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Statutory Accounting Principles (E) Working Group

Minneapolis, Minnesota

August 11, 2025

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force met in Minneapolis, MN, Aug. 11, 2025. The following Working Group members participated: Dale Bruggeman, Chair (OH); Kevin Clark, Vice Chair (IA); Richard Russell (AL); Kim Hudson (CA); William Arfanis and Michael Estabrook (CT); Rylynn Brown (DE); Cindy Andersen (IL); Shantell Taylor and Tom Travis (LA); Steve Mayhew and Kristin Hynes (MI); Ned Cataldo (NH); Bob Kasinow (NY); Diana Sherman (PA); Jamie Walker (TX); Doug Stolte (VA); and Amy Malm (WI). Also participating were Rachel Hemphill (TX) and William B. Carmello (NY).

1. Adopted its June 5, June 2, May 22, April 10, and Spring National Meeting Minutes

The Working Group met on Aug. 5 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) and paragraph 6 (consultations with NAIC staff related to NAIC technical guidance) of the NAIC Policy Statement on Open Meetings, to discuss the Summer National Meeting agendas. No action was taken at the meeting.

The Working Group conducted an e-vote that concluded June 5, to expose edits to Interpretation (INT) 23-01: Net Negative (Disallowed) Interest Maintenance Reserve to extend the effective date until Dec. 31, 2026, as well as incorporate clarifications and additional requirements.

The Working Group conducted an e-vote that concluded June 2, to expose agenda item 2025-05: A-791, Paragraph 2.c. to address a Valuation Analysis (E) Working Group referral to re-expose the prior revision to delete a sentence in *Appendix A-791—Life and Health Reinsurance Agreement*s, paragraph 2.c., Question and Answer (Q&A) and agenda item 2024-06: Risk Transfer Analysis on Combination Reinsurance Contracts to address a Valuation Analysis (E) Working Group referral. The exposed revisions are to *Statement of Statutory Accounting Principles (SSAP) No. 61—Life, Deposit-Type and Accident in Health Reinsurance* and the Appendix A-791 Q&A. The revisions address risk transfer on combination reinsurance contracts with interdependent contract features.

The Working Group met May 22. During this meeting, the Working Group adopted the following items:

1. *Issue Paper No. 171—Current Expected Credit Losses* (CECL), with minor edits to clarify that the issue paper is intended for historical reference and should not be construed as statutory guidance. (Ref #2023-24)
2. Agenda item in support of the Blanks (E) Working Group proposal 2025-11BWG for the deletion of the “capital structure code” reporting column from Schedule D part 1, section 1—Long-Term Bonds, Issuer Credit Obligations (D-1-1) and Schedule D part 1, section 2: Asset-Backed Securities (D-1-2) for year-end 2025. (Ref #2025-04)
3. Agenda item in support of the Blanks (E) Working Group proposal (2025-12BWG) to remove the asset valuation reserve (AVR) reporting line 8 “Unrated Multi-Class Securities Acquired by Conversion.” (With the proposal, the line will be renamed to “intentionally left blank” to prevent renumbering in the AVR Schedule.) (Ref #2025-06)
4. Agenda item in support of the Blanks (E) Working Group proposal 2025-08BWG to update the Life/Fraternal General Interrogatories, Part 2, 14 to remove the disclosure as it is not consistently included across all annual statement blanks. (Ref #2025-07)
5. Agenda item in support to the Blanks (E) Working Group for the adoption of agenda item 2025-05BWG, which creates a new reporting schedule and adds a new part to the reinsurance Schedule S—Ceded Reinsurance in the Life/Fraternal Annual Statement Blank and Instructions. (Ref #2024-07)
6. Revisions to *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures* require restricted asset disclosures on a quarterly and annual basis. (Ref #2025-05)
7. Revisions to *SSAP No. 84—Health Care and Government Insured Plan Receivables* add disclosures about the Medicare Part D Prescription Payment Plan receivables. (Ref # 2025-08)

During its May 22 meeting, the Working Group exposed the following revisions:

1. Revisions to add qualifying investment trusts holding residential mortgage loans in scope of *SSAP No. 37—Mortgage Loans* for reporting on Schedule B – Mortgage Loans. (Ref #2025-13)
2. Revisions to *Appendix D—Nonapplicable GAAP Pronouncements* reject Accounting Standards Update (ASU) *2017-05, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20), Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets* as not applicable to statutory accounting. (Ref #2025-14)
3. Revisions to *Appendix D—Nonapplicable GAAP Pronouncements* reject *ASU 2025-02, Liabilities (Topic 405), Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 122* as not applicable to statutory accounting. (Ref #2025-15)
4. Editorial revisions to three SSAPs and one interpretation, which include updates to disclosures, removing a remaining credit rating provider (CRP) designation, and removing superseded terminology. (Ref #2025-17EP)
5. Revisions to the status section of various SSAPs, remove issue paper references, and change “Substantively” to “Conceptually” in SSAP status sections. (Ref #2025-16)

The Working Group met April 10 in joint session with the Life Actuarial (A) Task Force. During this meeting, the Working Group discussed agenda items 2024-05 and 2024-06. This included a presentation from the American Council of Life Insurers (ACLI) on statutory risk transfer considerations and a presentation from a state insurance regulator representing the Life Actuarial (A) Task Force on combined coinsurance funds withheld yearly renewable term (YRT) agreements.

Walker made a motion, seconded by Malm, to adopt the Working Group’s June 5 (Attachment One-A), June 2 (Attachment One-B), May 22 (Attachment One-C), April 10 (Attachment One-D), and March 24 (*see NAIC Proceedings – Spring 2025, Accounting Practices and Procedures (E) Task Force, Attachment One*) minutes. The motion passed unanimously.

1. Reviewed Comments on Non-Contested Positions

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

1. Ref #2022-19

Bruggeman directed the Working Group to agenda item *2022-19: INT 23-01: Net Negative (Disallowed) IMR*. Julie Gann (NAIC) stated that this interpretation was originally adopted in 2023 and allowed the admittance of net negative interest maintenance reserve (IMR) up to 10% of adjusted capital and surplus. She stated that this interpretation was set to expire at the end of 2025, with an automatic nullification effective Jan. 1, 2026. Gann stated that the revised INT proposes a one-year extension, moving the nullification date to Jan. 1, 2027, thereby allowing the admittance of net negative IMR through Dec. 31, 2026.

She stated that several modifications have been made to the interpretation. First, it clarifies that the calculation of adjusted capital and surplus is based on prior period financials. Additionally, a new cap has been introduced, limiting admittance to 10% of current (non-adjusted) capital and surplus. The revised INT also mandates that companies complete the required data capture templates for disclosures, addressing previous instances where disclosures were either incomplete or not submitted in the proper format. Furthermore, it requires that negative IMR be incorporated into principle-based reserving (PBR) calculations, asset adequacy testing, or cash flow testing under *Valuation Manual* (VM)-20, Requirements for Principle-Based Reserves for Life Products, along with a reconciliation to ensure reserves are not overstated. Gann stated that clarification has also been added regarding the derivative roll-forward, ensuring that the disclosed amount for net negative disallowed IMR reflects the total amount. She stated that the Working Group received comments from the American Council of Life Insurers (ACLI) in support of both the extension and the revisions and that NAIC staff recommend adoption of the revised interpretation. Bruggeman stated that the Working Group would have a separate vote to confirm that regulators are comfortable with the one-year extension and the continued admittance of net negative IMR up to 10% of adjusted capital and surplus.

Malm made a motion, seconded by Clark, to adopt the revised INT extending the effective date to Dec. 31, 2026, with the additional requirements and clarifications as exposed. Although captured as a non-contested position, this item was proposed for a separate vote to ensure Working Group members support the extension. The motion passed unanimously.

1. Ref #2023-14

Bruggeman directed the Working Group to agenda item *2023-14: Hypothetical IMR.* Gann stated that the concept of hypothetical IMR is an existing element within the annual statement instructions, which applies when a reinsurance transaction results in the elimination of IMR. She stated that the IMR ad hoc group examined this issue in significant detail and released a memorandum outlining the historical context and potential rationale for supporting hypothetical IMR. However, after thorough analysis, the group ultimately concluded that the concept should be eliminated. Gann stated that interested parties reviewed and agreed with the conclusions presented in the memorandum and that NAIC staff recommend the Working Group formally direct staff to proceed with eliminating this concept as part of the continued revisions to the IMR guidance—first through the issue paper and subsequently in updates to *SSAP No. 7*—*Asset Valuation Reserve and Interest Maintenance Reserve.*

1. Ref #2025-03

Bruggeman directed the Working Group to agenda item *2025-03:* *IMR Definition.* Gann stated that the Working Group previously exposed a proposed definition of IMR from the ACLI, which was subsequently modified by NAIC staff. She stated that interested parties provided comments on the proposal, and while the comment letter was extensive, only the conclusion was included in the hearing agenda. That conclusion expressed no objection to the proposed definition and recommended moving forward with it. She stated that, as part of the definition, one very minor change was made, adding the phrase “intends to” to clarify the purpose of IMR. Gann stated that as NAIC staff proceed with drafting the issue paper and revising SSAP No. 7, potential tweaks and refinements are anticipated. She stated that the current definition, as shown below, is intended to reflect the broad purpose of IMR, and NAIC staff recommend that the Working Group move forward with incorporating the below definition into both the issue paper and SSAP No. 7.

IMR is a valuation adjustment to maintain consistency between insurance liabilities (the assumptions for which are often unchanged from origin) and the assets needed to support them (where the assumptions can essentially be revisited any time there are fixed income realizations).

IMR intends to defer and amortize the recognition of realized gains or losses where investment activity essentially unlock unrealized gains/losses for either assets or liabilities. IMR is not intended to defer realized gains and losses compelled by liquidity pressures that fund cash outflows (e.g., excess withdrawals and collateral calls).

1. Ref #2025-02

Bruggeman directed the Working Group to agenda item *2025-02:* *ASU 2024-04, Induced Conversions of Convertible Debt Instruments.* Wil Oden (NAIC) stated that this agenda item was exposed on March 24 and proposes revisions to adopt, with modification, certain portions of ASU 2024-04 into *SSAP No. 15—Debt and Holding Company Obligations*. He stated that the revisions aim to incorporate clarifications from the ASU related to the recognition of accepted inducement offers on convertible debt instruments, as well as the types of property that may be received from such instruments. Additionally, NAIC staff have proposed minor statutory guidance to clarify that any additional consideration provided through an inducement offer should be recognized when the debt holder accepts the offer. Oden stated that this update aligns statutory accounting with current U.S. generally accepted accounting principles (GAAP) on the issue. He stated that no comments were received on this agenda item, and NAIC staff recommend that the Working Group adopt the proposed revisions to ASU 2024-04 with modification into SSAP No. 15.

1. Ref #2025-09

Bruggeman directed the Working Group to agenda item *2025-09:* *VM-22 Update Coordination.* Robin Marcotte (NAIC) stated that this agenda item is part of the ongoing coordination process between the *Accounting Practices and Procedures Manual* (AP&P Manual) and the *Valuation Manual*. She stated that the exposure recommends minor revisions to *SSAP No. 51—Life Contracts*, to reflect updates made by the Life Actuarial (A) Task Force to the *Valuation Manual,* specifically within VM-22, Statutory Maximum Valuation Interest Rates for Income Annuities, under the principles-based reserving (PBR) requirements for non-variable annuities. She stated that interested parties had no comments on the proposed changes and that NAIC staff recommend that the Working Group adopt the minor consistency revisions to SSAP No. 51.

1. Ref #2025-10

Bruggeman directed the Working Group to agenda item *2025-10:* *ASU 2023-07, Improvements to Reportable Segment Disclosures.* Oden stated that this agenda item addresses ASU 2023-07, which clarifies U.S. GAAP segment reporting guidance, a concept previously determined to be not applicable under statutory accounting principles. He stated that there were no comments received on this item, and NAIC staff recommend that the Working Group adopt the exposed revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to formally reject ASU 2023-07.

1. Ref #2025-11

Bruggeman directed the Working Group to agenda item *2025-11:* *ASU 2024-03 and ASU 2025-01, Reporting Comprehensive Income.* Oden stated that this agenda item addresses ASU 2024-03 and ASU 2025-01, and these ASUs deal with comprehensive income disclosures for public entities. He stated that these were determined to be non-applicable for statutory accounting purposes. Oden stated that there were no comments on this agenda item, and NAIC staff recommend the Working Group adopt revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject both ASUs.

1. Ref #2025-14

Bruggeman directed the Working Group to agenda item *2025-14:* *ASU 2017-05, Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets.* Oden stated that this agenda item addresses ASU *2017-05*, which amends U.S. GAAP guidance on the derecognition of non-financial assets. He stated that this concept is not applicable to statutory accounting, as Accounting Standards Codification Topic 606 was previously rejected for incorporation into statutory accounting principles. Accordingly, it is recommended that the Working Group adopt the proposed revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to formally reject ASU 2017-05.

1. Ref #2025-15

Bruggeman directed the Working Group to agenda item *2025-15:* *ASU 2025-02, SEC Updates.* Oden stated that this agenda item addressed ASU 2025-02. He stated that this ASU is not applicable as it eliminates U.S. Securities and Exchange Commission (SEC) guidance which the Working Group had already considered and rejected for incorporation into the statutory accounting. Oden stated that there were no comments on this agenda item, and NAIC staff recommend the Working Group adopt the proposed revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to formally reject ASU 2025-02.

1. Ref #2025-17EP

Bruggeman directed the Working Group to agenda item *2025-17EP:* *Editorial Process – May 2025.* Gann stated that the Working Group exposed edits to three SSAPs and one INT. She stated that these revisions are primarily editorial in nature, consisting of updated references and the removal of outdated guidance that should have been eliminated in accordance with prior adoptions. Gann stated that no comments were received on this item, and NAIC staff recommend incorporating all the proposed changes as final editorial updates. She stated that editorial item 2025-12EP was inadvertently omitted from the hearing agenda, although it was posted on the Working Group website, and no comments were received. Gann stated that, since it is not a time-sensitive item, the NAIC staff plan to address it either during the interim period or at the Fall National Meeting.

Hynes made a motion, seconded by Hudson, to adopt agenda items 2022-19 (Attachment One-F), 2025-02 (Attachment One-G), 2025-09 (Attachment One-H), 2025-10 (Attachment One-I), 2025-11 (Attachment One-J), 2025-14 (Attachment One-K), 2025-15 (Attachment One-L), and 2025-17EP (Attachment One-M). The Working Group approved direction to staff on agenda item 2023-14 (Hypothetical Memo) (Attachment One-N) and 2025-03 (Attachment One-O). The motion passed unanimously.

1. Reviewed Comments on Exposed Items

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

1. Agenda Item 2024-06

Bruggeman directed the Working Group to agenda item *2024-06: Risk Transfer Analysis of Combination Reinsurance Contracts.* Marcotte stated that in June 2025, the Working Group exposed revisions to *SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance* and the question-and-answer guidance in Appendix A-791—*Life and Health Reinsurance Agreements*, both of which address life and health reinsurance agreements involving risk transfer and combination reinsurance contracts with interdependent features.

Marcotte stated that the revisions to SSAP No. 61were expanded from prior exposures, while the Q&A guidance in Appendix A-791 was exposed for the first time in June 2025. Marcotte stated that the exposure clarifies that contracts with interdependent features must be evaluated in aggregate for risk transfer and emphasizes compliance with existing Appendix A-791 requirements. Specifically, contracts must not include provisions that could deprive the ceding insurer of surplus at the reinsurer’s option or automatically upon the occurrence of certain events. They also must not require repayments to the reinsurer for amounts other than income realized from the reinsured policies, nor contain any other conditions prohibited under Appendix A-791 related to risk transfer.

Marcotte stated that the exposed Q&A language further highlights that payments from surplus must not be possible at the reinsurer’s discretion or automatically triggered by events, meaning a liability must be established to absorb any such payments. It also notes that simply setting the YRT premium at or below the valuation net premium does not guarantee that deprivation of the ceding entity’s surplus payments has been avoided.

Marcotte stated that the revisions to SSAP No. 61 are detailed and that additional background and history are provided in the materials, including excerpts from the Valuation Analysis (E) Working Group referral. Comments from the ACLI are included. She stated that the NAIC staff recommendation is to adopt the exposed revisions to SSAP No. 61, including an editorial paragraph break that divides SSAP No. 61, paragraph 17.b., into paragraph 17.b. and 17.c., and does not alter the substance of the wording. The ACLI supported the language in SSAP No. 61 and suggested only the paragraph break formatting change. NAIC staff also recommend adopting the exposed revisions to Appendix A-791 without incorporating the ACLI’s proposed revisions or footnotes into the body of the agenda item. Marcotte stated that NAIC staff has proposed Dec. 31, 2025, as the effective date, given that discussions began in March 2024; however, Working Group feedback on the effective date is requested.

Bruggeman stated that the recommendations presented are consistent with the exposure, but the Working Group needs to engage in further discussion around effective dates, likely involving two distinct considerations. First, the Working Group needs to determine the applicable dates for the contracts themselves, whether based on when they were signed, amended, or otherwise modified. This raises the question of how far back companies should be expected to evaluate risk transfer.

Second, the Working Group needs to establish the first reporting date by which these considerations must be reflected, ensuring that all relevant factors are considered. He stated that regulators have long recognized that the intent has always been to ensure that, when risk is transferred, credit for reinsurance is appropriately applied. If there have been inconsistencies or misinterpretations, this effort aims to realign understanding and practice. He said it makes sense, therefore, to discuss a first reporting period that allows companies to correct any prior misapplications or to engage with their domestic regulators as needed. Regarding existing contracts, the key concept is that risk transfer should be evaluated at the time a contract is signed, or amended, and then reassessed during the first significant reporting period, such as year-end, when external parties are reviewing the filings. He stated that, after that initial review, ongoing risk transfer evaluations may not be necessary unless circumstances change. However, at every reporting period, companies must ensure that reinsurance credit is taken appropriately based on the actual risk transferred.

Bruggeman stated that the identification of risk transfer is governed by the *Life and Health Reinsurance Agreements Model Regulation* (Model #791), which has been adopted as a rule or law in every state. Model #791 remains applicable, and statutory accounting principles require that if risk is transferred, an appropriate reserve credit must be taken. If no risk is transferred, deposit accounting or non-proportional accounting should be applied. He stated that this is the natural flow of the evaluation process, and it must be followed consistently at each reporting period.

Bruggeman said the Valuation Analysis (E) Working Group originally raised this issue in 2023, and it may relate to contracts from 2022. He said that whether it makes sense to evaluate contracts prior to that is a valid question. While there is a natural inclination among accountants and actuaries to ensure accuracy and compliance, it may not be practical to require companies to re-examine every coinsurance-YRT reinsurance agreement from the past decade. Technically, statutory accounting and the model would suggest that all existing contracts should be reviewed. He stated that from a practical standpoint, if risk transfer evaluations were properly conducted at the time, it may not be necessary to revisit older agreements.

As Chair of the Working Group, Bruggeman said he is open to discussing a reasonable cutoff period, such as Jan. 1, 2022, or Jan. 1, 2023, as a starting point for evaluation. He stated that while this approach may be difficult to codify within statutory accounting, it is a conversation worth having. He stated that if this becomes a policy decision, it may be appropriate for the Accounting Practices and Procedures (E) Task Force or the Financial Condition (E) Committee to weigh in and determine whether adjustments are needed beyond the technical scope of the Working Group. He stated that ultimately, the farther back companies are expected to look, the more time they may need to complete their evaluations and prepare for their first reporting under the clarified guidance.

Hemphill stated that one consideration that comes to mind is the practical impact on states if multiple effective dates were introduced. The Working Group generally approached this issue as a clarification rather than a fundamental change. She asked if a state were already engaged in discussions or evaluating a situation that does not align with a newly proposed date, if that would somehow preempt the state's authority or its interpretation of existing requirements. She said this is a difficult dynamic to navigate. When the edit is intended to clarify, it raises questions about what grandfathering would even mean in this context. Based on the existing requirements, many states would likely reach the same conclusions as they would under the revised guidance. She asked what it implies when discussing two dates in terms of regulatory interpretation and implementation.

Hemphill said another concern is that setting a fixed date could lead to inconsistencies with how states conduct their supervisory responsibilities. She stated that not every coinsurance with yearly renewable term (coinsurance-YRT) treaty is the same. Each varies in materiality, complexity, and duration. By applying a blanket date, there is a risk of overlooking these nuances. She said, for instance, a treaty executed after the date might be less concerning than one executed before it, yet the arbitrary cutoff could shift focus away from the more significant issues. This raises the question if regulators would end up prioritizing review of a less concerning treaty simply because it falls after the designated date, while neglecting a more critical one that falls before. She stated that kind of misalignment could undermine the intent of effective supervision and risk-based review.

Hudson said California's position is that the guidance should apply to all contracts. However, recognizing that implementing this will require some transitional work, the state supports the proposed effective date of 2026 to allow for a smooth and practical transition.

Bruggeman said that approach seems reasonable if it would apply to all existing contracts. The first reporting date would be extended to year-end 2026.

Stolte supported Hudson’s proposal for a 2026 effective date, which he said will provide the industry with sufficient time to bring contracts into compliance.

Bruggeman stated that part of the timing consideration involves allowing companies to have discussions with their domestic regulators, who will guide them through the appropriate process, whatever that may be. He stated that the necessity of revising contracts is not always the preferred or required path, and engaging with regulators to explore what options are available is an important aspect of what the Working Group is trying to highlight, based on what he is hearing.

Clark said he agreed with that approach as well, saying that grandfathering is not appropriate in this case, especially given the concern that excessive reserve credits may have been taken, potentially leaving companies with insufficient reserves. He said that, while recognizing that it will take time for states to work through the implementation with their companies, allowing grandfathering could undermine the integrity of the reserve requirements. Therefore, he supports moving forward without a grandfathering provision.

Malm said she supports the use of the 2026 date.

Marc Altschull (ACLI) stated that the ACLI values the thoughtful discussions and the Working Group’s consideration of its feedback and recommendations. These discussions have helped ACLI better understand the concerns of regulators regarding some of the practices they have seen in the market relating to combination coinsurance-YRT agreements. At the same time, the discussions have allowed the ACLI to share its perspective about how such agreements could be structured to satisfy risk transfer principles. He said the ACLI believes that there have been substantive conversations, and its understanding of regulators’ concerns has evolved such that the proposed revisions to agenda item 2024-06 are more than a clarification.

Altschull said that, historically, combination coinsurance-YRT treaties have been executed with the industry understanding that YRT premiums less than the valuation mortality (among other requirements) was a reasonable interpretation of existing guidance, and the language in agenda item 2024-05 could be interpreted to support this view. While agenda item 2024-06 may clarify the interpretation, the effect is that there is now proposed guidance for the evaluation of combination coinsurance-YRT treaties that cedants are not deprived of surplus (specifically, each component and in aggregate), which goes beyond the consideration of the YRT premium level relative to the valuation mortality. He stated that, through the Working Group’s discussions and in the materials for the meeting, the ACLI appreciates that it has reached agreement that combination reinsurance agreements should not be automatically considered non-proportional and that the risk transfer evaluation for such agreements should be determined based on careful evaluation of the treaty terms and conditions. Such evaluation should be performed for each reinsurance component individually against its respective requirements under SSAP No. 61 and also collectively (for both the YRT and coinsurance components) to ensure no deprivation of ceding insurer surplus could occur (rather than applying a likelihood of loss standard).

Altschull said the ACLI believes that both parties have arrived at a better understanding of how combination agreements should be evaluated for risk transfer purposes. While they understand that there are regulatory concerns with some existing agreements, they do not believe it would be appropriate to apply this new understanding to in-force agreements that were entered into with good faith effort to comply with the risk transfer requirements as they were written and understood at that time. To be sure, the ACLI would like to distinguish between agreements that were executed in good faith and those with abusive provisions, such as forced recapture and negative experience refunds. Therefore, the ACLI supports regulators addressing any agreements, coinsurance-YRT or otherwise, with such abusive provisions regardless of treaty execution date.

Altschull said that given the feedback from NAIC staff (and regulators) on the prospective application, the ACLI recommends that any final guidance be made to apply only to agreements executed on or after Jan. 1, 2024, as a compromise. This date aligns with the Valuation Analysis (E) Working Group referral and the Statutory Accounting Principles (E) Working Group exposure of revisions to SSAP No. 61 in March 2024 to address the risk transfer aspect from the Valuation Analysis (E) Working Group referral, and when the industry was made aware that regulators had concerns with combination coinsurance-YRT agreements and revisions to SSAP No. 61 were being considered. As such, coinsurance-YRT agreements knowingly executed after Jan. 1, 2024, and before adoption of final guidance would be considered in scope. He stated that with application of any final guidance being limited to agreements executed after 2023, the ACLI would support an effective date of Dec. 31, 2025, allowing sufficient time for ceding companies to complete evaluation of any in scope coinsurance-YRT agreements and negotiate alternative structures, as necessary. He stated that the ACLI comment letter includes a redline version of the exposure with suggested revisions to SSAP No. 61 and Appendix A-791.

In addition, the ACLI asks that the historical record be updated to document the results of the discussions that have led to the contemplated changes reflected in the exposure. He stated that the ACLI thinks that the documented historical record will help regulators, companies, and auditors better understand the intent behind the proposed changes to SSAP No. 61 and Appendix A-791, should any ambiguity in the interpretation of the new language persist.

Bruggeman stated that, if he understood correctly, the ACLI initially proposed a prospective approach, but as a compromise, is suggesting using contract dates of Jan. 1, 2024, and forward. He said Altschull also raised additional comments related to staff recommendation No. 3, specifically regarding the incorporation of footnotes into the body of the agenda item. While it is not the Working Group’s usual practice to include footnotes in that way, he thinks it is important that this aspect of the discussion, whether part of the recommendation or reflected in comment letters, is documented in the meeting minutes. It will be captured for reference purposes so that, if needed, it can be revisited and clearly identified as part of the record.

Carmello said, although no one has mentioned it yet, it is obvious that states can implement permitted practices for these older treaties, provided they have established a framework or regime to support those practices.

Bruggeman said this is exactly the kind of situation being referred to when discussing with the domestic regulator and the process to follow. Permitted accounting practices are an option, though not necessarily the preferred one from a consistency standpoint. Navigating these issues is part of why statutory accounting has a formal process in place. To ensure the Working Group is not overstepping the authority of a domestic regulator in any given circumstance.

Hemphill said she was unclear on the point about the footnotes, but did want to note that, from a Valuation Analysis (E) Working Group perspective, the group has had many informative discussions. However, those discussions have not altered the original consensus reflected in the initial Valuation Analysis (E) Working Group referral. She appreciates the ACLI sharing its viewpoint, and it can be documented in the materials as its position. It should not be presented as a consensus or imply that the Valuation Analysis (E) Working Group has changed its stance, since the discussions have generally aligned with the original referral.

Bruggeman stated that he wanted to make sure the Working Group had properly walked through the process, especially because these were topics that had not specifically been discussed in an open session. He stated that the conversations have generally focused on existing contracts, but what really stood out was when they introduced a reporting date. Bruggeman said that California’s stated preference is to address existing contracts, but also proposed extending the initial reporting date, potentially through year-end 2026. Bruggeman said the extension would allow time to review those contracts. He asked whether he understood correctly that this is being proposed as a motion, at least for that reporting date extension, and that the topic would be adjusted accordingly. He was not planning to re-expose this item, since the existing guidance has already been exposed. From his perspective, they are simply extending the reporting date.

Clark requested clarification from Hudson on whether he was referring to the effective date applying to existing transactions, while new transactions would still be subject to this guidance immediately.

Hudson stated that this would apply to all contracts and would be immediately effective for new contracts while existing contracts would be Dec. 31, 2026.

Bruggeman stated that this guidance essentially applies to all contracts, whether they already exist or are newly entered, even starting tomorrow. However, the initial reporting of what has already been applied is subject to a delay, allowing time to get everything in order. He stated that if they need to refine the language, they will address that and clarify the distinction at the Accounting Practices and Procedures (E) Task Force.

Clark said it looks like they will need to make a slight adjustment to the exposed language to clarify that the guidance is immediately effective for new contracts, while existing contracts would follow the Dec. 31, 2026, effective date. It is different from what was originally presented, but they can make that change.

Travis inquired whether this agenda item will go to the Accounting Practices and Procedures (E) Task Force with the Financial Condition (E) Committee making the final decision.

Bruggeman said that Plenary has the ultimate authority; however, any of the Task Forces or the Financial Condition (E) Committee can choose to make a different policy decision or defer consideration to a future national meeting. This is entirely at their discretion. The overall process begins with the Working Group at the technical level, followed by review by the Accounting Practices and Procedures (E) Task Force and ultimately by the Financial Condition (E) Committee. Given the significance of this topic, and since Texas is present and chairs the Accounting Practices and Procedures (E) Task Force, he would recommend that the Working Group consider it separately from the standard review of all items presented.

Hudson made a motion, seconded by Stolte, to adopt agenda item 2024-06 with the editorial revision suggested by the ACLI of a paragraph break which divides SSAP No. 61, paragraph 17b into paragraph 17b and 17c. The overall revisions clarify risk transfer analysis on combination reinsurance contracts with interdependent contract features must consider all contract features and ensure compliance with existing guidance in A-791 (Attachment One-P). The adopted clarifications are immediately effective for new/newly amended contracts, with provisions to allow a December 31, 2026, effective date for existing contracts to allow time for industry and regulator assessment. The revisions to A-791 were adopted as exposed. The motion passed unanimously.

Note: On Aug. 12, 2025, the Accounting Practices and Procedures (E) Task Force also adopted the revisions with two states opposed. On Aug. 13, 2025, the Financial Condition (E) Committee announced that it would hold a separate meeting to consider this agenda item.

1. Agenda Item 2024-05

Bruggeman directed the Working Group to agenda item *2024-05: Appendix A-791*. Marcotte said this issue was first exposed in June 2025 by the Working Group, which proposed deleting a sentence in Appendix A 791—specifically, the question and answer for paragraph 2c. She stated that the item was developed in response to a December 2023 referral from the Valuation Analysis (E) Working Group, which recommended a clarifying edit to remove the first sentence in the Q&A. The referral noted that the sentence was unnecessary, as it was merely an aside in a discussion about group term life insurance. More importantly, the Valuation Analysis (E) Working Group expressed concern that the sentence could be misinterpreted as a safe harbor, implying that the YRT rates would automatically be considered not to be excessive if they aligned with the Commissioners’ Standard Ordinary (CSO) Tables.

Marcotte stated that the intent was never to establish a safe harbor, and the Working Group has exposed this proposed deletion multiple times to clarify that point. Marcotte stated that the ACLI previously requested that this item and agenda item 2024-06 be adopted simultaneously or addressed together. She stated that there have been no comments opposing the deletion in the last few exposures and that, at the most recent meeting, no comments were received at all. She stated that NAIC staff recommend that the Working Group adopt the exposed revisions, which consist solely of deleting the aside comment.

Hudson made a motion, seconded by Walker, to adopt agenda item 2024-05 with the exposed revisions to delete a sentence in A-791, paragraph 2c, question and answer (Attachment One-Q). The motion passed unanimously.

1. Agenda Item 2025-01

Bruggeman directed the Working Group to agenda item *2025-01: Sale Leaseback Clarification*. Jake Stultz (NAIC) stated that the Working Group received a question regarding a transaction that appeared to be a sale-leaseback, but upon closer examination, the cash proceeds from the sale were restricted in such a way that it became clear a true sale had not occurred. While this interpretation was essentially supported by the original language in *SSAP No. 22—Leases*, this agenda item aims to clarify that if the cash is restricted in such a manner, the transaction should be treated as financing under the financing method outlined in SSAP No. 22.

Stultz stated that interested parties generally agreed with the previously exposed guidance, and the National Association of Mutual Insurance Companies (NAMIC) provided more detailed comments along with recommended language. NAIC staff refined the guidance to be more direct, incorporating some of the NAMIC suggestions and additional internal revisions. As a result, NAIC staff recommend that this item be re-exposed. He said one issue that has come up recently is the lack of transition guidance for existing arrangements that follow this pattern. The Working Group has not prescribed a treatment to unwind these arrangements, and it remains unclear whether this should be addressed through a permitted practice or a specific timing mechanism. He stated that the Working Group is seeking input during this exposure on any recommendations for transition guidance related to existing arrangements.

Bruggeman said the key point is that if the cash involved in a transaction is restricted, then it was not truly a sale-leaseback to begin with. This raises the question of how such a scenario should be treated. To address this, expanded revisions have been proposed for exposure to clarify the appropriate accounting treatment in these cases.

Hudson made a motion, seconded by Cataldo, to expose expanded revisions to clarify that sale-leasebacks with restrictions on access to the cash received from the sale do not qualify for sale-leaseback accounting and must be accounted for by the seller using the financing method. The motion passed unanimously.

1. Agenda Item 2025-13

Bruggeman directed the Working Group to agenda item *2025-13: Residential Mortgage Loans Held in Statutory Trusts.* Oden stated that this agenda item was drafted at the direction of the Working Group in response to interested parties’ comments on agenda item 2024-21 regarding investment subsidiaries. The current draft proposes accounting guidance for qualifying trust structures that hold residential mortgage loans, with reporting of these items on Schedule B. Oden stated that NAIC staff met with industry representatives during the interim and considered both verbal feedback and a submitted comment letter. Most of the industry-recommended revisions were incorporated into the exposure draft, except for three key suggestions: expanding qualifying trust guidance to include both statutory and common law trust structures; permitting qualifying trusts to hold foreclosed real estate within wholly owned LLCs; and allowing qualifying trusts to receive other assets as proceeds from residential mortgage loans. NAIC staff did not include these recommendations, believing they would significantly broaden the scope of what was intended to be a narrowly focused project and would introduce added complexity and regulatory challenges.

Oden said NAIC staff recommend exposing an updated draft of revisions to expand the scope of *SSAP No. 37—Mortgage Loans* to include qualifying investment trusts holding residential mortgage loans reported on Schedule B. He stated that key updates since the previous exposure include allowing statutory trusts to hold cash, cash equivalents, and foreclosed real estate, which are functions considered standard for such trusts. The prior restriction to first-lien residential mortgage loans and the requirement to hold the entire loan were replaced with broader language permitting any single residential mortgage loan eligible under SSAP No. 37 to be held in a qualifying statutory trust. For series trust structures, each series must now maintain separate records from the overall trust and other series, codifying a generally accepted practice. Oden stated that new language clarifies that insurers may pledge trust assets as collateral, but assets pledged or encumbered by the trust itself to third parties would be non-admitted. The management fee disclosure requirement was eliminated, and trust activity will now fall under existing related party and affiliate disclosure rules. Additionally, a new disclosure was added requiring a summary of assets and certain liabilities within qualifying statutory trusts. Oden stated that NAIC staff recommend that this revised draft be exposed for further comment.

Bruggeman said any discussion on this agenda item will likely need to begin with the topics that were not included. In particular, the recommendation to expand the types of allowable trust structures, especially beyond state statutory trusts, raises concerns. He stated that, originally, the focus was on Delaware statutory trusts, which was later broadened to include state statutory trusts more generally. However, going further to include additional types of contracts or structures would significantly expand the scope of the project, potentially opening a much larger and more complex issue. He stated that the other exclusions seemed more straightforward, and there were no major questions or objections regarding the decision not to incorporate certain commentaries. For the points that were included, Bruggeman requested comments or concerns, especially from a regulatory perspective, about whether any of those revisions should not have been adopted.

Angelica Sanchez (New York Life) with Rose Albrizio (Equitable), representing interested parties, thanked the NAIC staff for the time and effort spent reviewing the exposure and addressing many of their comments and questions. Sanchez said as they mentioned in the last meeting, allowing look-through treatment for residential mortgages held through statutory trusts will greatly support insurance companies in investing in this asset class in an operationally efficient way, and these changes are welcome by the industry. She stated that they agree with the updates made in the most recent exposure and believe the alignment of the proposal with the requirements under SSAP No. 37, as applied when mortgage loans are held directly, is a strong and appropriate step forward for accounting and reporting.

Sanchez said interested parties also understand the rationale behind rejecting certain comments, such as not allowing trusts to set up LLCs to hold foreclosed real estate. She said their original comment was based on applying the accounting under *SSAP No. 40—Real Estate Investments*, which permits direct reporting for wholly owned LLCs, but they understand the decision not to extend the guidance to that level. She said they assume that if a trust sets up an LLC to hold real estate, it would need to be reported on Schedule BA—Other Long-Term Invested Assets.

Sanchez said interested parties may submit a few additional comments on the new exposure and will do so as part of the next comment letter process. Overall, they believe the proposal in its current form reflects the appropriate accounting and reporting treatment.

Clark made a motion, seconded by Hudson, to expose revisions to the draft guidance allowing residential mortgage loans in trust to reflect several recommended changes per discussions with industry. The motion passed unanimously.

1. Agenda Item 2025-16

Bruggeman directed the Working Group to agenda item *2025-16: Status Section Updates*. Marcotte said the Working Group exposed updates to revise the terminology on the front page of certain SSAPs, changing “substantively revised” to “conceptually revised” and removing issue paper references from the status section. These changes are for consistency and to streamline the presentation, as the original terminology, “substantive” and “nonsubstantive,” was updated in Appendix F—Policy Statements in 2021, following the adoption of agenda item 2021-14, at the request of the Financial Condition (E) Committee.

Marcotte said historically, “substantive” revisions often implied the issuance of a new SSAP or a substantively revised SSAP, while “nonsubstantive” meant an update to an existing SSAP, as it was clarifying existing concepts. Although these terms were never intended to reflect numerical impacts at companies, instead focusing on whether the concept was new to statutory accounting, the Committee requested the revised terms to eliminate potential future misinterpretation or confusion. Despite the new naming convention, the application of the terms is the same as the historical intent. Marcotte stated that the current updates detailed in the agenda item reflect that shift in language and remove outdated references for consistency. She said NAIC staff recommend adopting these revisions.

Bruggeman said some of us still carry the concept of “substantive” versus “nonsubstantive” revisions and that it is the same idea, just expressed with different terminology now. He said the goal is to ensure everyone understands what “substantive” means in this context, especially since there has been some confusion among those encountering the manual for the first time. These terms are not clearly defined anymore except in older materials, so this update is editorial in nature. It is about creating consistency across the board, not changing the meaning of what was revised back in 2021 or in earlier discussions.

Walker made a motion, seconded by Clark, to adopt revisions to the status section on the cover page of the SSAPs (Attachment One-R). The two primary revisions are to: 1) change “substantively” revised to “conceptually” revised; and 2) remove the issue paper references. The motion passed unanimously.

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

Hudson made a motion, seconded by Sherman, to expose the following statutory accounting principle (SAP) concepts and clarifications to statutory accounting guidance for a public comment period ending Oct. 17, except for agenda item 2025-19, which has a comment period ending Sept. 19. The motion passed unanimously.

1. Agenda Item 2025-18

Bruggeman directed the Working Group to agenda item *2023-18: ASU 2019-12, Simplifying the Accounting for Income Taxes.* Oden said this agenda item addresses ASU 2019-12, which aims to simplify income tax accounting standards under U.S. GAAP. NAIC staff determined that only one revision from the ASU, specifically reflected in ASC 740-270-25-5, is applicable to statutory accounting. This ASC paragraph originated from *Accounting Principles Board (APB) Opinion No. 28, Interim Financial Reporting*. Oden stated that for statutory accounting purposes, only paragraphs 19 and 20 of APB No. 28 were adopted into *SSAP No. 101—Income Taxes*, and even then, only by reference rather than full incorporation. He stated that ASU 2019-12 specifically revises the latter portion of what would have been APB No. 28, paragraph 20, which is currently referenced but not fully included in SSAP No. 101. NAIC staff recommend exposing revisions to adopt the relevant modification from ASU 2019-12. Additionally, for clarity and ease of use, NAIC staff recommend fully incorporating paragraphs 19 and 20 of APB No. 28 into SSAP No. 101, replacing the current reference language. He stated that this would also include the minor changes introduced by ASU 2019-12 to the APB No. 28, paragraph 20, incorporated guidance.

1. Agenda Item 2025-19

Bruggeman directed the Working Group to agenda item *2025-19: Private Securities.* Gann stated that this agenda item addresses private securities and was drafted in response to regulator requests for clearer financial statement information distinguishing public from private securities and identifying the type of private security when applicable. The agenda item outlines three categories of private securities: Rule 144A, Regulation D, and a general exemption, and proposes two new reporting elements. First, a new electronic column on investment schedules to classify each security as public or one of the three private types, with “NA” used for items not subject to SEC registration. Second, an aggregate compilation per investment schedule that includes totals by private type, book/adjusted carrying value (BACV), fair value levels (2A and 3), the number of securities with private letter ratings, and the amount of paid-in-kind (PIK) and deferred interest, key data points regulators are focused on.

Gann said the item is proposed for exposure with a shortened comment deadline of Sept. 19 to gather initial feedback before sponsoring a Blanks proposal. She stated that this approach allows for adjustments based on comments before formalizing the disclosure requirements. Gann stated that the proposed effective date is Dec. 31, 2026, contingent on adoption by the Statutory Accounting Principles (E) Working Group and Blanks (E) Working Group by May 2026. NAIC staff recommend exposing the item with the shortened comment period.

Bruggeman asked if there were any specific items or initial reactions Gann is requesting with comments, perhaps more focused on the details within the proposal rather than the overarching concept. He said, for example, the last sentence touches on elements that are not as easy to capture or interpret, and those kinds of comments would be especially helpful as the Working Group refines the approach.

Gann said everything is open for comment, but generally, the items that could impact a potential Blanks proposal would be the initial priority to avoid moving forward down that path if significant changes are likely to be needed.

Bruggeman said the shortened comment period was the goal to avoid a double exposure situation of collecting comments on both the Blanks proposal and statutory accounting at the same time, potentially leading to a back-and-forth between the two. He stated that the intent is to first gather topic-specific feedback and then allow NAIC staff to move forward with the Blanks proposal afterward. He stated that this approach came out of his discussions with NAIC staff to ensure they get initial input early, so they are not revising two separate things in December instead of one.

1. Agenda Item 2025-20

Bruggeman directed the Working Group to agenda item *2025-20: Debt Disclosures.* Gann stated that this agenda item focuses on two main themes. The first is achieving consistent disclosures across all types of debt securities, whether they fall under *SSAP No. 26—Bonds*, *SSAP No. 43—Asset-Backed Securities*, or *SSAP No. 21—Other Admitted Assets*. She stated that while the disclosures themselves are generally aligned, differences exist in reporting frequency and placement within the financial statements. For example, impaired securities disclosures were annually audited only in SSAP No. 26, had a template in SSAP No. 43, and were unspecified in SSAP No. 21. She stated that this proposal standardizes those disclosures by requiring them to appear as statutory note disclosures using a uniform template, ensuring all relevant information is presented together.

Additionally, disclosures previously referenced from other SSAPs have now been fully incorporated into each respective SSAP to avoid omissions. Gann stated that the second theme addresses residual interests, which currently lack specific disclosures in SSAP No. 21. The proposal introduces disclosures consistent with other investment categories and adds a new requirement for companies to identify the measurement method used, either the practical expedient method or the allowable earned yield method. This information has been difficult to obtain in the past, so the new disclosure should improve transparency. NAIC staff recommend exposing and moving forward with the Blanks proposal, as most of the changes are clean-up related and do not introduce significantly new disclosures.

1. Agenda Item 2025-21

Bruggeman directed the Working Group to agenda item *2025-21: Retirement Plans Held at NAV.* Oden stated that in May 2025, the Working Group received a question from the industry seeking clarification on fair value disclosures for retirement plan assets valued using the net asset value (NAV) practical expedient. He stated that the concern was that while certain retirement assets are most appropriately classified as NAV within the fair value hierarchy described in *SSAP No. 100—Fair Value*, neither *SSAP No. 92—Postretirement Benefits Other Than Pensions* nor *SSAP No. 102—Pensions* explicitly reference NAV as a leveling option. Although SSAP No. 92 implies its use, the absence of a direct reference in SSAP No. 102 has created uncertainty. Oden stated that NAIC staff confirmed, based on paragraph three of SSAP No. 100, that the NAV practical expedient is an acceptable method for reporting retirement plan assets. He stated that NAIC staff also determined that SSAP No. 92 and SSAP No. 102 would benefit from explicit clarification stating that NAV is an acceptable valuation method and that the corresponding NAV disclosures should be utilized. Under U.S. GAAP, the NAV practical expedient is permitted for plan assets held in both defined benefit and defined contribution plans, indicating no divergence in approach. Therefore, NAIC staff recommend exposing revisions to SSAP No. 92 and SSAP No. 102 to affirm that NAV is an appropriate valuation method for retirement plan assets and that NAV disclosures should be reported accordingly.

1. Exposed an Item on the Active Maintenance Agenda

A. Agenda Item 2024-21

Bruggeman directed the Working Group to agenda item *2024-21: Investment Subsidiaries Classification.* Oden said this agenda item was developed to address ongoing confusion surrounding the classification of investment subsidiaries in Schedule D—Part 6, Section 1 (D-6-1), and the life risk-based capital (RBC) formula on pages LR42 through LR44. The concept of an investment subsidiary, an entity that holds assets solely for the benefit of the reporting entity, was originally introduced in *SSAP No. 46—Investments in Subsidiary, Controlled, and Affiliated Entities*, which required equity method valuation adjusted for statutory principles. However, this concept was eliminated in 2005 with the adoption of *SSAP No. 88—Investments in Subsidiary, Controlled and Affiliated Entities* and was not reincorporated when SSAP No. 88 was replaced by *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* in 2007.

Despite its removal from statutory accounting principles, references to investment subsidiaries have remained in the annual statement instructions and RBC guidance. NAIC staff recommend exposing revisions to remove the investment subsidiary concept from Schedule D-6-1 and the annual statement instructions, effective Dec. 31, 2026, to bring these materials into alignment with SSAP No. 97. NAIC staff also recommend that the Working Group direct NAIC staff to sponsor a corresponding Blanks proposal and, if adopted, refer the item to the Life Risk-Based Capital (E) Working Group to eliminate related RBC instructions. He said these revisions do not prohibit insurers from owning investment subsidiaries, as such structures are authorized under the *Investments of Insurers Model Act* (#280). However, Model #280 does not provide accounting or reporting guidance, which falls under the purview of statutory accounting principles and the annual statement instructions.

Oden stated that the current issue stems from a disconnect. While SAP guidance on investment subsidiaries has been eliminated, the corresponding instructions in Schedule D-6-1 and AVR remain, allowing insurers to report under a framework that circumvents look-through RBC treatment. Because investment subsidiaries are no longer recognized under SAPs, there is no applicable statutory accounting or measurement guidance, nor mechanisms to ensure compliance with SSAP requirements, state investment limitations, or RBC calculations. Additionally, Schedule D-6-1 instructions require measurement using “imputed statutory value,” an undefined term that conflicts with SSAP No. 97, which mandates valuation based on audited U.S. GAAP. He stated that RBC reporting based on imputed statutory value relies solely on company-provided records, raising transparency concerns.

Oden stated that this proposal seeks to align the annual statement instructions with existing SSAP guidance, requiring entities previously reported as investment subsidiaries to be evaluated under SSAP No. 97, specifically paragraphs 8b(i) or 8b(ii), depending on activity test results. While reintroducing the investment subsidiary concept was considered, concerns about complexity, interpretive risk, and lack of transparency led staff to recommend against it. NAIC staff are also requesting industry input on whether other asset types currently reported as investment subsidiaries, such as residential mortgage loans held in statutory trusts, may require separate consideration.

Walker made a motion, seconded by Malm, to expose revisions to eliminate the investment subsidiary concept from the instructions. The motion passed unanimously.

1. Heard an Update on IMR Ad Hoc Group Activities

Gann stated that the IMR ad hoc group continues to meet periodically, typically every other Monday, to discuss revisions and issues impacting the IMR as part of a long-term solution. Recent discussions have focused on two key areas: reinsurance and proof of reinvestment. Regarding reinsurance, the group has been evaluating the application of SSAP No. 61guidance, which currently states that positive IMR should be added when determining the reinsurance collateral requirement to receive credit for reinsurance. A key question remains whether negative IMR should be treated symmetrically or asymmetrically. While no consensus has been reached, the group has decided to elevate the issue to the full Working Group for further discussion. Gann said NAIC staff are preparing the agenda item, which will be presented either during the interim or at the NAIC Fall National Meeting.

Gann said the second topic, proof of reinvestment, supports the admittance of net negative IMR by requiring interested parties to demonstrate that proceeds from investments sold at a loss have been reinvested into other fixed income assets, ensuring they are not redirected into equities and that a higher average yield is achieved. She stated that the industry has developed a template to facilitate this calculation using annual statement data supplemented by minimal company records, and NAIC staff appreciate the effort to create a practical and well-documented methodology.

Gann said discussions on this topic will continue, with the next meeting scheduled for Aug. 25 and recurring biweekly until the Fall National Meeting. She said NAIC staff are actively working on the related issue paper and proposed revisions to SSAP No. 7 and have compiled a list of items for further discussion and clarification before finalizing the paper. Hopefully, these topics will be less complex than prior topics but important for ensuring clarity moving forward.

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

Gann stated that this pertains to agenda item 2024-15, which involves a proposal to develop new statutory accounting guidance allowing effective hedge treatment for asset-liability matching derivatives that currently do not qualify as accounting effective under *SSAP No. 86—Derivatives* or *SSAP No. 108—Derivatives Hedging Variable Annuity Guarantees*. She stated that the issue is also connected to IMR, as it became evident that some companies were treating economically effective derivative contracts by running the surplus change at termination through IMR and deferring it. Gann said the proposed guidance would remove those items from IMR and instead establish specific statutory accounting treatment for such derivatives. Given the complexity of the topic, a separate meeting has been scheduled for Sept. 10, where interested parties will present key concepts of their proposed guidance to the working group. Gann stated that at this stage, no exposure draft of proposed SSAPs is expected, and the purpose of the meeting is to explore the foundational ideas, with consideration of formal exposure to follow later if the Working Group decides to proceed.

1. Received a Referral from Life Risk-Based Capital (E) Working Group

Marcotte stated that this item involves receiving a referral from the Life Risk-Based Capital (E) Working Group regarding comments on its proposal, specifically proposal 2025-04-L Other Long-Term Assets (LR008) for life insurers, which addresses other long-term assets. She said the ACLI raised questions about the AVR equity reporting lines for common stock and subsidiary, controlled, and affiliated (SCA) investments, requesting clarification in the AVR instructions. The issue stems from the similarity between AVR lines 15 and 16—one labeled "SCA common stock – certain other subsidiaries" and the other "SCA common stock – other," prompting a need to distinguish between the two.

Marcotte said these comments have been forwarded to the Working Group to determine whether updates or clarifications are warranted. She said the Life Risk-Based Capital (E) Working Group staff provided helpful historical research, including meeting minutes and SCA investment categories, which date back to the early to mid-1990s. Marcotte stated that, given the ambiguity, NAIC staff may reach out to interested parties to confirm agreement with any recommended changes before formally advancing the issue.

Bruggeman stated that the Working Group does not need an action item at this time, but as Chair, he will formally receive the referral (Attachment One-S) and direct NAIC staff to begin the investigation. NAIC staff will document the distinctions and, if any proposed revisions emerge, they will be brought back as a separate agenda item.

1. Received the Life Actuarial (A) Task Force Coordination Memo

Marcotte stated the Working Group has received the Life Actuarial (A) Task Force coordination memo outlining agenda items adopted by the Task Force, which will impact the *Valuation Manual*, effective next year (Attachment One-T). NAIC staff have discussed this with the Life Actuarial (A) Task Force support staff and chairs and identified two potential action items. The first is SSAP No. 51, VM-22 update coordination, which was adopted during this meeting. The second is a potential Statutory Accounting Principles (E) Working Group agenda item regarding the optional implementation period for updates to VM-20 and other sections related to the economic scenario generator. She stated that the changes adopted to the *Valuation Manual* include an optional implementation period, and NAIC staff will review whether similar steps, as were done on a previous agenda item, involving a phased-in approach, should be utilized for a future agenda item.

1. Reviewed U.S. GAAP Exposures

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

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

Gann stated that she and Maggie Chang (NAIC) monitor International Association of Insurance Supervisors (IAIS) Audit and Accounting Working Group (AAWG) discussions. She stated that the most recent meeting was held on May 19, with much of the focus centered on the implementation of *IFRS 17: Insurance* *Contracts,* as well as reviews of international standards related to examinations, audits, and similar topics. She said the next meeting is scheduled for September.

Gann said one item that may be of interest to the Working Group is the ongoing review of Insurance Core Principle (ICP) 9 (Supervisory Reporting) and ICP 20 (Public Disclosure), in response to the insurance capital standard (ICS). While the aggregation method proposed by the U.S. was approved, the suggested revisions to ICP 9 and ICP 20 do not clearly support that method. This concern has been raised as a consistent U.S. comment across various IAIS groups, though other groups are taking the lead on those discussions. She stated that they are participating to monitor any implications for the Audit and Accounting Working Group and wanted to highlight this so it can be tracked through those other channels.

Tom Finnell (IAIS) asked whether the NAIC is proposing that the ICPs call for disclosure of the aggregation method (AM). He stated that he is not taking a position for or against and is simply seeking clarification. He believes the group capital calculation (GCC) is currently not publicly disclosed, so he is unsure if the proposal to the IAIS would align with that approach and recommends not disclosing the AM if that ends up being the outcome.

Gann said the edits being proposed by the IAIS and other jurisdictions include extensive disclosures related to the ICS and how it is calculated. While the NAIC’s initial comments regarding the AM were more general, they have since stepped back and are currently proposing edits that clarify those ICP disclosures would not be applicable to the U.S., given their detailed nature and relevance primarily to jurisdictions following the ICS. She said she would need to refer to colleagues who are leading the U.S. edits to confirm the extent of the proposed disclosures specific to the AM, but she does not believe extensive disclosures have been proposed. The concern is that because these disclosures are being embedded directly into the ICP standard, the U.S. could be deemed non-compliant, and it was originally preferred to have them in an implementation guide tailored to jurisdictions where they are applicable.

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

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