

**MEMORANDUM**

TO: Statutory Accounting Principles (E) Working Group

FROM: NAIC Staff

DATE: July 29, 2024

RE: IMR Ad Hoc Group – Discussion Update

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The intent of this memorandum is to provide an update on the discussions that have occurred at the IMR Ad Hoc Group. This group is discussing the interest maintenance reserve (IMR) to establish a framework on the long-term project to review and determine appropriate treatment on IMR under the statutory accounting framework, including consideration of net negative (disallowed) IMR. Participants of the group include regulators representing SAPWG, Life Actuarial (A) Task Force and the Life Risk-Based Capital Working Group, along with industry representing both accounting and actuarial interests.

An initial update was provided during the 2024 Spring National Meeting where it was noted that the IMR Ad Hoc Group conducted their first meeting on Oct. 2, 2023, and has met regularly, approximately every other week. Since the last update, the discussions have focused on 1) IMR from “economic effective” (non-accounting effective) derivatives, 2) Separate account transfers for cash between the general account and a book-value separate account, and 3) IMR from reinsurance transactions. As a result of the ad hoc group discussions, agenda items for derivatives and separate accounts have been presented to the full Statutory Accounting Principles (E) Working Group. The following discussion topics are still anticipated in the ad hoc group: 1) IMR from reinsurance transactions, 2) IMR allocation from *SSAP No. 26—Bond* (issuer credit obligation) investments (e.g., bifurcation and/or reassessment of IMR determination from designation change), 3) reinvestment requirements, 4) guidance on excess withdrawals, and 5) admittance of net negative IMR.

In the interim, in addition to compiling information on the 2023 reported IMR in the statutory financial statements, NAIC staff also reviewed the narrative disclosures, and presented aggregated information to the IMR Ad Hoc Group. From the review, 173 insurers admitted net negative IMR pursuant to the INT, but 57 (33%) of those insurers did not include any aspect of the required disclosures. For the 116 companies that included disclosures, not all the companies included the full disclosures, including the attestation. NAIC staff notes that the disclosure review was manual, and the disclosure will be data-captured for 2024 and easier to assess. If desired, NAIC staff can provide company-specific detail to regulators.

NAIC staff has summary details for all IMR Ad Hoc calls and can provide additional information as requested.

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

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**Washington, DC** 444 North Capitol Street NW, Suite 700, Washington, DC 20001-1509

p | 202 471 3990

**Kansas City** 1100 Walnut Street, Suite 1500, Kansas City, MO 64106-2197

p | 816 842 3600

**New York** One New York Plaza, Suite 4210, New York, NY 10004

p | 212 398 9000