impact on reinsurance costs for ceding insurers.
- **Asymmetrical Treatment:** The alternative view which is supported by NAIC staff is that net negative IMR derecognized from a reinsurance transaction should not be permitted to influence the collateral required to receive reinsurance credit. In addition to the questions/issues on how this can be perceived to allow IMR to reflect a collateral asset, particularly as IMR (which reflects realized gains and losses) are not transferable assets, this is also recommended to prevent incentivizing reinsurance transactions to eliminate nonadmitted IMR. This is also perceived to be consistent with existing guidance as only IMR liability adjustments are currently captured in SSAP No. 61 and Schedule S.

This agenda item was driven from discussion at the IMR Ad Hoc Group. With differing opinions among staff, regulators and industry reps, it was requested that this issue be presented to the full Working Group.

Recommendation:

NAIC staff recommend that the Working Group move this item to the active listing categorized as a SAP clarification and expose proposed revisions to SSAP No. 61 to clarify how IMR derecognized as part of a reinsurance transaction should influence the reinsurance collateral required to receive reinsurance credit. These revisions reiterate the current requirement to increase reinsurance collateral requirements for net positive IMR derecognized from a reinsurance transaction and the staff recommendation to prohibit a decrease in reinsurance collateral requirements from the derecognition of net negative IMR.

With this exposure, regulators are asked to comment on whether different IMR treatment should be considered from what is recommended. Specifically, instead of the asymmetrical approach, whether both positive and negative IMR derecognized from reinsurance transactions should impact the reinsurance collateral treatment

(symmetrical treatment). Additionally, with exposure, a referral is recommended to the Reinsurance (E) Task Force to provide notice of this discussion and request comments.

As discussed within, the recommendation for asymmetrical treatment is supported by NAIC staff for the following reasons:

- **Positive IMR:** Both the policy reserve and IMR are needed in the collateral requirement to ensure that the collateral equals the established cedent's liability prior to the reinsurance transaction.
- **Negative IMR:** By including negative IMR eliminated from a reinsurance transaction, the collateral required drops below the required policy reserve. IMR is not permitted to reflect a collateral asset, and as negative IMR simply reflects previously recognized realized losses, IMR is not a transferable asset. Further, if negative IMR was nonadmitted, the process to include negative IMR as a reduction of the collateral requirement could incentivize reinsurance transactions to obtain a surplus bump from the elimination of the nonadmitted IMR.

Proposed Revisions to SSAP No. 61 to paragraphs 47a and 50a for both certified and unauthorized reinsurers and the calculation of the reserve credits: (Remaining subparagraphs excluded for brevity.)

47. A liability is established by the ceding entity to offset credit taken in various balance sheet accounts for reinsurance ceded to a certified reinsurer in an amount proportionate to any deficiency in the amount of acceptable security that is provided by the certified reinsurer as compared to the amount of security that is required to be provided in accordance with the certified reinsurer's rating. **In determining the amount of this liability, the ceding insurance entity must first determine the net obligations subject to collateral from the certified reinsurer,** which is equal to the following:

47a. Reserve credits taken, which shall include all net positive Interest Maintenance Reserve (IMR) derecognized as a result of the reinsurance transaction, but shall exclude all net negative IMR derecognized as a result of the reinsurance transactions¹-including any Interest Maintenance Reserve (IMR) liability adjustment; plus

Footnote: The guidance for derecognized net positive and net negative IMR is required in the collateral requirement calculation for all cedents regardless of the reinsurance treaty terms.

50. If the reinsurer is not authorized, otherwise approved or certified to do business, the reinsurance is considered to be unauthorized. A liability is established to offset credit taken in various balance sheet accounts for reinsurance ceded to unauthorized reinsurers. Credit for reinsurance with unauthorized companies shall be permitted if the ceding entity holds securities or cash of the assuming entity equal to the reserve credit taken. Such deposits are to be held under the control of the ceding entity. Additionally, any securities held under such an arrangement must be investments that the ceding entity is allowed to make under the provision of the investment sections of the insurance statutes. Other permissible arrangements include irrevocable trusts or "clean" letters of credit. If the assuming entity is not licensed or is not an authorized reinsurer in the domiciliary state of the ceding entity or if the reinsurance does not meet required standards, the ceding entity must set up a net liability equal to the following:

50.a: Reserve credits taken, which shall include all net positive IMR derecognized as a result of the reinsurance transaction, but shall exclude all net negative IMR derecognized as a result of the reinsurance transactions¹-including any IMR liability adjustment; plus

Footnote: The guidance for derecognized net positive and net negative IMR is required in the collateral requirement calculation for all cedents regardless of the reinsurance treaty terms.

Ref #	Title	Attachment #
2025-23 (Julie)	IMR Proof of Reinvestment	B – Form A

Summary:

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), 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:

- 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.

The agenda item includes templates planned for the Issue Paper and SSAP No. 7 that will be used to determine when the proof of reinvestment is required and then templates illustrating the calculations. The agenda item also includes key concepts to assist with completing the calculations.

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 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.

Ref #	Title	Attachment #
2025-24 (Wil)	Commitments and Contingencies Disclosures	C – Form A

Summary:

In September 2025, NAIC staff received an industry inquiry regarding whether private placement commitments should be disclosed in Note 14, Liabilities, Contingencies and Assessments or Note 21, Other Items. Upon review, staff determined that the existing instructions for disclosure of commitments were both unclear and incomplete. While *SSAP No. 5—Liabilities, Contingencies and Impairments of Assets* and Note 14 appeared to be the logical location for disclosure of general commitments, the instructions technically addressed only commitments to SCAs, guarantees, and guaranty fund assessments. NAIC staff also noted that the disclosure requirement in *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures* for non-derivative forward commitments (which would cover private placement commitments) was mapped per the disclosure checklist to “Other Disclosures” in Note 21C rather than to Note 14. Because Note 21C functions as a general catchall for miscellaneous disclosures, there were no specific instructions for completing this disclosure beyond the SSAP language.

Separately, staff received a regulator comment highlighting inconsistencies in reporting commitments by investment schedule. While Schedule BA includes a column for “Commitment for Additional Investment,” Schedule D does not. This issue was prompted by a regulator who noted that several Schedule D items included delayed draw provisions, yet there was no mechanism to report such commitments by investment. More broadly, NAIC staff also noted that commitments and contingent commitments are currently disclosed across multiple

notes and schedules, making it difficult for regulators to obtain a comprehensive view of the reporting entity's potential obligations.

As insurers increasingly enter into complex financial arrangements, the commitments embedded in these transactions are often not recognized as liabilities on financial statements. Nonetheless, the terms of such arrangements can materially restrict an insurer's ability to exit or modify them without incurring significant costs. From a regulatory standpoint, full transparency of these commitments is essential. Although they may not have an immediate balance sheet impact, they can govern the use of future cash flows, constrain liquidity, and shape the insurer's overall risk profile. This agenda item therefore proposes clarifying existing disclosure requirements and introducing a comprehensive framework to capture all such commitments, enabling regulators to form a more complete assessment of an insurer's financial position.

This agenda item is intended to address these issues by:

- (1) Moving the SSAP No. 1 disclosure for non-derivative forward commitments to SSAP No. 5, and re-mapping the disclosure to Note 14.
- (2) Add a definition of commitments and contingent commitments to SSAP No. 5.
- (3) Clarifying that Note 14A(1) is intended to cover all material commitments and contingent commitments, not only those related to SCAs, guarantees, and guaranty fund assessments.
- (4) Adding a new summary disclosure that consolidates commitments and contingent commitments reported in the annual statement.
- (5) Removed references to "contingent liabilities" from the Note 14 instructions, excluding the Guarantees disclosure instructions, and clarified that Note 14F should include amounts accrued for loss contingencies and impairments of assets.
- (6) Adding a new "Commitment for Additional Investment" column, with instructions, to Schedule D-1-1 and Schedule D-1-2 and revising the instructions for the same column on Schedule BA for consistency.
- (7) Added clarifying language to *SSAP No. 21—Other Admitted Assets* to specify the timing for recording non-bond debt securities. It was noted that the existing guidance in SSAP No. 21 does not indicate whether insurers should recognize these securities on the trade date or that private placements should be recorded on the funding date. This omission appears to have been an oversight, and NAIC staff believe that the clarification will simply codify the prevailing accounting practice already in use.

It should also be emphasized that the proposed commitment disclosures apply only to commitments made by the reporting entity to another entity. The disclosure requirements in *SSAP No. 15—Debt and Holding Company Obligations* for unused commitments and lines of credit are not applicable to this agenda item or within the scope of SSAP No. 5, as those represent commitments from other parties to provide funding to the reporting entity.

Recommendation:

NAIC staff recommends that the Working Group move this item to the active listing of the maintenance agenda categorized as a SAP clarification and expose revisions, to the annual statement instructions, SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures, 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. These revisions would consolidate and clarify the disclosure requirements for commitments and contingent commitments, add a definition for commitments to SSAP No. 5, and add a comprehensive commitments and contingent commitments disclosure to Note 14. In addition, trade date language is proposed for SSAP No. 21 as a cleanup item.

NAIC staff have also received inquiries regarding whether statutory accounting guidance should explicitly address investments that include claw back provisions, which are contractual features that allow the issuer or originator to recover previously distributed or paid amounts under specified conditions. Although such provisions are often associated with equity-related investments, NAIC staff have noted that these features were historically found in certain types of debt securities but have become less common.

To better understand current market practices, NAIC staff request industry feedback on the types of investments that include claw back features and the prevalence of these provisions within insurers' investment portfolios. In addition, input is sought on the typical triggers, valuation and accounting treatment, and potential implications for statutory reporting and risk assessment investments with claw back features.

Ref #	Title	Attachment #
2025-25 (Julie)	Separate Account Nonadmitted Assets	D – Form A

Summary:

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—Separate Accounts*, 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 admissible 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.

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 to explicitly address nonadmittance for assets held under the “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.

Ref #	Title	Attachment #
2025-26 (Julie)	SSAP No. 48 Equity Changes	E – Form A

Summary:

This agenda item has been prepared to review the overall guidance as well as the process in which equity changes are reported for investments in scope of SSAP No. 48—*Joint Ventures, Partnerships and Limited Liability Companies*. Questions have been raised as to the timing of the requirement for the audited financial statements, and inquiries on the specific guidance in the standard for determining the amount reported (book/adjusted carrying value) for a SSAP No. 48 investment. In reviewing reported information on Schedule BA, questions have also been identified on the reporting provisions and if they are clear / consistently applied.

Under existing guidance in SSAP No. 48, investments shall be reported using the equity method. If a reporting entity holds a minor ownership interest (less than 10%) or lacks control, the equity calculation is limited to the guidance in SSAP No. 48. If there is a more-than-minor ownership interest, then the equity method is calculated pursuant to the guidance in SSAP No. 97—*Investments in Subsidiaries, Controlled and Affiliated Entities*, paragraphs 8.b.i-8.b.iv, which determines the equity method based on the investee (e.g., insurance company, non-insurance company, foreign insurance company). The general concept of the equity calculation is the same in both SSAP No. 48 and SSAP No. 97. The equity method adjusts a reporting entity’s cost basis in an investment to reflect the audited undistributed gains/losses of the investee. Under both SSAP No. 48 and SSAP No. 97, audited financial statements are required to support the equity method calculation and for the investment to be admitted. Calculations also include amortization of a “basis difference” or goodwill – both concepts discussed within.

This agenda item is very detailed with many concepts from SSAP No. 48 identified for potential discussion. Ultimately, as shown within the recommendation, this agenda item proposes a review of several concepts to ensure intended guidance is clear and consistently applied. It’s also noted that this review would be in line with historical agenda item 2013-36: Investment Classification Project. Although SSAP No. 48 was identified for review within that project, a review of SSAP No. 48 has yet to be completed.

Recommendation:

NAIC staff recommend that the Statutory Accounting Practices (E) Working Group move this item to the active listing initially categorized as a SAP Clarification, with an initial exposure and request for feedback on noted

aspects and the extent of a SSAP No. 48 review. Consideration as to whether revisions reflect SAP Clarifications or new SAP Concepts can be reassessed once extent of review and potential revisions are further considered.

Ultimately, this agenda item proposes a review of several SSAP No. 48 concepts, and how they are applied, to ensure intended guidance is clear and consistently applied. This review is in line with a historical agenda item, Ref #2013-36: Investment Classification Project, which was undertaken to review the investment SSAPs, including SSAP No. 48. However, after completion of numerous revisions (pre-bond project), the agenda item was closed, with a note that future revisions under the project would be captured in new agenda items to allow for easier tracking. A review of SSAP No. 48, although originally identified, was not completed under that project.

The agenda item includes a discussion and summary of several items noted within SSAP No. 48, originating from inquiries into the potential for day-one gains when acquiring investments at a discount. After exposure, and assessing the comments on how guidance is applied, the Working Group can decide to provide individual responses to the various items for limited revisions, or can direct NAIC staff to undertake a more comprehensive review of the accounting guidance and reporting requirements for SSAP No. 48 investments:

Specific Items for Exposure / Discussion:

A. Timing of Recognition of Equity Value Increases and Decreases – Feedback is recommended on how equity changes are reflected per industry’s application (prior to audited support) and if changes are needed to the guidance to clarify application and improve reported information.

- i. Consideration could be given to clarify the intent for audited support prior to the recognition of any equity changes or clarification as to industry practice, in which equity changes are reflected when known (e.g., when the SSAP No. 48 entity provides updated reports), with a “true-up” to the audited financial statements once available.
- ii. This item also inquires whether additional Schedule BA information (perhaps via electronic columns) that identifies the date of the last audited financial statement, when that information was received, and the audited equity value at that time, would be beneficial. For example, it could assist in verifying that the BACV has audited support and identifying significant equity changes from the last audit.

B. Acquisition of SSAP No. 48 Investments at a Discount with Negative Goodwill – Feedback is recommended on the application of the goodwill guidance (positive and negative) for SSAP No. 48 items and if there are adequate reporting on Schedule BA to identify the goodwill impact.

- i. As detailed in the agenda item, under existing guidance, reporting entities shall not immediately recognize an increase in equity value if acquiring a SSAP No. 48 item at a discount. Rather, negative goodwill shall be recognized, and that goodwill should be amortized to unrealized gain over when the acquiring entity benefits economically, not to exceed 10 years. (Also noting that the guidance does not mandate a minimum amortization timeframe for negative goodwill.) Comments are requested on this guidance and whether modifications or clarifications are needed.
- ii. Also as detailed in the agenda item, it does not appear that there is a way to identify whether a SSAP No. 48 item was acquired at a premium or discount on Schedule BA and if there is unamortized goodwill. Feedback is required on whether this information would be beneficial for inclusion. Feedback is requested on modifying the Schedule BA information, so this information can be reported more transparently.

- C. Application of Goodwill and Goodwill Disclosures – Feedback is requested regarding the lack of SSAP No. 68 disclosures involving goodwill for SSAP No. 48 investments and whether the goodwill from these acquisitions should be captured with the other goodwill disclosures. Without inclusion in the SSAP No. 48 disclosures, the goodwill from these acquisitions is likely not being subject to admittance limitations or being used to calculate the adjusted capital and surplus for other thresholds (e.g., IMR admittance).**
- i. Although the guidance in SSAP No. 68, paragraph 4, is explicit that all SSAP No. 48 entities are subject to goodwill, there is a question whether acquisitions of SSAP No. 48 investments are following the guidance and are captured in the goodwill disclosures.
 - ii. Consideration can be given to expanding the SSAP No. 48 disclosures to ensure clarity on how the goodwill from these acquisitions should be reported.
- D. SSAP No. 48 – Reference to “Basis Difference” – To ensure consistency in interpretation and application, this agenda item proposes consideration of minor revisions to replace the term “basis difference” in SSAP No. 48, paragraph 11, with goodwill.**
- i. The term “basis difference” is not a statutory accounting concept, there is nothing in SAP that explains this term or establishes the amortization timeframe. As its reference intends to reflect goodwill, that term/guidance should be utilized to prevent confusion / inconsistent misapplication.
- E. SSAP No. 48 Negative Investment Income and Impairment Assessment – Feedback is requested on what generates negative investment income reported on Schedule BA as well as information on what causes an unrealized loss reporting dynamic, especially when BACV is greater than original cost.**
- i. As discussed in the agenda item, from a review of the 2024 data (limited to 2024 acquisitions), a number of SSAP No. 48 investments were reported with negative investment income (Schedule BA – Column 20). Comments are requested to help explain how a negative investment income would be reported and what it reflects. The instructions are explicit that amounts that reflect a return of capital should not be captured within the investment income column.
 - ii. Further, from a review of the data, there are questions as to the reporting of unrealized valuation decreases, as often the BACV is greater than original cost (which would indicate an unrealized increase/gain) or the reported BACV is unchanged from acquisition. Although this could reflect positive goodwill, it was noted to be unlikely given the size of the reported unrealized declines in the first year of acquisition. Comments are requested to help explain the cause and calculation of the reported unrealized declines (losses), particularly when the reported BACV is greater than acquisition cost.
- F. SSAP No. 48 Ownership Percentage and Related Party Codes – Feedback is requested on how related party codes are being used as many instances have been noted where the entity has a significant majority ownership (50% or higher) and the reported code is a “6 – No Related Party Relationship.”**
- i. Under the provisions of SSAP No. 48 for determining “minor” (less than 10% or lacks control) as well as the SSAP No. 25 guidance in determining a related party relationship, these investments with more than 10% reporting entity ownership reflect a related party relationship. Although the criteria may not be met for “control” and affiliation, it seems that at a minimum, related party codes 2-5 would be applicable based on what is held within the SSAP No. 48 investment.

- G. Schedule BA Column – “Date Originally Acquired”** – To ensure consistency in reporting, this agenda item proposes consideration of blanks reporting revisions to clarify the “date originally acquired” on Part 1 to identify that it should not be updated to reflect additional interests / funding towards an existing investment. For Schedule BA, Part 2, consideration will be given towards minor revisions to specifically address how to report subsequent additions.

Ref #	Title	Attachment #
2025-27 (Jake)	SSAP No. 1 Modco/FWH Code	F – Form A

Summary:

The Working Group has recently adopted several changes to reporting of funds withheld and modified coinsurance (modco) arrangements. This agenda item intends to update the required disclosures in *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures*, in the restricted assets disclosure, to separately show modco and funds withheld assets within the Note 5L disclosures and to add them as a reporting code category within the investment schedules within the annual statement blanks. During the most recent update to Note 5L for restricted assets, these categories had been added to the restricted asset note with the adoption of the Blanks (E) Working Group’s agenda item 2025-06BWG.

There are two distinct actions with the agenda item. First, there are draft revisions to the restricted asset disclosure requirements in SSAP No. 1 to add categories for 1) modco assets, 2) funds withheld assets, and 3) collateral assets received and on the balance sheet, excluding collateral held under security lending and repurchase agreements reported on the balance sheet. These three categories had previously been added to the Note 5L disclosure, and these revisions will update SSAP No. 1 to match. Second, this agenda item includes a recommendation to the Blanks (E) Working Group to add these 3 categories into the restricted asset codes included in the investment reporting schedules.

Recommendation:

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

Ref #	Title	Attachment #
2025-28 (Julie)	Nonadmittance of Long-Term Repos	G – Form A

Summary:

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:

- ⁶ 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 this guidance, 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 an 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).

The agenda item then details repurchase and reverse repurchase transactions separately with illustrations and discussion components. With the assessment in the agenda item, NAIC staff recommend the following:

- Repurchase Agreements: 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: 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.

These positions are supported based on the party that holds the asset risk:

- 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:

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. The rationale is detailed within the 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 in the agenda item, 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: (Revisions are to footnote 6).

⁶ 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” and nonadmitted. 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.

Ref #	Title	Attachment #
2025-29 (Julie)	Reporting Clarifications	H – Form A

Summary:

This agenda item has been prepared to modify and/or clarify reporting for certain aspects involving 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.

The following items are initially captured. NAIC staff proposals are included within the agenda item.

- Payment Due at Maturity - 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.
- Origination Balloon Payment %: 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.

- **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.
- **Aggregate Deferred Interest -** Clarification for this reporting element was requested particularly for bank loans reported on Schedule D-1-1 as Issuer Credit Obligations. Industry representatives 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.
- **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.
- **Schedule BA – Investments in SSAP No. 48 Entities with Underlying Characteristics of Mortgage Loans -** 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.

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.

Ref #	Title	Attachment #
2025-30 (Robin)	Administrative Services Contracts Disclosure Clarification	I – Form A

Summary:

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. 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.

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 result 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.

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), 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~~ 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), (iv) 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, (iv) adjustments to revenue resulting from audit of receivables related to revenues recorded in the prior period.

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

Annual statement 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__:

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

Ref #	Title	Attachment #
2025-31 (Robin)	Update Coverage Gap Reference	J – Form A K – INT 05-05

Summary:

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*.

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 from the agenda item. The Working Group should discuss whether adoption is needed prior to the 2025 annual statement filing.

Ref #	Title	Attachment #
2025-32 (Wil)	Remove Shaded Text	L – Form A

Summary:

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.

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.

Ref #	Title	Attachment #
2025-33 (Jake)	Update to Annual Statement Expense Descriptions and Categories	M – Form A

Summary:

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 the 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 was not intended to change statutory accounting for these expenses.

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, and detailed in Exhibit 1 of Form A. This agenda item does not propose any changes to statutory accounting, only changes to the annual statement blanks. With adoption of this agenda item, a recommendation will be sent to the Blanks (E) Working Group to incorporate these changes through the public process.

Ref #	Title	Attachment #
2025-34 (Robin)	Updates on Economic Scenario Generator and Non-Variable Annuities	N – Form A

Summary:

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

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 (E) Working Group 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.

B. Any Other Matters

a. Memo to Blanks (E) Working Group Clarifying Reporting on Schedule S, Part 8 – (Jake - Attachment O)

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 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 the existing reporting in RBC and does not change or override the guidance that exists in Life/Fraternal RBC reporting. This would give regulators an improved level of confidence in the balances reported in the RBC schedules. The final adopted language is to be consistent with the existing, long-standing guidance in the Life/Fraternal RBC Reporting Instructions in LR045, LR046, LR047 and LR048.

b. Update on the IMR Ad Hoc Subgroup – (Julie)

The IMR Ad Hoc group has continued to meet regularly since their first meeting in Oct. 2023. Since the 2025 Summer National Meeting, the discussions have focused on the proof of reinvestment, the concept of “disallowed” IMR, separate account reporting, amortization of IMR and updating the NAIC designation change guidance for allocating realized gains and losses to either IMR or AVR. It is anticipated that only a few key topics remain, including excess withdrawals, market value adjustments, modco/FWH reinsurance

transactions, and the admittance limit. The IMR Ad Hoc group calls will be scheduled to occur between the 2025 Fall and 2026 Spring National Meetings.

Summaries of the topics discussed since the Summer National Meeting:

- Proof of Reinvestment: The ad hoc group has developed a calculation template that supports whether a company is effectively reinvesting sales proceeds from the sale of fixed-income investments into new fixed-income investments with a higher average-weighted yield. This concept and calculation template is being presented to the full Working Group for review and consideration. (Ref #2025-23)
- Disallowed IMR: The ad hoc group has supported a deletion of the “disallowed” concept, where positive/negative amounts in the general or separate account could permit a contra-liability to be reported rather than an asset. With the revisions, IMR will be separately contained within each account it pertains to and will be reported as a distinct liability or asset based on the position in each account.
- Separate Account Reporting: The ad hoc group has supported the reporting of nonadmitted and net admitted assets on the separate account balance sheet for “book-valued” separate accounts. The process to eliminate negative IMR as a charge to surplus and then reinstate IMR when under admittance limits was identified as not sustainable long-term. Further, the book-valued assets in the separate account are subject to the same admittance provisions of general account assets, and this addition will make those nonadmitted assets easier to verify. This item is being presented to the SAPWG for exposure and to proceed with a blanks proposal to incorporate the change. (Ref #2025-25)
- Amortization of IMR: The ad hoc group has supported revisions to specify an IMR amortization method to improve consistency across reporting entities. This will reflect the standard “simplified” method in which capital gains and losses, net of capital gains tax, are grouped according to the number of calendar years to expected maturity, and then follow the “Grouped Amortization Schedule.” This discussion identified this simplified method to be the prevalent method across reporting entities. Those that were following prior amortization approaches will continue those amortizations, but new IMR will follow the set method.
- NAIC Designation Changes: For issuer credit obligations and redeemable preferred stock, the allocation of realized gains and losses depends predominantly on the change in NAIC designation from beginning to end. Under historical guidance, if there was a more than one designation change, the entire gain/loss would go to the AVR. This historical guidance had not been updated when the designations went from 6-20, so reassessment was needed. The ad hoc group has proposed new concepts summarized as follows:
 - a. All realized gains shall be allocated to the IMR regardless of beginning and ending NAIC designation.
 - b. For investments with realized losses:
 - i. All realized losses from investments that end with an NAIC designation 1, regardless of beginning and ending designation shall be allocated to the IMR.
 - ii. If the investment had 3 or less designation declines and does not have an ending NAIC 1 designation, then the entire realized loss shall be allocated to the IMR. If the investment had a designation improvement, it shall be considered to have 3 or less designation declines, with the realized loss taken to IMR.

- iii. If the investment had more than 3 designation declines and does not have an ending NAIC 1 designation, then the entire realized loss shall be allocated to the AVR.

c. Notice of Potential Macroprudential (E) Working Group Referral – (Julie)

The Macroprudential (E) Working Group is considering disclosure requirements for Financial Asset Backed Notes (FABNs). It is anticipated that upon adoption of their disclosure recommendation, they will sponsor a blanks proposal and send a referral to the Statutory Accounting Principles (E) Working Group. The proposed FABN reporting was exposed on their Nov. 7 conference call with discussion planned on Dec. 9 during the Fall National Meeting. Upon receipt of the referral, NAIC staff will consider whether edits are necessary to *SSAP No. 52—Deposit-Type Contracts* and develop an agenda item as appropriate. (The revisions may be satisfied by revisions to Exhibit 7.) To allow for concurrent exposure with the blanks proposal, and adoption consideration in time for year-end 2026 reporting, if an agenda item is necessary, NAIC staff will present it for an evote exposure as soon as possible. This could occur in December if the recommendation is adopted by the Macroprudential (E) Working Group at the Fall National Meeting, or in the first quarter of 2026 based on when adoption occurs.

d. Discussion of Printed Accounting Practices and Procedures Manual – (Julie)

NAIC staff is soliciting feedback from SAPWG members and interested regulators on the printed AP&P Manual. Technically, the NAIC does not provide printed publications anymore. However, the AP&P Manual has limited copies printed for NAIC staff and SAPWG members. Then, requests by states are fulfilled with one copy by state, until all requests are completed. After each state that wants one has a copy, then additional regulator requests are completed as received. Over the last couple of years, there have been increased regulator requests for printed copies of the AP&P Manual. It has been suggested that regulators do not often utilize Volume 2 in print form, and if only Volume 1 was printed, then an increased number of printed manuals could be obtained for regulator use. Before further proceeding with this option, NAIC staff wants to ensure that not receiving Volume 2 in printed form would not cause concerns by any state insurance departments. The entire Manual is available for free in an electronic format on the NAIC website

e. Referral from Life Risk-Based Capital (E) Working Group (Robin)

This is an update that NAIC staff will collaborate with interested parties in identifying possible clarifications to respond to the referral from the Life Risk-Based Capital (E) Working Group which was received at the Summer National Meeting. 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. In simple summary, 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 reported in each category. Some of the original language on this seems to relate to SCA valuation categories, but over time, the distinction between the categories has become unclear.

f. Review of U.S. GAAP Exposures (Jason/Robin)

As of November 11, 2025, there are no items currently exposed by FASB. Future exposed ASUs will be reviewed to determine whether comments are needed during the exposure process; otherwise, after issuance from FASB, items will be reviewed according to the SAP Maintenance Process as described in *Appendix F—Policy Statements*.

g. IAIS Audit and Accounting Working Group (AAWG Update) – (Julie)

Julie Gann and Maggie Chang (NAIC) monitor IAIS AAWG discussions. The last meeting was Sept. 18-19, 2025. Although there are AAWG actions to review issuances from international bodies, generally, the items are not

relevant to the U.S. Some items that may be of interest include the following:

- IASB's potential exposure of targeted improvements to amortized cost measurement expected *in IFRS 9, Financial Instruments*.
- Discussion on private equity investments in accounting firms and related ethical and independence considerations.
- The Insurance Capital Standard (ICS) implementation and revisions to Insurance Core Principle (ICP) 9, Supervisory Reporting, and ICP 20, Public Disclosure. A public background call on the revisions is scheduled for Dec. 11. Registration is available on the IAIS website. Contact NAIC staff for a direct link.

Comment Deadlines:

- **All Agenda Items: Comment Deadline – Feb. 13, 2026**

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National Meetings/A. National Meeting Materials/2025/-25 National Meeting/Meeting/0 - -2025 SAPWG Meeting Agenda.docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National%20Meetings/A.%20National%20Meeting%20Materials/2025/-25%20National%20Meeting/Meeting/0%20-%202025%20SAPWG%20Meeting%20Agenda.docx)