

# Statement of Statutory Accounting Principles No. 106

## Affordable Care Act Section 9010 Assessment

### STATUS

Type of Issue.....	Common Area
Issued .....	June 12, 2014; July 30, 2020
Effective Date .....	January 1, 2014; January 1, 2021
Affects.....	SSAP No. 35R
Affected by.....	Superseded due to the federal repeal of the Section 9010 assessment effective January 1, 2021
Interpreted by .....	INT 18-02
Relevant Appendix A Guidance .....	None

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<b>STATUS.....</b>	<b>1</b>
<b>SCOPE OF STATEMENT.....</b>	<b>1</b>
<b>SUMMARY CONCLUSION .....</b>	<b>1</b>
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### SCOPE OF STATEMENT

1. This statement establishes statutory accounting principles for the Affordable Care Act Section 9010 assessment and disclosures related to the risk sharing provisions of the Affordable Care Act.

### SUMMARY CONCLUSION

2. This statement adopts *ASU 2011-06, Other Expenses – Fees Paid to the Federal Government by Health Insurers* with modifications identified in paragraph 11. ASU 2011-06 provides specific guidance related to the assessment in Section 9010 of the Affordable Care Act.

### Affordable Care Act Section 9010 Assessment

3. The Affordable Care Act (ACA) imposes an assessment on entities that issue health insurance for each calendar year beginning on or after January 1, 2014. Pursuant to Section 9010 of the ACA, a reporting entity's portion of the assessment is paid no later than September 30 of the applicable calendar year (the fee year) beginning in 2014 and is not tax deductible. The amount of the assessment for the reporting entity is based on the ratio of the amount of an entity's subject net health premiums written for any U.S. health risk during the preceding calendar year (data year) to the aggregate amount of subject net health premiums written by all subject U.S. health insurance providers during the preceding calendar year. The ACA includes some significant exclusions regarding which entities are required to pay the

assessment. The guidance in this statement applies to all reporting entities that are subject to the fee. The guidance in this statement applies to the unique facts and circumstances in the ACA; accordingly, an entity should apply judgment when evaluating the facts and circumstances of other assessments arrangements before analogizing the guidance for Section 9010 of the ACA.

4. Throughout this discussion of the Section 9010 assessment of the ACA, the following terms apply:

- a. The term “data year” means the calendar year immediately before the fee year. For example, 2014 is the data year for fee year 2015.
- b. The term “fee year” means the calendar year in which the assessment must be paid to the U.S. Treasury.

5. A reporting entity’s portion of the annual assessment becomes payable to the U.S. Treasury once the reporting entity provides health insurance (in the fee year) for any subject U.S. health risk for each calendar year beginning on or after January 1, 2014.

6. The liability related to the Section 9010 ACA assessment shall be estimated and recorded in full once the entity provides qualifying health insurance (typically January 1) in the applicable calendar year in which the assessment is paid (fee year) with a corresponding entry to expense. The Section 9010 ACA assessment shall be recognized in full on January 1 of the fee year, in the operating expense category of Taxes, Licenses and Fees.<sup>(INT 18-02)</sup>

7. Liability recognition of the Section 9010 fee is not required in the data year. In the data year, the reporting entity is required to reclassify from unassigned surplus to special surplus an amount equal to its estimated subsequent fee year assessment. This segregation in special surplus is accrued monthly throughout the data year. The reclassification from unassigned surplus to special surplus does not reduce total surplus. On January 1 of the fee year, the prior year segregation in special surplus is reversed and the full current fee year assessment liability shall be accrued.

8. The Section 9010 ACA annual assessment does not represent a cost related to the acquisition of policies that is consistent with the definition of acquisition costs in *SSAP No. 71—Policy Acquisition Costs and Commissions*.

## Disclosures

9. For the Section 9010 ACA assessment:

- a. For the annual reporting period ending December 31, 2013, and thereafter, a reporting entity subject to the assessment under section 9010 of the Affordable Care Act, shall provide a disclosure of the assessment payable in the upcoming year consistent with the guidance provided under *SSAP No. 9—Subsequent Events* for a Type II subsequent event. The disclosure shall provide information regarding the nature of the assessment and an estimate of its financial impact, including the impact on its risk-based capital position as if it had occurred on the balance sheet date. In accordance with SSAP No. 9, paragraph 9, the reporting entity shall also consider whether there is a need to present pro forma financial statements regarding the impact of the assessment, based on its judgment of the materiality of the assessment.
- b. Additionally, for annual reporting periods ending on or after December 31, 2014, the disclosure in paragraph 9.a. is expanded to include information on the amounts reflected in special surplus in the data year.

- i. The reporting entity shall disclose the amount of premium written for the current year that is the basis for the determination of the section 9010 fee assessment to be paid in the subsequent year (net assessable premium). Prior year amounts shall also be included for comparative purposes;
- ii. Reporting entities shall provide information regarding the nature of the assessment, the estimated amount of the assessment payable in the upcoming year (current and prior year) and the amount of assessment paid (current and prior year), and;
- iii. The disclosure shall also provide the Total Adjusted Capital (before and after adjustment as reported in its estimate of special surplus applicable to the 9010 fee) and Authorized Control Level (in dollars) to reflect the fee as of the annual reporting date as if it had been reported on the balance sheet date. The disclosure shall also provide a statement as to whether an RBC action level would have been triggered had the fee been reported as of the balance sheet date.

10. Refer to the Preamble for further discussion regarding disclosure requirements.

### Relevant Literature

11. *ASU 2011-06, Other Expenses – Fees Paid to the Federal Government by Health Insurers* is adopted with the following modifications: 1) to require full expense recognition on January 1 of the fee year, 2) to require the reclassification from unassigned surplus to special surplus in the data year for the estimated amount payable, and 3) other modifications for statutory accounting terminology as reflected in this statement.

### Effective Date and Transition

12. This statement is effective for years beginning January 1, 2014. A change resulting from the adoption of this statement shall be accounted for as a change in accounting principle in accordance with *SSAP No. 3—Accounting Changes and Corrections of Errors*. The Section 9010 ACA fee specific guidance in paragraphs 2-8 and paragraph 9.b. was adopted December 2013 with a January 1, 2014, effective date. This guidance was originally reflected in *SSAP No. 35—Guaranty Fund and Other Assessments – Revised*. The disclosure language in paragraph 9.a. was also moved from SSAP No. 35R, but was originally effective December 31, 2013. The guidance from SSAP No. 35R was moved into this statement in June 2014. This movement was a placement change and did not result in revisions to the accounting guidance previously included in SSAP No. 35R. On July 30, 2020, the Working Group adopted revisions which superseded this statement, effective for January 1, 2021. This statement was superseded due to the federal repeal of the Section 9010 assessment.

### REFERENCES

#### Relevant Issue Papers

- *Issue Paper No. 148—Affordable Care Act Section 9010 Assessment*