##### Statutory Accounting Principles (E) Working Group

##### Meeting Agenda

##### August 11, 2025

1. **Consideration of Maintenance Agenda – Pending List**
2. Ref #2025-18: ASU 2019-12, Simplifying the Accounting for Income Taxes
3. Ref #2025-19: Private Securities
4. Ref #2025-20: Debt Disclosures
5. Ref #2025-21: Retirement Plans Held at NAV

|  |  |  |
| --- | --- | --- |
| **Ref #** | **Title** | **Attachment #** |
| **2025-18**  **(Wil)** | ASU 2019-12, Simplifying the Accounting for Income Taxes | **A – Form A** |

*Summary:*

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

*Recommendation:*

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

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

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

|  |  |  |
| --- | --- | --- |
| **Ref #** | **Title** | **Attachment #** |
| **2025-19**  **(Julie)** | Private Securities | **B – Form A** |

*Summary:*

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

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

The agenda item details the different types of private placement securities, including Rule 144A, Regulation D, and the Section 4(a)(2) exemption (which is the general SEC exemption for items that do not involve a “public offering”). The agenda item proposes new disclosure requirements for all investment SSAPs to identify and classify private placement securities in the investment schedules and to capture new aggregate reporting details. This aggregate disclosure intends to provide key information by investment schedule and type of security (public and private placement type.) For example, it proposes to capture in aggregate, the BACV, total fair value, the fair value that represents level 2 and level 3 of the fair value hierarchy, deferred interest, paid-in-kind interest, and the total BACV with a PLR designation for each private security type (144A, Reg D, Section 4(a)(2)).

*Recommendation:*

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

|  |  |  |
| --- | --- | --- |
| **Ref #** | **Title** | **Attachment #** |
| **2025-20**  **(Julie)** | Debt Security & Residual Interest Disclosures | **C – Form A** |

*Summary:*

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

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

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

*Recommendation:*

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

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

|  |  |  |
| --- | --- | --- |
| **Ref #** | **Title** | **Attachment #** |
| **2025-21**  **(Wil)** | Retirement Plans Held at NAV | **D – Form A** |

*Summary:*

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

*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 *SSAP No. 92—Postretirement Benefits Other Than Pensions* and *SSAP No. 102—Pensions* to clarify that assets held at NAV shall be included in the required fair value disclosure.**

1. **Consideration of Items on the Active Maintenance Agenda**
2. Ref #2024-21: Investment Subsidiaries Classification

|  |  |  |
| --- | --- | --- |
| **Ref #** | **Title** | **Attachment #** |
| **2024-21**  **(Wil)** | Investment Subsidiaries Classification | **E – Form A** |

*Summary:*

On March 24, 2025, the Working Group received comments on options to clarify accounting guidelines and resulting reporting impacts for investment subsidiaries. During this meeting, the Working Group directed staff to begin a separate agenda item addressing residential mortgage loans held in statutory trust and deferred this concept agenda item to allow additional time for consideration.

This agenda item 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 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 aimed at aligning the SCA’s valuation with what it would be if the underlying assets were held directly. SSAP No. 46 was replaced by SSAP No. 88 in 2005, which eliminated the investment subsidiary concept. The investment subsidiary guidance in the annual statement instructions was not deleted when the concept was eliminated from statutory accounting guidance. This is presumably because of the different charge that RBC applies to such entities if they meet specific criteria. SSAP No. 88 was later superseded by SSAP No. 97 in 2007, which continued to exclude the 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.

*Recommendation:*

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

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

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

It is anticipated that SCAs previously reported as investment subsidiaries would be subject to the guidance stipulated for *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*, paragraphs 8.b.ii or 8.b.iii depending on whether the investment meets the activity test. The removal of investment subsidiaries from the Annual Statement Instructions aligns with their prior elimination from the SSAPs. While reintroducing the investment subsidiary concept under SSAP No. 97 was considered, ongoing concerns remain regarding the difficulty in distinguishing operating subsidiaries from investment subsidiaries, as well as concerns over the complexity of changes which would be required to clarify look-through accounting treatment, RBC validation, and transparency of reporting.

1. **Any Other Matters**
2. **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 Spring National Meeting, the discussions have focused on IMR from reinsurance transactions as well as the concept to prove reinvestment for sold fixed-income instruments when a realized gain/loss is taken to IMR. The IMR Ad Hoc group calls will be scheduled to occur between the 2025 Summer and Fall National Meetings.

* Reinsurance Discussion: The focus has been on how IMR should be considered when reinsurance collateral is required for reinsurance credit. Although existing guidance in SSAP No. 61 paragraph 50a and Schedule S, Part 4 are explicit that positive IMR should increase the ceding entity’s liability requirement, with the discussions, it was noted that some companies were not following this guidance and were instead only including positive IMR if it was required as part of the reinsurance treaty. NAIC staff confirmed that this approach was not consistent with the statutory accounting requirements, and companies that were not including positive IMR in the calculation should have a permitted or prescribed practice. The discussion then moved to whether consideration of IMR in the collateral requirement should be symmetrical or asymmetrical, meaning whether negative IMR should reduce the liability/collateral requirement since positive IMR increases the liability/collateral requirement. The ACLI presentation proposed symmetrical treatment, with the position that the admitted/nonadmitted status of the IMR at the ceding entity prior to the transfer should not be a factor in determining reinsurance collateral reduction. Regulator comments noted that the surplus impact from these transactions should be neutral, meaning that a reporting entity should not receive a surplus benefit, while also accepting a lower collateral requirement, from the transfer of nonadmitted negative IMR in a reinsurance agreement. In other words, the math should work such that an overall nonadmittance of a portion of negative IMR (reduction to surplus) should not be reduced due to using negative IMR as a form of collateral (that could increase surplus of that nonadmittance amount).
* Proof of Reinvestment: With the ability to admit net negative IMR, there has been a focus for companies to prove that the proceeds from sales of fixed-income investments have been used to acquire new fixed-income investments and have not been used for operations or to acquire equity investments. Although the historical guidance has not captured this as an explicit focus (except for excess withdrawals), the historical guidance did not permit the admittance of net negative IMR. With the discussion, a verification exercise is proposed to verify that acquired fixed income investments is greater than sale proceeds and investable premium. The ad hoc group is working on a template that predominantly pulls from existing financial statement data points to complete the verification. In addition to this cash flow test, a second verification exercise will require companies to demonstrate that the weighted average book yield of fixed income investments disposed during the year are lower than the weighted average yield of the fixed income investments acquired during the year. The current concept is that companies that do not pass both verification procedures will not be permitted to admit IMR generated in the year in which they did not prove fixed-income reinvestment, with requiring immediate loss recognition of such IMR.

1. **Asset-Liability Matching Derivatives (Agenda Item 2024-15)**

NAIC staff has been working with the key industry representatives in considering guidance and concepts for the accounting of derivatives that are “highly effective” in asset-liability matching (ALM) derivative programs. (This project intends to address the potential deferral of gains and losses from these derivative transactions. These realized gains/losses have previously been captured in IMR by some companies.) The industry reps have prepared draft SSAPs for potential consideration. Due to the technical nature of the topic, a focused SAPWG open virtual meeting has been scheduled for Sept. 10, 2025, at 10 Central / 11 Eastern. During this meeting, the industry reps will walk through key concepts and options (e.g., amortized cost versus a fair value measurement model). It is not anticipated that the Working Group will be asked to consider exposure of proposed SSAP guidance during this meeting. Rather, it is anticipated that the Working Group will be given time to consider the concepts presented, and subsequent consideration of exposure will occur after that meeting – either during a subsequent interim meeting or at the Fall National Meeting.

1. **Receive Referral from Life Risk-Based Capital (E) Working Group (Robin – Attachment F)**

On June 18, the SAPWG received a referral from the Life Risk-Based Capital (E) Working Group regarding 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. The Life RBC Working Group directed these comments to the SAPWG to review and determine if changes and/or clarifications are needed. In simple summary, AVR lines 15 and 16 reflect SCA Common Stock – Certain Other Subsidiaries and SCA Common Stock – Other, respectively and the intent is to get clarification in determining what is “Certain Other” and what shall be classified as “Other.”

The Working Group is requested to receive the referral and direct NAIC staff to investigate this distinction and proposed revisions as needed in a separate agenda item.

1. **Receive LATF Coordination Memo (Robin – Attachment G)**

**The following revisions have been Identified as requiring coordination with the Statutory Accounting Principles (E) Working Group:**

1. 2025-11: Valuation Manual, Section II Subsections 2, 3, 6, VM-01, VM-22, VM-31, VM-G, and VM-V - This amendment introduces a new principle-based reserving framework for non-variable annuities, located in Section VM-22 of the NAIC Valuation Manual.
   * + - **Action:** The SAPWG has an agenda item 2025-09: VM 22 Update Coordination in progress which is planned for adoption consideration at Summer National Meeting
2. 2025-04 VM-20 Section 6, VM-20 Section 7, VM-20 Appendix 1, VM-21 Section 8, VM-31 Section 3 - This amendment updates the Valuation Manual economic scenario generator references for the adoption of the Conning-maintained prescribed economic scenario generator.
   * + - Action: NAIC staff have Identified that a SAPWG agenda item will be prepared regarding the optional implementation period for this item. This may occur as a possible interim exposure after the Summer National Meeting.
3. **Review of U.S. GAAP Exposures (Jason/ Robin)**

As of July 28, 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.*

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

Julie Gann and Maggie Chang (NAIC) monitor IAIS AAWG discussions. The last meeting was May 19-20, 2025. Although there are AAWG actions to review issuances from international bodies, generally, the items are not relevant to the U.S. The jurisdictional updates continue to predominantly focus on implementation *of IFRS 17: Insurance Contracts* across different locations.

One item that may be of interest is the project for the Insurance Capital Standard (ICS) implementation and potential revisions to Insurance Core Principle (ICP) 9: Supervisory Reporting and ICP 20: Public Disclosure**.**Currently, the proposed revisions are not viewed to be compatible with the U.S. Aggregation Method (AM). There is a potential discussion option to have separate implementation guidance to consider AM reporting/disclosure. Continued discussion is occurring on these proposed ICP revisions.

*This update simply intends to inform the SAPWG regulators and interested parties of these ongoing NAIC staff actions to monitor and participate in the IAIS AAWG. Any questions on discussions or if additional information is requested, please contact NAIC staff.*

**Comment Deadlines:**

* **Agenda Item 2025-19: Private Securities – Comment Deadline September 19, 2025**
* **All Other Agenda Items: Comment Deadline – October 17, 2025**

https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National Meetings/A. National Meeting Materials/2025/08-11-25 Summer National Meeting/Meeting/0 - 08-2025 SAPWG Meeting Agenda.docx