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To: Pat Gosselin, Chair of the Blanks (E) Working Group  
From: Dale Bruggeman, Chair of the Statutory Accounting Principles (E) Working Group  
Re: 2023 impacts to the annual statement notes and instructions  
Date: October 30, 2023

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The purpose of this memo is for the Statutory Accounting Principles (E) Working Group to notify the Blanks (E) Working Group of revisions to the “Notes to the Financial Statements” and *Annual Statement Instructions* that have been adopted. As the below items have already been adopted, and SSAPs and Interpretations which represent the first and the second level of authoritative guidance as promulgated by the Preamble, these additions to the financial statement notes and instructions for 2023 reporting do not require approval from the Blanks (E) Working Group.

It is recommended that this memo, detailing changes to existing reporting instructions and 2023 disclosure requirements, be posted to the NAIC website. This is consistent with the *NAIC Policy Statement on Coordination of the Accounting Practices and Procedures Manual*, and the *Annual Statement Blank* located within the *Accounting Practices & Procedures Manual*. Excerpts are included on the following pages; however, the full interpretations and agenda items can be found at the following link for the Statutory Accounting Principles (E) Working Group webpage under the documents tab at [https://content.naic.org/cmt\\_e\\_app\\_sapwg.htm](https://content.naic.org/cmt_e_app_sapwg.htm).

Adopted Aug. 13:

1. Ref #2023-13: PIK Interest Disclosure Clarification

Adopted on Sept. 21:

2. *INT 23-02: Third Quarter 2023 Inflation Reduction Act – Corporate Alternative Minimum Tax* (effective third quarter 2023 only)
3. Ref #2023-04; *INT 23-03: Inflation Reduction Act – Corporate Alternative Minimum Tax* (effective year end 2023 reporting and thereafter)
4. Ref # 2023-12: Residuals in SSAP No. 48 Investments

Adopted on Oct. 23:

5. Ref #2023-21: Removal of Transition guidance from SSAP No. 92 and SSAP No. 102

Please contact NAIC staff Robin Marcotte ([rmarcotte@naic.org](mailto:rmarcotte@naic.org)), Julie Gann ([jgann@naic.org](mailto:jgann@naic.org)), Jake Stultz ([jstultz@naic.org](mailto:jstultz@naic.org)); Wil Oden ([woden@naic.org](mailto:woden@naic.org)); or Jason Farr ([jfarr@naic.org](mailto:jfarr@naic.org)) if you have any questions.

Cc: Mary Caswell, Jill Youtsey, Julie Gann, Robin Marcotte, Jake Stultz, Wil Oden, Jason Farr

## 1. Ref #2023-13: PIK Interest Disclosure Clarification

The adopted disclosure in SSAP No. 34 is not intended to change, but the proposed clarification and practical expedient guidance is intended to be captured in the annual statement instructions. **Proposed instruction for inclusion in the Annual Statement Instructions 2023 memo to Blank:**

### 7. Investment Income Instruction:

Disclose the following for investment income due and accrued in the financial statements:

- A. The bases, by category of investment income, for excluding (nonadmitting) any investment income due and accrued,
- B. The total amount excluded.
- C. The gross, nonadmitted and admitted amounts for interest income due and accrued. (1) Gross amount for interest income due and accrued. (2) Nonadmitted amount for interest income due and accrued. (3) Admitted amount for interest income due and accrued.
- D. The aggregate deferred interest.
- E. The cumulative amounts of paid-in-kind (PIK) interest included in the current principal balance.

For the PIK interest included in the current principal balance, include the amount of reported interest in which the terms permit "paid in kind" (PIK) instead of cash. The amount reported shall reflect the cumulative amount of PIK interest included in the current principal balance / par value. In disclosing the cumulative amount of PIK interest, identify the specific amounts of PIK interest by lot and aggregate the amounts by CUSIP/PPN that have a net increase to the original par value. The net increase includes PIK interest added to the par value less disposals (i.e., repayments; sales) that are first applied to any PIK interest outstanding. As a practical expedient, an insurer may calculate the cumulative amount of PIK interest on a bond by subtracting the original principal / par value from the current principal / par value, but not less than \$0.

**2. INT 23-02: Third Quarter 2023 Inflation Reduction Act – Corporate Alternative Minimum Tax (effective third quarter 2023 only)**

**Response: Issue 1 – Consideration of the Act for Third Quarter 2023 Financial Statements**

13. Reporting entities that are aware they will be subject to the CAMT would normally have to reflect the effects of the Act on the calculations impacted by the CAMT if reasonably estimable for the third quarter 2023. The Act was adopted in August 2022; however, entities may continue to have a considerable number of unknown variables for September 30, 2023, reporting. As such, the Working Group has determined that a reasonable estimate might not be determinable for third quarter 2023 interim financial statements for the calculations impacted by the CAMT for some entities.

14. If a reporting entity is an applicable corporation and has determined a reasonable estimate, it shall be disclosed. If a reporting entity is an applicable corporation and cannot determine a reasonable estimate, the reporting entity shall disclose that they expect to be an applicable corporation but have not determined a reasonable estimate.

15. Because reasonable estimates of calculations impacted by the CAMT might not be determinable, reporting entities shall only disclose impacts related to CAMT for third quarter 2023 financial statements for which reasonable estimates are possible. If the reporting entity is an applicable corporation, they shall make the following disclosures regarding the CAMT and the Act:

- a. A statement regarding whether the reporting entity (or the controlled group of corporations of which the reporting entity is a member) has determined if it expects to be liable for CAMT in 2023. For example:
  - i. The reporting entity (or the controlled group of corporations of which the reporting entity is a member) has determined that it does not expect to be liable for CAMT in 2023.
  - ii. The reporting entity (or the controlled group of corporations of which the reporting entity is a member) has not determined as of the reporting date if it will be liable for CAMT in 2023. The third quarter 2023 financial statements do not include an estimated impact of the CAMT because a reasonable estimate cannot be made.
  - iii. The reporting entity (or the controlled group of corporations of which the reporting entity is a member) has determined that it expects to be liable for CAMT in 2023. The third quarter 2023 financial statements shall disclose the estimated impact of the CAMT.

**Response: Issue 2 – Consideration of Subsequent Events for Third Quarter 2023 Financial Statements**

16. For third quarter 2023 reporting, CAMT updated estimates or other calculations affected by the Act determined subsequent to third quarter statutory financial statement or filing date shall not be recognized as Type I subsequent events. Meaning, third quarter financial statements are not required to reflect updated estimates subsequent to the third quarter reporting date and prior to the filing of the third quarter financial statements. With the disclosure required under Issue 1, additional subsequent event disclosure (such as what would be required for Type II event) is not required.

17. Reporting entities shall be working in good faith to complete the accounting for the changes adopted under the Act.

**3. Ref #2023-04, INT 23-03: Inflation Reduction Act – Corporate Alternative Minimum Tax (effective year end 2023 reporting and thereafter)**

**Disclosures**

39. The reporting entity shall disclose whether it is a nonapplicable reporting entity; an applicable reporting entity with tax allocation agreement exclusions or an applicable reporting entity.

40. Additionally, the following disclosures shall be made in the notes to the financial statements of applicable reporting entities (which do not have tax allocation agreement exclusions in accordance with paragraph 11 of this interpretation):

- a. If the reporting entity has made an accounting policy election to either consider or disregard CAMT when evaluating the need for a valuation allowance for its non-CAMT DTAs described in paragraph 22 of this interpretation.
- b. Any disclosure of material modifications to the methodology used to project CAMT as required by paragraph 35 of this interpretation.

41. Relevant disclosures required by SSAP No. 101 also apply including but not limited to, the following:

- a. The disclosure of the statutory valuation allowance as required by SSAP No. 101, paragraph 21.
- b. The disclosure of tax planning strategies is required by SSAP No. 101. In the disclosure required by SSAP No. 101, paragraph 28.b., a statement as to whether the reporting entity may be charged with a portion of CAMT incurred by the consolidated group (or credited with a portion of the consolidated group's CAMT credit utilization).
- c. Inclusion of CAMT credit DTAs, if any, in the disclosure required by SSAP No. 101, paragraph 26.a. regarding the origination dates and expiration of tax credit carry forwards.
- d. The impact of CAMT -planning strategies, if any, in the disclosure required by SSAP No. 101, paragraph 22.f.

#### 4. Ref #2023-12: Residuals in SSAP No. 48 Investments

##### Schedule BA Annual Statement Instructions:

##### **Residual Tranches or Interests with Underlying Assets Having Characteristics of:**

Investment in Residual Tranches or Interests should be assigned to the subcategory with the highest underlying asset concentration. There shouldn't be any bifurcation of the underlying assets among the subcategories.

Include:

Residual tranches or interests ~~captures from~~ securitization tranches and beneficial interests as well as other structures captured in scope of *SSAP No. 43R – Loan-Backed and Structured Securities*, ~~that reflect loss layers without any contractual payments, whether interest or principal, or both. Payments to holders of these investments occur after contractual interest and principal payments have been made to other tranches or interests and are based on the remaining available funds. See SSAP No. 43R for accounting guidance.~~

Investments in joint ventures, partnerships and limited liability companies captured in scope of *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* that represent residual interests, or that predominantly hold residual interests.

This category shall also include residual interests or residual security tranches within investment structures that are not captured in scope of *SSAP No. 43R* or *SSAP No. 48* but that reflect, in substance, residual interests or residual security tranches.

5. Ref #2023-21 Removal of Transition guidance from SSAP No. 92 and SSAP No. 102

This agenda item removed transition guidance from *SSAP No. 92—Postretirement Benefits Other Than Pensions* and *SSAP No. 102—Pensions* to remove the transition guidance that was included in initial adoption of SSAP No. 92 and SSAP No. 102, as it is past the ten-year effective period for that transition.

Remove (see instructions as illustrated below) Note 12(A)18

~~(18) Reporting entities electing to apply the transition guidance set forth in *SSAP No. 102—Pensions* and *SSAP No. 92—Postretirement Benefits Other Than Pensions* must disclose the full transition surplus impact calculated from applying guidance in the first quarter statutory financial statements after the transition date and each reporting period thereafter. This disclosure shall include the initial “transition liability” calculated under guidance and the annual amortization amount of the “unrecognized items” into net periodic benefit cost. This disclosure shall include a schedule of the entity’s anticipated recognition of the remaining surplus impact over the transition period. See *SSAP No. 102—Pensions* and *SSAP No. 92—Postretirement Benefits Other Than Pensions* for details of the transition guidance.~~

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/Stat Acctg\\_Statutory\\_Referrals/2023/SAPWG to Blanks Nov 2023 .docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/Stat Acctg_Statutory_Referrals/2023/SAPWG to Blanks Nov 2023 .docx)