**NAIC Accounting Practices and Procedures Manual**

**Editorial and Maintenance Update**

**Released: April 6, 2019**

Maintenance updates provide revisions to the *Accounting Practices and Procedures Manual*, such as editorial corrections, reference changes and formatting.

| **SSAP/Appendix** | **Description/Revision1** |
| --- | --- |
| *SSAP No. 62 – Revised*  *Property and Casualty Reinsurance* | Update the Exhibit D – Illustration of Asbestos and Pollution Counterparty Reporting Exception to match the current format of Property and Casualty Annual Statement Schedule F. For 2018 Schedule F, Reinsurance had formatting updates for in the annual statement which included multiple parts of Schedule F into Schedule F part 3. |
| *SSAP No. 63—*  *Underwriting Pools* | Update paragraph 11g references to Schedule F, Part 8 to reference the current section of Property and Casualty Annual Statement Schedule F, Part 3. |
| *SSAP No. 84—Health Care and Government Insured Receivables* | Delete the paragraph duplicating SSAP No. 4, paragraph 3. |
| *SSAP No. 86—Derivatives* | Update language in weather derivative exhibit to eliminate “proposed” wording. |
| *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* | Update the footnote to regarding items excluded from the wash sale disclosure. |

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1. SSAP No. 62R, Update the Exhibit D – Illustration of Asbestos and Pollution Counterparty Reporting Exception.

The proposed revisions update the SSAP No. 62R Exhibit D to match the current format of Property and Casualty Annual Statement Schedule F-Reinsurance. This revision will remove the prior schedule F portion of the Exhibit and replace it with new tables and columns to match the current format of the Annual Statement Schedule F Reinsurance. The new Schedule F illustration is not proposed to be tracked for readability, but the removal of the old schedule will be tracked. The Supplemental Schedule for Reinsurance Counterparty Reporting Exception – Asbestos and Pollution Contracts at the end of the Exhibit D is not changing with this editorial update.

**EXHIBIT D – ILLUSTRATION OF ASBESTOS AND POLLUTION COUNTERPARTY REPORTING EXCEPTION**























**D – ILLUSTRATION OF ASBESTOS AND POLLUTION COUNTERPARTY REPORTING EXCEPTION**

*Drafting Note: Updated below table will not be shown as tracked for readability*.

Schedule F – Part 3[[1]](#footnote-4)

Aging of Ceded Reinsurance as of December 31, Current Year

(000 Omitted)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | 2 | 3 | 4 | 5 | 6 | Reinsurance Recoverable On | | |
| 7 | 8 | 9 |
| ID Number | NAIC Company Code | Name of Reinsurer | Domiciliary Jurisdiction | Special Code | Reinsurance Premiums Ceded | Paid Losses | Paid LAE | Known Case Loss Reserves |
| FEIN | #### | Retroactive Reinsurer X | NE | 3 |  | 3,000 | 3,000 | 15,000 |
| FEIN | #### | Original Company A | US | 3 |  |  |  | 5,000 |
| **Subtotal Other U.S. Authorized** | | |  |  |  | **3,000** | **3,000** | **20,000** |
| AA- | #### | Original Company B | UK | 3 |  | 12,000 | 9,000 | 2,500 |
| AA- | #### | Original Company C | UK | 3 |  | 6,000 | 3,000 | 7,500 |
| **Subtotal Other Non-U.S. Unauthorized** | | |  |  |  | **18,000** | **12,000** | **10,000** |
|  |  |  |  |  |  |  |  |  |
| **999999 Totals** | | |  |  |  | **21,000** | **15,000** | **30,000** |
|  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Reinsurance Recoverable On | | | | 16 | Reinsurance Payable | | 19 | Collateral | |
| 10 | 11 | 12 | 15 | 17 | 18 | 24 | 25 |
| Known Case LAE Reserves | IBNR Loss Reserves | IBNR LAE Reserves | Cols. 7  through 14  Totals | Amount in Dispute Included in Column 15 | Ceded Balances Payable | Other Amounts Due to Reinsurers | Net Amount Recoverable from Reinsurers Cols. 15 –  [17 + 18] | Single Beneficiary Trusts Other Allowable Collateral | Total Funds Held Payables and Collateral |
| 15,000 | 25,000[[2]](#footnote-5) | 37,500 | 98,500 |  | 6,000 |  | 92,500 |  |  |
| 2,500 | 10,000 | 15,000 | 32,500 |  |  |  | 32,500 |  |  |
| **17,500** | **35,000** | **52,500** | **131,000** |  | **6,000** |  | **125,000** |  |  |
| 7,500 | 12,500 | 5,000 | 48,500 |  |  |  | 48,500 | 48,500 | 48,500 |
| 5,000 | 2,500 | 17,500 | 41,500 |  |  |  | 41,500 | 41,500 | 41,500 |
| **12,500** | **15,000** | **22,500** | **90,000** |  |  |  | **90,000** | **90,000** | **90,000** |
|  |  |  |  |  |  |  |  |  |  |
| **30,000** | **50,000** | **75,000** | **221,000** |  | **6,000** |  | **215,000** | **90,000** | **90,000** |
|  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Reinsurance Recoverable on Paid Losses and Paid Loss Adjustment Expenses | | | | | | |
|  | Overdue | | | | |  |
| 37 | 38 | 39 | 40 | 41 | 42 | 43 |
| Current Reinsurance Recoverable on Paid Losses and Paid LAE | 1 to 29 days Reinsurance Recoverable on Paid Losses and Paid LAE | 30 to 90 days Reinsurance Recoverable on Paid Losses and Paid LAE | 91 to 120 days Reinsurance Recoverable on Paid Losses and Paid LAE | Over 120 days Reinsurance Recoverable on Paid Losses and Paid LAE | Total Overdue Reinsurance Recoverable on Paid Losses and Paid LAE | Total Due Reinsurance Recoverable on Paid Losses and Paid LAE Cols. 37 + 42  (In total should equal  Cols. 7 + 8) |
| 6,000 |  |  |  |  |  | 6,000 |
|  |  |  |  |  |  |  |
| **6,000** |  |  |  |  |  | **6,000** |
| 21,000 |  |  |  |  |  | 21,000 |
| 9,000 |  |  |  |  |  | 9,000 |
| **30,000** |  |  |  |  |  | **30,000** |
|  |  |  |  |  |  |  |
| **36,000** |  |  |  |  |  | **36,000** |
|  |  |  |  |  |  |  |

***Drafting Note:*** *The Supplemental Schedule for Reinsurance Counterparty Reporting Exception – Asbestos and Pollution Contracts at the end of the Exhibit D is not changing with this editorial update*.

1. **Update Schedule F reference in SSAP No. 63 to match the current format of the Schedule F**

*SSAP No. 63—Underwriting Pools*

Disclosures

11. If a reporting entity is part of a group of affiliated entities which utilizes a pooling arrangement under which the pool participants cede substantially all of their direct and assumed business to the pool, the financial statements shall include:

a. A description of the basic terms of the arrangement and the related accounting;

b. Identification of the lead entity and of all affiliated entities participating in the intercompany pool (include NAIC Company Codes) and indication of their respective percentage shares of the pooled business;

c. Description of the lines and types of business subject to the pooling agreement;

d. Description of cessions to non-affiliated reinsurers of business subject to the pooling agreement, and indication of whether such cessions were prior to or subsequent to the cession of pooled business from the affiliated pool members to the lead entity;

e. Identification of all pool members which are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and which have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements;

f. Explanation of any discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the lead entity and corresponding entries on the assumed and ceded reinsurance schedules of other pool participants;

g. Description of intercompany sharing, if other than in accordance with the pool participation percentage, of the Aging of Ceded Reinsurance (Schedule F, Part 3) and the write-off of uncollectible reinsurance;

h. Amounts due to/from the lead entity and all affiliated entities participating in the intercompany pool as of the balance sheet date.

1. ***SSAP No. 84—Health Care and Government Insured Plan Receivables.* Delete the quote of SSAP No. 4, paragraph 3. Paragraphs 7 and 8 will be combined and all remaining paragraphs will be renumbered.**
2. The definition and accounting treatment for nonadmitted assets is outlined in paragraph 3 of *SSAP No. 4—Assets and Nonadmitted Assets* (SSAP No. 4). Pharmaceutical rebate receivables, claim overpayment receivables, loans and advances to providers, capitation arrangement receivables, risk-sharing receivables, and amounts receivable under government insured plans meet the definition of assets as set forth in SSAP No. 4, and are admitted assets to the extent that the requirements for admission defined in this statement are met.
3. ***SSAP No. 86—Derivatives*: Remove “proposed” language from the weather derivative exhibit:**

*(Actual exhibit not duplicated.)*

**A:** Security issued directly (or through a broker), in which settlement is based on a climatic or geological variable (i.e., earthquake). This security would meet the definition of a weather derivative (incorporated into SSAP No. 86) and shall be accounted for and reported consistent with other derivatives in SSAP No. 86.

**B:** A policy issued directly from the insurer to the policyholder in which coverage (and payment of claims) is based on a climatic or geological variable (i.e., earthquake coverage). This would be classified as insurance contract and be subject to the scope exclusion in ASC 815-45-15-2 that is also included in SSAP No. 86.

1. ***SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*: Update the footnote to paragraph 12 to identify the exclusions from the wash sale disclosure:**

12. Repurchase agreements, reverse repurchase agreements, repurchase financing, collateral requirements and dollar repurchase agreements are described in paragraphs 102-118. When an asset is sold and the proceeds are reinvested within 30 days in the same or substantially the same security, such transfers shall be considered to be wash sales and shall be accounted for as sales as discussed in paragraphs 96-101 and disclosed as required by paragraph 28.l2. Unless there is a concurrent contract to repurchase or redeem the transferred financial assets from the transferee, the transferor does not maintain effective control over the transferred financial assets.

Footnote 2: Paragraph 28.l also details the items that are excluded from the wash sale disclosure.

**Status:**

On April 6, 2019, the Statutory Accounting Principles (E) Working Group moved this agenda item to the active listing, categorized as nonsubstantive, and exposed the editorial maintenance revisions as detailed above.

1. Note that unused columns have been removed for this exhibit. [↑](#footnote-ref-4)
2. This example assumes 1/2 of the original company reinsurers’ unpaid recoverables are Asbestos and Pollution related. [↑](#footnote-ref-5)