ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2023-05BWG Modified; Effective Annual 2024; Remove Reference to Identity Theft Insurance from General Instructions; Remove Interrogatory Questions from Part 1 Pertaining to Identity Theft Insurance; Remove Column for Identity Theft Insurance from Parts 2 and 3; Remove Claims-Made and Occurrence Breakdown from Data Collection. Remove Question in Interrogatories Regarding Tail Policies (Attachment Two-A)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2023-13BWG Modified; Effective Annual 2024; Add Instruction and Illustration under Note 5 – Investments for Net Negative (Disallowed) Interest Maintenance Reserve (IMR) and a General Interrogatory for a Company Attestation (Attachment Two-B)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2023-14BWG Modified; Effective Annual 2024; Revise the Health Test Language and General Interrogatories (Attachment Two-C)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2023-15BWG Modified; Effective Annual 2024; Add General Interrogatory to Provide Information for Completing C-2 Mortality Risk in Life Risk-Based Capital (Attachment Two-D)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2023-16BWG Modified; Effective Annual 2024; Change Schedule P to Show 10 Years of Data and a “Prior” Row for All Lines of Business (Attachment Two-E)

Blanks (E) Working Group Editorial Revisions to the Blanks and Instructions Presented at the February 21, 2024, Meeting (Attachment Two-F)

Draft: 3/27/24

Accounting Practices and Procedures (E) Task Force
Phoenix, AZ
March 17, 2024

The Accounting Practices and Procedures (E) Task Force met in Phoenix, AZ, March 17, 2024. The following Task Force members participated: Cassie Brown, Chair, represented by Jamie Walker (TX); Mike Causey, Vice Chair, represented by Jackie Obusek (NC); Mark Fowler represented by Todrick Burks and Blase Abreo (AL); Alan McClain represented by Chris Erwin (AR); Ricardo Lara represented by Laura Clements and Kim Hudson (CA); Andrew N. Mais represented by Kenneth Cotrone (CT); Karima M. Woods represented by N. Kevin Brown (DC); Trinidad Navarro represented by Rylynn Brown (DE); Michael Yaworsky represented by Carolyn Morgan and Jane Nelson (FL); Doug Ommen represented by Kevin Clark (IA); Dean L. Cameron represented by Eric Fletcher (ID); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Jeff Gaither (KY); Gary D. Anderson represented by John Turchi (MA); Robert L. Carey represented by Vanessa Sullivan (ME); Anita G. Fox represented by Judy Weaver (MI); Grace Arnold represented by Barbara Carey (MN); Chlora Lindley-Myers represented by John Rehagen (MO); Mike Chaney represented by Josh Ammerman (MS); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Andrea Johnson (NE); D.J. Bettencourt represented by Doug Bartlett and Pat Gosselin (NH); Adrienne A. Harris represented by Bob Kasinow (NY): Judith L. French represented by Dale Bruggeman (OH); Glen Mulready represented by Eli Snowbarger (OK); Andrew R. Stolfi represented by (OR); Michael Humphreys (PA); Michael Wise represented by Ryan Basnett (SC); Larry D. Deiter represented by Johanna Nickelson (SD); Carter Lawrence represented by Joy Little (TN); Scott A. White represented by Doug Stolte and Greg Chew (VA); Kevin Gaffney represented by Karen Ducharme and Dan Petterson (VT); Mike Kreidler represented by Steve Drutz (WA); Nathan Houdek represented by Amy Malm (WI).

1. Adopted its 2023 Fall National Meeting Minutes

Walker directed the Task Force to its 2023 Fall National Meeting minutes.

Obusek made a motion, seconded by Malm, to adopt the Task Force's Dec. 2, 2023, minutes (*see NAIC Proceedings Fall 2023, Accounting Practices and Procedures (E) Task Force*). The motion passed unanimously.

2. Adopted the Report of the Statutory Accounting Principles (E) Working Group

Bruggeman provided the report of the Statutory Accounting Principles (E) Working Group, which met March 16. During this meeting, the Working Group adopted its Feb. 20, 2024; Jan. 29, 2024; Jan. 10, 2024; and 2023 Fall National Meeting minutes.

During its Feb. 20, 2024, meeting, the Working Group:

A. Exposed revisions to *Statement of Statutory Accounting Principles (SSAP) No. 21R—Other Admitted Assets* to incorporate a new measurement method for residual interests. The revisions incorporate industry's proposal of an "effective yield with a cap" method, as well as a practical expedient to allow the "cost recovery" method. (Ref #2019-21)

B. Exposed revisions to provide detailed definitions for the annual statement reporting categories of *SSAP No. 48—Joint Ventures, Partnerships, and Limited Liability Companies* and residual interests on Schedule BA. (Ref #2023-16)

C. Adopted revisions to SSAP No. 21R to incorporate a collateral loan disclosure for year-end 2024 to detail admitted and nonadmitted collateral loans in accordance with the underlying collateral supporting the loan. The Working Group also exposed additional changes that propose collateral loan reporting lines for Schedule BA and requested comments on whether certain collateral loans backed by certain types of collateral should flow through asset valuation reserve (AVR) for risk-based capital (RBC) impact. (Ref #2023-28)

D. Directed NAIC staff to draft an agenda item in response to a referral from the Life Risk-Based Capital (E) Working Group regarding proposed RBC changes for repurchase agreements originating from the American Council of Life Insurers (ACLI).

During its Jan. 29 e-vote, the Working Group voted to expose the new market tax credit project for additional revisions made to the drafts of *SSAP No. 93—Low-Income Housing Tax Credit Property Investments* and *SSAP No. 94R—Transferable and Non-Transferable State Tax Credits*. These revisions recommend minor consistency and clarifying changes to SSAP No. 93 and SSAP No. 94R, as well as more detailed revisions to the prospective utilization assessment detailed in SSAP No. 93. (Ref #2022-14)

During its Jan. 10, 2024, meeting, the Working Group:

A. Adopted revisions to reject *Accounting Standards Update (ASU) 2016-13, Measurement of Credit Losses on Financial Instruments (CECL)* and related subsequent ASUs in various SSAPs and *Interpretation (INT) 06-07: Definition of Phrase "Other Than Temporary."* (Ref #2023-24)

B. Adopted *INT 23-04: Scottish Re Life Reinsurance Liquidation Questions*, which provides accounting and reporting guidance for ceding entities with reinsurance balances to or from Scottish Re, a U.S.-based life reinsurer in liquidation.

C. Exposed revisions to expand the transparency of reporting for collateral loans on Schedule BA to allow the quick identification of the type of collateral that supports collateral loans admittance. (Ref #2024-01)

Bruggeman stated that at its March 16 meeting the Working Group adopted revisions to *SSAP No. 34—Investment Income Due and Accrued*, SSAP No. 48, SSAP No. 93, and SSAP No. 94R, effective Jan. 1, 2025. The revisions provide new concept revisions and new titles for *SSAP No. 93R—Investments in Tax Credit Structures* and *SSAP No. 94R—State and Federal Tax Credits* which expands the scope of both SSAPs, and consistency revisions to SSAP No. 34 and SSAP No. 48. The Working Group directed NAIC staff to sponsor a blanks proposal on the annual statement reporting categories for tax credit investment RBC, issue a referral to the Life Risk-Based Capital (E) Working Group to inform it of the planned reporting line changes, and draft an issue paper to document the discussions and revisions for the new market tax credit project. (Ref #2022-14)

Bruggeman stated that the Working Group adopted the following clarifications to statutory accounting guidance:

A. SSAP No. 21R: Adopted revisions to incorporate a new measurement method for residual interests, which incorporate industry's proposal of an "effective yield with a cap" method, as well as a practical expedient to allow the "cost recovery" method. (Ref #2019-21)

B. *SSAP No. 97—Investments in Subsidiary, Controlled, and Affiliated Entities*: Adopted revisions that update the language in SSAP No. 97, paragraph 24, on audits and admissibility to better align with guidance in paragraphs 26 and 27 on the look-through methodology. (Ref #2023-30)

C. *Annual Statement Instructions*: Adopted revisions that will be forwarded as a proposal to the Blanks (E) Working Group to clarify that realized gains and losses on perpetual preferred stock and mandatory convertible preferred stock shall not be added to the interest maintenance reserve (IMR), regardless of NAIC designation, and shall follow the same concepts that exist for common stock in reporting through the AVR. (Ref #2023-29)

D. *Appendix D—Nonapplicable GAAP Pronouncements*: The following U.S. generally accepted accounting principles (GAAP) standards were rejected as they are not applicable to statutory accounting:

i. *ASU 2023-03, Amendments to U.S. Securities and Exchange Commission (SEC) Paragraphs* (Ref #2023-25)

ii. *ASU 2023-04, Amendments to SEC Paragraphs—Cryptocurrency* (Ref #2023-27)

Mr. Bruggeman stated that the Working Group exposed the following statutory accounting principle (SAP) concepts and clarifications to statutory accounting guidance for a public comment period ending May 31, except for agenda item 2024-13, which has a public comment period ending April 19:

A. *SSAP No. 2R—Cash, Cash Equivalents, Drafts, and Short-Term Investments*: Exposed revisions to eliminate lingering references that imply that asset-backed securities (ABS), mortgage loans, or other Schedule BA: Other long-term invested assets items are permitted to be reported in the scope of SSAP No. 2R. (Ref #2024-09)

B. *SSAP No. 15—Debt and Holding Company Obligations* and *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*: Exposed revisions to adopt, with modification, disclosures from ASU *2023-06, Disclosure Improvements.* The additional disclosures are for unused commitments and lines of credit, disaggregated by short-term and long-term, and disclosures of accrued interest from repos and securities borrowing, separate disclosure of significant (10% of admitted assets) reverse repos, and counterparty disclosures for repos and reverse repos that are significant (10% of adjusted capital and surplus). (Ref #2023-26)

C. *SSAP No. 19—Furniture, Fixtures, Equipment, and Leasehold Improvements* and *SSAP No. 73—Health Care Delivery Assets and Leasehold Improvements in Health Care Facilities*: Exposed revisions to adopt, with modification, the leasehold improvement guidance from *ASU 2023-01, Leases (Topic 842), Common Control Arrangements*, modified to align with existing guidance, and reject the practical expedient for private companies and not-for-profit entities. (Ref #2024-02)

D. *SSAP No. 20—Nonadmitted Assets*: Exposed revisions to SSAP No. 20 that clarify that directly held crypto assets are nonadmitted assets for statutory accounting and to adopt the definition of crypto assets from *ASU 2023-08, Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60), Accounting for and Disclosure of Crypto Assets*. (Ref #2024-03)

E. *SSAP No. 25—Affiliates and Other Related Parties, SSAP No. 63—Underwriting Pools,* and *INT 03-02: Modification to an Existing Intercompany Pooling Arrangement:* The Working Group exposed revisions to SSAP No. 63 and SSAP No. 25 to address transfers of assets when modifying intercompany pooling agreements. The Working Group also exposed the intent to nullify INT 03-02. (Ref #2022-12)

F. *SSAP No. 26R—Bonds*: Re-exposed revisions to expand the transparency of reporting for collateral loans on Schedule BA to allow for quick identification of the type of collateral that supports admittance of collateral loans and define debt issued by funds operations. It was noted during discussion that no collateral loans should be included in the private equity line because there is already a separate collateral loan reporting line. (Ref #2024-01)

G. SSAP No. 26R, SSAP No. 21R, *SSAP No. 30R—Unaffiliated Common Stock, SSAP No. 32R—Preferred Stock, SSAP No. 43R—Loan-Backed and Structured Securities,* and SSAP No. 48: Exposed revisions to incorporate consistency revisions for residuals so that all SSAPs refer to SSAP No. 21R for the formal definition and accounting and reporting guidance. (Ref #2024-08)

H. *SSAP No. 27—Off-Balance-Sheet and Credit Risk Disclosures*: Exposed revisions to incorporate Financial Accounting Standard (FAS) 105 guidance directly into SSAP No. 27 and update the related annual statement instructions to more accurately reflect the existing required disclosures. (Ref #2024-12)

I. *SSAP No. 56—Separate Accounts*: Exposed the agenda item and directed NAIC staff to work with industry in determining current applications/differences in interpretations for the reporting of book value assets and to propose revisions to incorporate a consistent statutory accounting approach. (Ref #2024-10)

J. *SSAP No. 61R—Life, Deposit-Type, and Accident and Health Reinsurance*: Exposed revisions to incorporate guidance to SSAP No. 61R that is consistent with the guidance currently in *SSAP No. 62R—Property and Casualty Reinsurance*, Exhibit A Implementation Questions and Answers, question 10. This guidance requires risk transfer to be evaluated in aggregate for contracts with interrelated contract features such as experience rating refunds. The Working Group also added reference to A-791, paragraph 6 guidance in the yearly renewable term guidance paragraph regarding the entirety of the contract. (Ref #2024-06)

K. *SSAP No. 101—Income Taxes*: Exposed revisions to adopt, with modification, *ASU 2023-09, Improvements to Income Tax Disclosures* that would add certain disclosures from ASU 2023-09 and remove one existing disclosure to conform with the ASU. (Ref #2024-11)

L. SSAP No. 103R: The Working Group exposed the agenda item and directed NAIC staff to work with industry in determining current application/interpretation differences on the reporting of securities lending collateral and repurchase agreement collateral for possible consistency revisions. (Ref #2024-04)

M. *SSAP No. 107—Risk-Sharing Provisions of the Affordable Care Act*: Exposed revisions to remove disclosures for the expired transitional reinsurance and risk corridors programs. (Ref #2024-13)

N. *Accounting Practices and Procedures Manual (AP&P Manual) Editorial Revisions*: Exposed editorial revisions remove the "Revised" and "R," which were previously intended to identify a substantively revised SSAP, from SSAP titles and SSAP references within the AP&P Manual. (Ref #2024-14EP)

O. *Appendix A-791 Life and Health Reinsurance Agreements (A-791)*: Exposed revisions to remove the first sentence of the A-791, paragraph 2c's Question and Answer. In addition, the Working Group directed notification of the exposure to the Valuation Analysis (E) Working Group, the Life Actuarial (A) Task Force, and the Reinsurance (E) Task Force. (Ref #2024-05)

P. *Annual Statement Blanks*: Exposed a project that proposed to add a new part to the reinsurance Schedule S in the life/fraternal and health annual statement blanks and Schedule F in the property/casualty (P/C) and title annual statement blanks, which is similar in structure to Schedule DL and would include all assets held under a funds withheld arrangement and would include a separate signifier for modified coinsurance assets. (Ref #2024-07)

Bruggeman stated that the Working Group directed NAIC staff on the following items:

A. *SSAP No. 58—Mortgage Guaranty Insurance*: The Working Group directed NAIC staff to develop updates to SSAP No. 58 and *Appendix A-630 Mortgage Guaranty Insurance* to incorporate the 2023 revisions to the *Mortgage Guaranty Insurance Model Act* (#630). (Ref #2023-31)

Bruggeman stated that the Working Group received updates on the following:

A. U.S. GAAP exposures, noting that pending items will be addressed during the normal maintenance process.

B. IMR Ad Hoc Group activities.

C. International Association of Insurance Supervisors (IAIS) Audit and Accounting Working Group activities.

Bruggeman made a motion, seconded by Clark, to adopt the report of the Statutory Accounting Principles (E) Working Group (Attachment One). The motion passed unanimously.

3. Adopted the Report of the Blanks (E) Working Group

Gosselin provided the report of the Blanks (E) Working Group, which met Feb. 21. During this meeting, the Working Group took the following action: 1) adopted its Nov. 7, 2023, minutes; and 2) re-exposed the following proposal for an additional public comment period:

A. 2023-12BWG Modified – Categorize debt securities on Schedule BA that do not qualify as bonds under SSAP No. 26R or SSAP No. 43R and are captured in the scope of SSAP No. 21R.

Gosselin stated that the Working Group adopted its editorial listing and the following proposals:

A. 2023-05BWG Modified – Changes to the cybersecurity supplement to remove the reference to identity theft insurance from the General Instructions; remove the interrogatory questions from Part 1 that pertain to identity theft insurance; and remove the column for identity theft insurance from Part 2 and Part 3. Remove claims-made and occurrence breakdown from data collection and remove the question in the interrogatories regarding tail policies.

B. 2023-13BWG Modified – Add new instruction and illustration under Note 5 – Investments for Net Negative (Disallowed) IMR and a new general interrogatory for a company attestation.

C. 2023-14BWG Modified – Revise the health test language and general interrogatories.

D. 2023-15BWG Modified – Add a new general interrogatory to the Life General Interrogatories Part 2 to provide needed information for completing the C-2 mortality risk in the life RBC.

E. 2023-16BWG Modified – Change Schedule P in the property/casualty blank to show 10 years of data and a “prior” row for all lines of business beginning in 2024. This modifies requirements for seven lines of business that currently only show two years of data and a “prior” row.

Gosselin stated that the Working Group exposed six new items for a comment period ending April 23.

Gosselin made a motion, seconded by Drutz, to adopt the report of the Blanks (E) Working Group (Attachment Two). The motion passed unanimously.

Having no further business, the Accounting Practice and Procedures (E) Task Force adjourned.

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Draft Pending Adoption

Draft: 4/1/24

Statutory Accounting Principles (E) Working Group
Phoenix, Arizona
March 16, 2024

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force met in Phoenix, AZ, March 16, 2024. The following Working Group members participated: Dale Bruggeman, Chair (OH); Kevin Clark, Vice Chair (IA); Todrick Burks (AL); Kim Hudson, Michelle Lo, and Laura Clements (CA); William Arfanis and Jack Broccoli (CT); Rylynn Brown (DE); Cindy Andersen (IL); Stewart Guerin (LA); Judy Weaver and Steve Mayhew (MI); Doug Bartlett and Pat Gosselin (NH); Bob Kasinow (NY); Diana Sherman (PA); Jamie Walker and Rachel Hemphill (TX); Doug Stolte and David Smith (VA); and Amy Malm (WI).

1. Adopted its Feb. 20, 2024; Jan. 29, 2024; Jan. 10, 2024; and 2023 Fall National Meeting Minutes

The Working Group met March 7, 2024, 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 Spring National Meeting agendas.

During its Feb. 20, 2024, meeting, the Working Group took the following action: 1) exposed revisions to *Statement of Statutory Accounting Principles (SSAP) No. 21R—Other Admitted Assets* to incorporate a new measurement method for residual interests; 2) exposed revisions to provide detailed definitions for the annual statement reporting categories of *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* and residual interests on Schedule BA (Ref #2023-16); 3) adopted revisions to SSAP No. 21R to incorporate a collateral loan disclosure for year-end 2024; and 4) exposed additional changes that propose collateral loan reporting lines for Schedule BA (Ref #2023-28).

The Working Group conducted an e-vote that concluded Jan. 29, 2024, to expose additional revisions made to the drafts of *SSAP No. 93R—Low-Income Housing Tax Credit Property Investments* and *SSAP No. 94R—Transferable and Non-Transferable State Tax Credits* as part of Agenda Item 2022-14 New Market Tax Credits.

During its Jan. 10, 2024, meeting, the Working Group took the following action: 1) adopted *Interpretation (INT) 23-04 Scottish Re Life Reinsurance Liquidation Questions*; 2) adopted revisions to reject *Accounting Standards Update (ASU) 2016-13, Measurement of Credit Losses on Financial Instruments* (CECL) and related subsequent ASUs; and 3) exposed revisions to expand the transparency of reporting for collateral loans.

Malm made a motion, seconded by Sherman, to adopt the Working Group's Feb. 20, 2024 (Attachment One-A); Jan. 29, 2024 (Attachment One-B); Jan. 10, 2024 (Attachment One-C); and Dec. 1, 2023 (*see NAIC Proceedings – Fall 2023, Accounting Practices and Procedures (E) Task Force, Attachment One*) minutes. The motion passed unanimously.

2. Reviewed Comments on Exposed Items

The Working Group reviewed comments received (Attachment One-D) on its exposed items.

A. <u>Agenda Item 2022-14</u>

Bruggeman directed the Working Group to agenda item 2022-14: New Market Tax Credits. Wil Oden (NAIC) stated the agenda item was drafted in response to the Inflation Reduction Act and the subsequent issuance of *ASU 2023-02, Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*, which permitted the application of the proportional amortization method for income tax equity investments. He stated that this agenda item updates the title and broadens the scope of *SSAP No. 93—Investments in Tax Credit Structures*, to include any qualifying tax credit investment, regardless of structure or the type of state or federal tax credit program. Additionally, the title and scope of *SSAP No. 94R—State and Federal Tax Credits* was expanded to include both state and federal purchase tax credits. Oden stated that interested parties submitted comments for the Jan. 29 exposure. He stated that most of the comments provided by interested parties were regarding updates to the risk-based capital (RBC) reporting lines for tax credit investments, though one comment noted an error in the examples, which NAIC staff have since corrected. Oden recommended the Working Group adopt the exposed revisions, which have been updated to reflect suggested example edits from interested parties. He recommended the Working Group sponsor a blanks proposal in the annual statement reporting categories for tax credit investment RBC, using suggestions from the interested parties' comment letter. Oden recommended the Working Group direct staff to send a referral to the Life Risk-Based Capital (E) Working Group to inform it of planned reporting line changes. He recommended the Working Group direct NAIC staff to prepare an issue paper to document the discussions.

Weaver made a motion, seconded by Sherman, to adopt the exposed revisions to *SSAP No. 34—Investment Income Due and Accrued* and SSAP No. 48 (Attachment One-E), SSAP No. 93R (Attachment One-F), and SSAP No. 94R (Attachment One-G), and to direct NAIC staff to complete the recommended actions. The motion passed unanimously.

B. <u>Agenda Item 2023-25</u>

Bruggeman directed the Working Group to agenda item 2023-25: ASU 2023-03 – SEC Updates. Oden stated that agenda item 2023-25 was drafted in response to *ASU 2023-03 – SEC Updates*, which amended various aspects of U.S. Securities and Exchange Commission (SEC) guidance on stock compensation equity-based payments. Oden stated that interested parties had no comments on this item and that NAIC staff recommend the Working Group adopt the exposed revisions to *Appendix D–Nonapplicable GAAP Pronouncements,* to reject ASU 2023-03 as not applicable to statutory accounting.

Walker made a motion, seconded by Bartlett, to adopt revisions to Appendix D to reject ASU 2023-03 (Attachment One-H) as not applicable to statutory accounting. The motion passed unanimously.

C. <u>Agenda Item 2023-27</u>

Bruggeman directed the Working Group to agenda item 2023-27: ASU 2023-04 – SEC Updates – Crypto. Jake Stultz (NAIC) stated this agenda item is specific to ASU 2023-04 paragraphs specifically regarding crypto currency. Stultz stated that the original exposure recommended this be rejected in *Appendix D–Non-Applicable GAAP Pronouncements*. He stated that interested parties did not have any comments and that NAIC staff recommend the Working Group adopt this agenda item.

Walker made a motion, seconded by Malm, to adopt revisions to Appendix D to reject ASU 2023-04 (Attachment One-I) as not applicable to statutory accounting. The motion passed unanimously.

D. Agenda Item 2023-29

Bruggeman directed the Working Group to agenda item 2023-29: IMR/AVR Preferred Stock. Julie Gann (NAIC) stated that this agenda item addresses interest maintenance reserve (IMR) and asset valuation reserve (AVR) preferred stock. She stated that this is an annual statement instruction revision only, and it was identified that the guidance and the annual statement instructions still directed that perpetual preferred stock be allocated between IMR/AVR based on NAIC designation. Gann stated that, previously, guidance was revised so that those are always at fair value, so there was a disconnect between the annual statement instructions and the statutory accounting measurement guidance. She stated that the exposed revisions clarified that only redeemable preferred stock with NAIC designations would go through IMR and that perpetual preferred stock would always go through AVR. Gann stated that interested parties agreed, but they also identified that mandatorily redeemable preferred stock should also be included because since it is mandatorily redeemable, it should also be at fair value. She stated that NAIC staff are recommending f adoption of the exposed revisions with slight revisions to refer to the mandatory redeemable convertible preferred stocks, regardless of whether they are redeemable or perpetual. Gann stated that interested parties approve of the revisions.

Sherman made a motion, seconded by Clark, to adopt the revisions, which will be forwarded as a proposal to the Blanks (E) Working Group, to clarify that realized gains and losses on perpetual preferred stock and mandatory convertible preferred stock shall not be added to IMR, regardless of NAIC designation, and shall follow the same concepts that exist for common stock in reporting realized gains/losses to AVR (Attachment One-J). The motion passed unanimously.

E. Agenda Item 2023-30

Bruggeman directed the Working Group to agenda item 2023-30: Admissibility Requirements of Investments in Downstream Holding Companies. Robin Marcotte (NAIC) stated that the Working Group exposed consistency revisions to the existing guidance in *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* to update language in paragraph 24 on audits and admissibility to better align with guidance in paragraphs 26 and 27 on the look-through methodology. Marcotte stated that interested parties provided comments suggesting the removal of one extra exposed phrase. She stated that NAIC staff recommend the Working Group adopt the exposed revisions with the deletion of the extra exposed phrase.

Clark made a motion, seconded by Bartlett, to adopt the exposed revision with the minor modification proposed by interested parties. The revisions update the language in SSAP No. 97, paragraph 24, on audits and admissibility to better align with guidance in paragraphs 26 and 27 on the look-through methodology (Attachment One-K). The motion passed unanimously.

F. Agenda Item 2023-31

Bruggeman directed the Working Group to agenda item 2023-31: Model 630 Mortgage Guaranty Insurance. Marcotte stated that the Working Group exposed a project to address the updates to the *Mortgage Guaranty Insurance Model Act* (#630). She stated that this model is excerpted in *Appendix A-630 Mortgage Guaranty Insurance,* which is referenced in *SSAP No. 58—Mortgage Guaranty Insurance*. She stated that this agenda item was intended to announce the project and ask for comments on a proposed effective date. Marcotte stated that interested parties had no comments and that NAIC staff recommend the Working Group direct staff to develop updates to SSAP No. 58 and *Appendix A-630—Mortgage Guaranty Insurance* for future discussion. She stated that because there are approximately 10 mortgage guaranty insurers, and they are concentrated in a small number of states, NAIC staff will work with the effected states to establish a proposed effective date.

Draft Pending Adoption

Bruggeman noted agreement with directing NAIC staff as outlined and noted a motion was not required for the Working Group to direct NAIC staff.

G. Agenda Item 2024-01

Bruggeman directed the Working Group to agenda item 2024-01: Bond Definition – Debt Securities Issued by Funds. Gann stated that this agenda item was a revision to the adopted guidance for the principles-based bond definition in *SSAP No. 26R—Bonds*. She stated that the goal was to clarify the guidance for debt securities issued by funds and that, currently, the guidance adopted allows debt securities issued by SEC registered funds to be classified as issuer credit obligations. She stated that the SEC registration is a key component of that guidance and is a rule component. Gann stated that since the Working Group is trying to make the bond definition principles-based, revisions have been exposed to eliminate that specific rule and instead incorporate a principles-based concept that could be used in determining whether debt security issued by funds meets the criteria of an operating entity and should be recognized as issuer credit obligations.

Gann stated that interested parties requested a small change regarding the description of the amount of debt, proposing a change from marginal to prudent. She stated that a support letter was also received from PineBridge Investments. Gann stated that during the interim with the exposure, the Working Group received several informal comments from both regulators and industry, identifying some interpretations of this guidance that were going beyond the intent. She stated that some companies were interpreting this guidance to allow debt securities from feeder funds or rated notes to automatically be classified as issuer credit obligations, even though equity-type interests backed them. She stated that due to this, NAIC staff are not recommending the adoption of this guidance at this time. Instead, NAIC staff recommend re-exposure with direction to regulators and the industry to work together to develop guidance that accurately identifies what should be permitted as debt securities issued by funds that cannot be extrapolated to also include feeder funds or other collateralized fund obligation (CFO) type investments that are intended to be assessed as asset-back securities. Gann stated that the current guidance has the SEC registration component and that until and unless something else is adopted that replaces that guidance, only debt securities issued by SEC-registered funds would be permitted to be classified as issuer credit obligations under the principles-based bond definition.

Bruggeman stated that the feeder funds were a discussion topic at some point during the bond definition discussion, and there was a lot of back and forth to make sure the Working Group understood how they worked. He stated that the Working Group does not want to start making changes to the project's original intent and that the point of the revisions was to make the guidance better aligned with the residual's definition.

Clark stated that the principle is that an asset-backed security (ABS) issuer is an entity that exists with the primary purpose of raising debt capital. He stated that the exposed guidance was trying to better clarify how to evaluate a fund under those criteria. He stated that given a feeder fund's sole purpose is to raise capital through investors that have to invest in debt instruments but cannot directly invest in a master fund, he is confused how there could be any kind of interpretation that would allow all feeder fund issuances to be issuer credit obligations. He stated that it seems like that would be completely contradictory to what it says, so through this re-exposure period, he will look for some clarification on how the Working Group can avoid that interpretation or help the Working Group understand how that interpretation came to be in the first place.

Mike Reis (Northwestern Mutual), representing interested parties, stated that interested parties support the goal the exposure is trying to achieve. He stated that interested parties had several calls and believed they understood what it meant and thought they had the same conclusion that Clark did on feeder funds. He stated that interested parties look forward to working with the Working Group to achieve the objective without misinterpretation.

Clark made a motion, seconded by Weaver, to re-expose the agenda item for debt securities issued by funds with a request for regulators and industry to provide comment on the proposed language that assists with clarifying the scope of guidance and to the types of debt securities issued by funds that should be considered as operating entities, and the proposed language to better define the extent of debt that may be issued to fund operations. This re-exposure and request for clarification intends to address interpretations from the original exposure that the revised guidance would permit feeder funds (and other structures that raise debt capital) to be classified as issuer credit obligations, which is not intended under the guidance. The motion passed unanimously.

H. Agenda Item 2019-21

Bruggeman directed the Working Group to agenda item 2019-21: SSAP No. 21R - Principles-Based Bond Project. Gann stated that in February, the Working Group exposed an updated SSAP No. 21R for a shortened comment period to allow a final look at proposed revisions to encompass the guidance for non-bond debt securities, the accounting and reporting guidance in the classification of those in scope of SSAP No. 21R, and then to prescribe the measurement method for residual interests. She stated that the component of the non-bond debt securities has been exposed a couple of times now with no comments received. Gann stated that the last couple of exposures were focused on the measurement method for the residual interests. She stated that the way the guidance is currently written is that there is a new amortized cost calculation for residual interests in which a company would calculate the effective yield based on expected cash flows at the time of acquisition, and then as cash flows are received, anything received in accordance with that effective yield would be recognized as interest income. She stated that the amounts received in excess would reduce the book/adjusted carrying value (BACV). Gann stated there is also a practical expedient included where a company could elect to take all cash flows received from residual as a reduction to BACV. She stated that if electing the practical expedient, no interest income would be recognized until the BACV ends at zero. She stated that also under the new SSAP No. 21R measurement method, the recognition of residual interest would be capped at cost. Gann stated that some companies have recorded increases in cost historically, so the current BACV is significantly higher than the cost. She stated that the guidance in SSAP No. 21R is intended to be prospective, so NAIC staff do not necessarily anticipate those to be an elimination, but going forward, recognition of residuals would be kept at cost.

Gann stated that two comments were received from interested parties. One was a minor editorial change on sub-paragraph numbering, and the other had to do with a disclosure component related to *SSAP No. 43R—Loan-Backed and Structured Securities*. She stated that the way the guidance is worded in SSAP No. 21R is that in the non-bond debt security guidance, they would follow SSAP No. 43R for the recognition of other than temporary impairment (OTTI) allocation between IMR and AVR. Gann stated that interested parties provided a comment on the bifurcated impairment disclosure that exists in SSAP No. 43R, and the edit would have expanded the disclosure requirement for SSAP No. 21R to be an individual security reporting if they had bifurcated impairment. She stated that is not what was intended in that disclosure, so NAIC staff are recommending that the Working Group not adopt the interested parties' change since there already is an aggregate disclosure, and the individual one is only for those with bifurcated impairment. Gann stated that NAIC staff recommend the Working Group adopt SSAP No. 21R, with minor sub-paragraph edits as identified by interested parties. She stated that this will be the last SSAP revised as part of the principles-based bond definition. She stated that, upon adoption, the project should be complete minus the issue paper, which is being drafted for historical documentation purposes. Gann stated that Schedule D was already adopted by the Blanks (E) Working Group, and the only remaining piece on the reporting side is Schedule BA, which is currently exposed, and the adoption consideration should occur in May.

She stated that NAIC staff are also working on a comprehensive training program for the bond project and are hoping to have it completed in 2024.

Bruggeman stated that this is planned to be effective Jan. 1, 2025, with early adoption allowed for residuals only. He stated that those companies that are increasing BACV from the original cost should be very conservative and follow the company's accounting policy.

Kasinow made a motion, seconded by Walker, to re-expose revisions to SSAP No. 21R to incorporate a new measurement method for residual interests. The current revisions incorporate industry's proposal of an "effective yield with a cap" method, as well as a practical expedient to allow the "cost recovery" method. The motion passed unanimously.

I. <u>Agenda Item 2022-12</u>

Bruggeman directed the Working Group to agenda item 2022-12: Review of INT 03-02: Modification to an Existing Intercompany Pooling Arrangement*.* Marcotte stated that this agenda item was originally introduced in 2022 and proposed to nullify *INT 03-02: Modification to an Existing Intercompany Pooling Arrangement*, as it is inconsistent with guidance in *SSAP No. 25—Affiliates and Other Related Parti*es on affiliated related party transactions regarding economic and non-economic transactions between related parties. Marcotte stated that interested parties recommend replacing the guidance in INT 03-02 with additional guidance in SSAP No. 25 to add a paragraph which would continue to allow the use of book value for the transfer of assets, only related to existing intercompany pooling arrangements and those modifications. She stated that for *SSAP No. 63—Underwriting Pools*, on intercompany pooling, interested parties also proposed additional changes that would continue to allow intercompany pooling arrangements to be held at book value. Marcotte stated that this will be narrow, specific, and only apply to intercompany pooling, and it should not be analogized to other situations. She stated that NAIC staff recommend the Working Group decide between two options. The first option is to nullify and no longer allow an exception for intercompany pooling. The second option, if the Working Group decides to maintain an exception that allows the transfer of assets at book value for these intercompany pooling agreements, NAIC staff suggest that it be narrow and specific. She stated that NAIC staff recommend nullifying INT 03-02 with both options. Marcotte also stated that some states require a Form D filing to review assets being transferred in addition to the reinsurance agreement, but that NAIC staff did not add extra language related to that.

Bruggeman stated that perhaps, in completing the reviews of Form D for reinsurance, the regulator needs to make a comment on the book value or confirm that any assets instead of cash were reported at book value and or market value. He stated that the Working Group should not override what the state requires from a company. He stated that in honing it down to just intercompany pooling adjustments, or especially adding a new company, it makes sense to do it at book value because otherwise the liabilities coming across are different than what the assets are.

Arfanis, Clark, and Hudson expressed support for the exposure with the additional wording suggested by interested parties. Malm suggested that the Working Group refer this issue to the Risk-Focused Surveillance (E) Working Group to provide notification of the changes.

Arfanis made a motion, seconded by Clark, to expose revisions to SSAP No. 63 and SSAP No. 25 to address transfers of assets when modifying intercompany pooling agreements. In addition, the Working Group exposed its intent to nullify INT 03-02. The motion passed unanimously.

J. Agenda Item 2024-06

Bruggeman directed the Working Group to agenda item 2024-06: Risk Transfer Analysis on Combination Reinsurance Contracts. Marcotte stated that this agenda item resulted from a referral from the Valuation Analysis (E) Working Group regarding reinsurance risk transfer and reserve credit for a particular form of reinsurance observed by regulators in the life insurance industry. She stated that the referral identified issues on evaluating reinsurance for risk transfer when there is more than one type of reinsurance, and there is an interdependence of the types of reinsurance, including but not limited to an experienced refund based on the aggregate experience. Marcotte stated the Valuation Analysis (E) Working Group noted that these types of reinsurance contracts should be evaluated together and not have separate risk transfer evaluations. She stated that the Working Group also noted concerns with overstated reserve credit due to bifurcated risk transfer analysis and provided an example treaty with coinsurance and a yearly renewable term that had an aggregate experience refund and the inability to independently recapture the separate types of reinsurance. Marcotte stated that the Valuation Analysis (E) Working Group expressed concern that some companies were taking too large of a reserve credit and noted concerns on risk transfer. She stated that NAIC staff recommend exposing new guidance that is derived from *SSAP No. 62R—Property and Casualty Reinsurance, Implementation Guide*. She noted that the source of the guidance in SSAP No. 62R was U.S. generally accepted accounting principles (GAAP), and under GAAP, the proposed guidance is also relevant to long-term contracts.

Bruggeman stated that the Working Group previously made SSAP changes related to reinsurance with the goal of being as consistent as possible across all business types. He stated that in a Form D filing, there cannot be a series of separate transactions and that regulators must look at them together. Bruggeman stated that is what the Valuation Analysis (E) Working Group is attempting to convey.

Clark made a motion, seconded by Walker, to expose revisions to incorporate guidance to *SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance*, which is consistent with the guidance currently in SSAP No. 62R, Exhibit A Implementation Questions and Answers, question 10. This guidance requires risk transfer to be evaluated in aggregate for contracts with interrelated contracts features, such as experience rating refunds. The exposure also recommends adding a reference in *Appendix A-791—Life and Health Reinsurance Agreements*, paragraph 6, clarifying the yearly renewable term guidance regarding the entirety of the contract. The motion passed unanimously. The Working Group also directed notification of the exposure to VAWG, the Life Actuarial (A) Task Force, and the Reinsurance (E) Task Force.

3. Considered Maintenance Agenda—Pending Listing

Stolte made a motion, seconded by Walker, to expose the following statutory accounting principle (SAP) concepts and clarifications to statutory accounting guidance until May 31, except for agenda item 2024-13, which has a comment deadline of April 19. The motion passed unanimously.

A. Agenda Item 2024-02

Bruggeman directed the Working Group to agenda item 2024-02: ASU 2023-01, Leases (Topic 842), Common Control Arrangements. Stultz stated that this agenda item is a clean-up item to Financial Accounting Standards Board (FASB) Topic 842 which covers two separate issues. He stated that the first issue is an optional practical expedient, specifically for private companies and not for profit companies, that NAIC staff are recommending the Working Group reject. The second issue provides updated guidance for leasehold improvements associated with a lease between entities under common control or within the same holding company group. Stultz stated since assets are going to be held in the same holding company group, it allows companies to factor that in when establishing the life of leasehold improvements. He stated that this issue could impact some companies that have these arrangements and so, in order to keep the statutory accounting guidance for leases as close as possible to U.S. GAAP while also maintaining the operating lease treatment for statutory accounting, NAIC staff recommend the Working Group incorporate this guidance for the leasehold improvements into *SSAP No. 19—Furniture, Fixtures, Equipment and Leasehold Improvements* and *SSAP No. 73—Health Care Delivery Assets and Leasehold Improvements in Health Care Facilities*.

B. Agenda Item 2024-03

Bruggeman directed the Working Group to agenda item 2024-03: ASU 2023-08, Accounting for and Disclosure of Crypto Assets. Stultz stated that this agenda item is for accounting guidance and disclosure guidance for crypto assets. He stated that ASU 2023-08 establishes that crypto assets are intangible assets and provides several updates for disclosures. He stated that NAIC staff recommend the Working Group expose the FASB definition of crypto currency into *SSAP No. 20—Nonadmitted Assets* with minor modification to align with statutory accounting language, which would permanently clarify that crypto assets do not meet the definition of an admitted asset for statutory accounting. He also stated that NAIC staff recommend the Working Group maintain existing general interrogatories for crypto assets as that will allow regulators to obtain the cryptocurrency information in situations when companies do hold these assets and, upon adoption of the recommended guidance, nullify *INT 21-01: Accounting for Cryptocurrencies*.

C. Agenda Item 2024-04

Bruggeman directed the Working Group to agenda item *2024-04: Conforming Repurchase Agreements*. Gann stated that this agenda item was drafted in response to a referral from the Life Risk-Based Capital (E) Working Group received in January, which addressed conforming repurchase agreements. She stated that the referral was received pursuant to an American Council of Life Insurers (ACLI) request to modify the treatment of repurchase agreements in the life RBC formula, to converge with the treatment of conforming securities lending programs. Gann stated that NAIC staff reviewed the referral and provided an immediate response. She said in that response, it was identified that accounting and reporting are currently different for securities lending and repurchase agreements. As such, before an RBC factor change is considered, further investigation is needed to assess and determine whether convergence of accounting and reporting guidance for securities lending and repurchase agreements is appropriate for statutory accounting. Gann stated that, also in the referral response, it was identified that this topic would be addressed as an agenda item as soon as possible. She stated that NAIC staff have identified several other areas to recommend for Working Group review, including:

- Schedule DL currently only encompasses securities lending and expanding that to repurchase agreements would be part of the agenda item.
- Blanks reporting revisions would be needed to incorporate the RBC factor change for a new line for conforming repurchase agreements.
- An assessment of conforming provisions on Schedule DL.

Gann stated that NAIC staff are recommending exposure of the agenda item and for the Working Group to direct NAIC staff to work with industry and regulators to review these items during the exposure period.

D. Agenda Item 2024-05

Bruggeman directed the Working Group to agenda item 2024-05: Appendix A-791 Life and Health Reinsurance Agreements. Marcotte stated that the agenda item is a response to the other Valuation Analysis (E) Working

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Group exposure sent to the Working Group. She stated that the Valuation Analysis (E) Working Group recommended a clarifying edit to Appendix A-791, Section 2.c's question and answer (Q&A) section. Marcotte stated that the Valuation Analysis (E) Working Group recommends deleting one sentence within the Q&A section because the sentence was unnecessary and may create confusion and misinterpretation. She stated that NAIC staff recommend exposing the agenda item to remove the sentence and notify the Valuation Analysis (E) Working Group, the Life Actuarial (A) Task Force, and the Reinsurance (E) Task Force of the exposure.

E. <u>Agenda Item 2024-07</u>

Bruggeman directed the Working Group to agenda item 2024-07: Reporting of Funds Withheld and Modco Assets. Stultz stated that this agenda item stemmed from the larger IMR project where NAIC staff identified a need to identify assets that are subject to a funds withheld or a modified coinsurance (modco) arrangement. He stated that the goal of this agenda item is to work towards establishing new reporting for funds withheld assets, and then further including a signifier for modco assets. Stultz stated that NAIC staff are recommending the Working Group add a new part to Schedule S for the Life and Fraternal and Health Annual Statements and Schedule F for Property/Casualty and Title, similar to in structure to the current Schedule DL. He stated that this reporting will allow for the reporting of assets that are subject to funds withheld arrangements as well as a signifier for assets subject to a modco arrangement, with the goal of having it flow cleanly into RBC.

F. <u>Agenda Item 2024-08</u>

Bruggeman directed the Working Group to agenda item 2024-08: Consistency Revisions for Residuals. Gann stated that this agenda item will eliminate all the edits that were done previously and will incorporate the guidance into one location. Gann stated that, with the adoption of SSAP No. 21R which includes the definition of residuals, and all of the accounting and reporting guidance, this agenda item will eliminate the definitions that were included in SSAP No. 26R, *SSAP No. 30R—Unaffiliated Common Stock*, *SSAP No. 32R—Preferred Stock*, SSAP No. 43R, and SSAP No. 48, so that there is a single source for the definition of residuals and all of those SSAPs point to the guidance in SSAP No. 21R. She stated that this will be consistent and will eliminate situations where the guidance may be different in one SSAP versus the other. Gann stated that NAIC staff are recommending exposure of all the edits within the agenda item.

G. <u>Agenda Item 2024-09</u>

Bruggeman directed the Working Group to agenda item 2024-09: SSAP No. 2R – Clarification. Gann stated that this agenda proposes an editorial change to *SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments*. She stated that NAIC staff were made aware of lingering references that imply that ABS, mortgage loans, or other Schedule BA: Other Long-Term Invested Assets items are permitted to be reported in the scope of SSAP No. 2R. She stated that those items are no longer allowed to be reported as cash equivalents or short-term investments under revisions already adopted. Gann stated that this agenda item has minor edits to remove those lingering references so there is no confusion that everything that goes within the scope as an asset-backed security, mortgage loan, or a Schedule BA item will no longer be included on Schedule DA or Schedule E, Part 2.

H. <u>Agenda Item 2024-10</u>

Bruggeman directed the Working Group to agenda item 2024-10: SSAP No. 56R – Book Value Separate Accounts. Gann stated that this agenda item was drafted to expand the guidance in *SSAP No. 56—Separate Accounts* to further address situations and provide consistent accounting guidelines for when assets are reported at a measurement method other than fair value. Gann stated that SSAP No. 56 anticipates a fair value measurement method, although there is guidance included within supporting fund accumulation contracts (GICs) that allows a book value measurement method. She stated that there is no direct guidance in SSAP No. 56 to identify how transfers should occur from the general account to the separate account. This agenda item is a concept to recommend the Working Group to direct NAIC staff to work with the industry to develop consistent guidance so that all parties are operating with the same approach for SSAP No 56.

I. Agenda Item 2024-11

Bruggeman directed the Working Group to agenda item 2024-11: ASU 2023-09, Improvements to Income Tax Disclosures*.* Oden stated that this agenda item was drafted in response to ASU 2023-09, which was issued to enhance the transparency and decision usefulness of income tax disclosures. Oden stated that the most significant change made by this is a new tax rate reconciliation disclosure, which would require companies to disclose certain information and the difference between its effective tax rate, and the stated federal, state, and foreign income tax rates. He stated that under ASU 2023-09, public companies would be required to disclose detailed quantitative and qualitative disclosures for the tax rate reconciliation while private companies only must provide certain qualitative disclosures. Additionally, ASU 2023-09 also requires all entities to provide additional disclosures on income tax expense and income taxes paid and removes two existing income tax disclosures from the codification. Oden stated NAIC staff recommend that the Working Group expose revisions to adopt ASU 2023-09 with modification to *SSAP No. 101—Income Taxes*. He stated that NAIC staff specifically recommend the adoption of the private company tax rate reconciliation requirement (qualitative disclosures only), both additional disclosures and income tax expense and income taxes paid, and to remove only one of the two income tax disclosures eliminated by ASU 2023-09.

J. Agenda Item 2024-12

Bruggeman directed the Working Group to agenda item 2024-12: Updates to SSAP No. 27*.* Oden stated that this agenda item was developed in response to a question received on the annual statement Note 16 table for reporting off balance sheet risk for derivative contracts. He stated that the current table only allows for three types of derivative contracts to be reported and does not have the equivalent of an “other” category for contracts that do not fit within the three existing categories. Oden stated that it was also noted that *SSAP No. 27—Off-Balance Sheet and Credit Risk Disclosures* references *FAS 105—Disclosure of Information about Financial Instruments with Off-Balance-Sheet*, which was superseded prior to the establishment of the FASB codification. Oden stated that NAIC staff recommend that the Working Group expose this agenda item with revisions to SSAP No. 27 to remove reference to FAS 105 as well as to revise the annual statement instructions.

K. Agenda Item 2024-13

Bruggeman directed the Working Group to agenda item 2024-13: Update SSAP No. 107 Disclosures*.* Marcotte stated that this agenda item was initiated by UnitedHealth Group and recommends updates to the disclosure requirements in *SSAP No. 107—Risk-Sharing Provisions of the Affordable Care Act* to remove disclosures related to transitional reinsurance and the risk corridors programs, which have both expired. She stated that NAIC staff also added additional revisions to remove related parts of the roll forward illustration in Exhibit B of SSAP No. 107 for the expired programs. Marcotte stated that NAIC staff have coordinated with the Blanks (E) Working Group to develop a proposal to have the disclosures removed for the year-end 2024 financial statements.

L. Agenda Item 2024-14EP

Bruggeman directed the Working Group to agenda item 2024-14EP: Accounting Practices and Procedures Manual Editorial. Stultz stated that this agenda item recommends editorial revisions to remove the "Revised" and "R" previously intended to identify a substantively revised SSAP from SSAP titles and SSAP references within the manual. NAIC staff consider the "Revised" and "R" identifiers as no longer useful.

4. Considered Maintenance Agenda – Active Listing

A. Agenda Item 2023-26

Bruggeman directed the Working Group to agenda item 2023-26: ASU 2023-06, Disclosure Improvements, Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative. Oden stated that this ASU is intended to update certain disclosure requirements so that readers can more easily compare entities subject to existing SEC disclosures with entities that were not previously subject to these disclosures. He stated that the revisions consist of changes that would broaden the scope of disclosures to both private and public entities, as well as miscellaneous clarifications or technical corrections to other disclosures. Oden stated NAIC staff recommend the Working Group expose revisions to adopt with modification certain disclosures from ASU 2023-06 within *SSAP No. 15—Debt and Holding Company Obligations* and *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. He stated that NAIC staff recommend rejection of the weighted average interest rate disclosure due to concerns about the complexity of the calculation. Oden stated that the Working Group is also requesting input on whether the accounting policy disclosure for cash flows associated with derivatives, Accounting Standards Codification (ASC) 230-10-50-9, would provide useful information to regulators.

Sherman made a motion, seconded by Weaver, to expose revisions to adopt, with modification, certain disclosures from ASU 2023-06 for statutory accounting within SSAP No. 15 and SSAP No. 103. The Working Group also requested input from regulators and interested parties on whether the derivative cash flow accounting policy disclosure, described in ASC 230-10-50-9, would provide useful information to regulators. The motion passed unanimously.

5. Discussed Other Matters

A. Discussion of Collateral Loan Reporting

Clark addressed questions received on the reporting of collateral loans for year-end 2024, noting that all collateral loans shall be reported in the collateral loan reporting line on Schedule BA. He noted that it has been identified that some entities have been reporting collateral loans within the non-registered private equity fund reporting lines to allow RBC to be determined based on the type of underlying collateral. Although that reporting line will not be deleted until 2025, he noted that it would be erroneous for companies to continue reporting collateral loans within that line for 2024 unless they have a permitted practice, as it is now explicit that reporting line should not be used for those investments.

B. Review of U.S. GAAP Exposures

Stultz identified two GAAP items currently exposed by the FASB. He stated that comments are not recommended at this time and that NAIC staff recommend review of the final issued ASUs under the SAP Maintenance Process as detailed in *Appendix F—Policy Statements*.

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C. Update on the IMR Ad Hoc Subgroup

Gann stated that the IMR Ad Hoc Subgroup has met regularly since its first meeting in October 2023. She stated that discussions have focused on how IMR affects actuarial calculations, the definition and purpose of IMR, the impact of derivatives on IMR, and how reinsurance impacts IMR. Gann stated that the IMR Ad Hoc Subgroup has meetings scheduled through the 2024 Summer National Meeting. She stated that key elements expected as part of the future discussions will be to provide more detail on the derivatives impacting IMR. These discussions are expected to include concepts for how companies determine effectiveness for these "economically effective" derivatives that do not qualify as "accounting effective" under *SSAP No. 86—Derivatives* as well as the concepts reporting entities have used in determining the amortization timeframe for IMR generated from derivative gains/losses.

Gann stated that NAIC staff will be compiling information on the reported 2023 year-end IMR in the statutory financial statements, including the extent that insurance reporting entities have moved to a net negative (disallowed) IMR position, and the extent (if any) companies have exceeded the 10% admittance threshold. She stated that NAIC staff will share information on the reported financial statement info with regulators as soon as possible.

D. IAIS Audit and Accounting Working Group (AAWG Update)

Gann stated that she and Maggie Chang (NAIC) have been recently involved in monitoring International Association of Insurance Supervisors (IAIS) discussions, including the Climate Risk Disclosure Subgroup. Gann stated that there have been many meetings and discussions towards the development of an IAIS paper to provide guidance for supervision of climate-related risks and disclosure. She stated that recent discussions have focused on linking the paper to disclosure requirements in Insurance Core Principle (ICP) 9 (Supervisory Review and Reporting) and ICP 20 (Public Disclosure). She stated that topics including issues with data quality, data validation, metrics, and U.S. stakeholder concerns in public reporting have been highlighted as part of the discussions. Gann stated that discussions have also included the Accounting and Auditing Working Group (AAWG), which has met recently to discuss items including the International Accounting Standards Board (IASB) exposure on proposed amendments to Financial Instruments with Characteristics of Equity, information on the Climate Risk Disclosure Subgroup, and discussions on the International Auditing and Assurance Standards Board (IAASB) exposure draft ISA 240, as well as the Auditor's Responsibilities Related to Fraud in an Audit of Financial Statements.

Gann stated that this update is intended to inform the Statutory Accounting Principles (E) Working Group regulators and interested parties of these ongoing NAIC staff actions to monitor and participate in the IAIS AAWG. Any questions on discussions or if additional information is requested, please contact NAIC staff.

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

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2024SpringNM/summary and minutes/SAPWG/Att 1_SAPWG Minutes 3-16-2024 TPR.docx

Draft: 2/26/24

Statutory Accounting Principles (E) Working Group
Virtual Meeting
February 20, 2024

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force met Feb. 20, 2024. The following Working Group members participated: Dale Bruggeman, Chair (OH); Kevin Clark, Vice Chair (IA); Sheila Travis and Richard Russell (AL); Kim Hudson (CA); William Arfanis and Michael Estabrook (CT); Cindy Andersen (IL); Melissa Gibson and Stewart Guerin (LA); Judy Weaver and Steve Mayhew (MI); Doug Bartlett (NH); Bob Kasinow (NY); Jamie Walker (TX); Doug Stolte and David Smith (VA); and Elena Vetrina (WI).

1. Reviewed Comments on Exposed Items

The Working Group met to review comments received (Attachment One-A1) on items exposed at the 2023 Fall National Meeting.

A. Agenda Item 2019-21

Bruggeman directed the Working Group to agenda item *2019-21: Principles-Based Bond Project.* Julie Gann (NAIC) stated that this agenda item focuses on the revisions to *SSAP No. 21R—Other Admitted Assets* that are predominantly related to the principles-based bond project. She stated that this item was exposed at the Fall National Meeting and the revisions at that point in time were focusing on the residual guidance, specifically the accounting and measurement for residuals and not guidance for the non-bond debt securities. Gann stated that the guidance related to the non-bond debt securities did not receive any comments from the last two exposures. She stated that for residuals the item that was exposed at the Fall National Meeting had been updated to reflect interested party comments, including a new measurement method that uses the effective yield for determining interest income and book/adjusted carried value (BACV). Gann stated that the guidance incorporated a practical expedient where all cash flows received would reduce the security's BACV, reflecting more of a return of cost basis. She stated that since that exposure NAIC staff has been collaborating with interested parties during the interim. Gann stated that interested parties did provide comments in their comment letter, but she believes most of the comments have been addressed in the revised version that is included within the meeting materials. She stated that NAIC staff is recommending the Working Group expose an updated revised SSAP No. 21R, which reflects the current collaboration with interested parties' for a shortened exposure period ending March 7, with the goal of adoption consideration at the 2024 Spring National Meeting. She stated that if additional time is needed, interested parties and regulators should let NAIC staff know. Gann also highlighted that the guidance is drafted to allow for early adoption of the residual guidance only in response to interested parties' comments. She stated that the way it is worded, it would only be applicable to the accounting and measurement residual guidance, not for the entire SSAP and not for the guidance for non-bond debt securities, which has an effective date of Jan. 1, 2025, to be consistent with the bond project. S

Gann presented the key elements included in the revised agenda item. She stated that the first has to do with transition guidance where residuals were accounted for under a different SSAP prior to the inclusion in SSAP No. 21R. The second has to do with admittance of the residuals. She stated that all residuals will be subject to the guidance in SSAP No. 21R. So, if it is in the legal form of a securitization in scope of *SSAP No. 43R—Loan Backed and Structured Securities*, or as a investment in scope of *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies*, it will follow the guidance of SSAP No. 21R. For example, under SSAP No. 48, audits are required for admittance, but that will not be required for residuals because they would be subject to SSAP No. 21R guidance. Gann stated that in the prior version there was guidance for if a residual ceases to be a residual and moving it to another reporting location, and that guidance has been eliminated. She stated that NAIC staff agrees with interested parties that moving investments from one classification to another after original acquisition becomes a reporting burden, so that guidance has been removed. She stated that, once reported as residual, it would stay at that location until it was disposed. She stated that there was also some OTTI clarification guidance included in the current revisions.

Andrew Morse (Global Atlantic), on behalf of interested parties, stated that interested parties are in favor of the exposure, and are looking forward to making any final industry comments prior to the Spring National Meeting and thanked regulators and NAIC staff for a very collaborative process on this agenda item.

Clark made a motion, seconded by Walker, to expose revisions to SSAP No. 21R with a shortened exposure period ending March 7, to allow for adoption consideration at the Spring National Meeting. The motion passed unanimously.

B. Agenda Item 2023-16

Bruggeman directed the Working Group to agenda item *2023-16: Schedule BA Reporting Categories*. Gann stated that this agenda item was exposed at the Fall National Meeting proposing annual statement instruction edits to improve the descriptions of the underlying categories of the reporting lines related to SSAP No. 48. She stated that these are investments in joint ventures, LLC's or partnerships with underlying characteristics such as fixed income, real estate, common stock, mortgage loans, and other. She stated the intent of the agenda item was to improve descriptions of the underlying categories to improve consistency in reporting. Gann stated that the Blanks (E) Working Group had also exposed agenda item 2023-12BWG in response to the Bond Project. These revisions were more detailed and included adding new reporting lines for the non-bond debt securities and also included the elimination of an existing reporting line for non-registered private funds, because those items should be included in the SSAP No. 48 lines as a joint venture, partnership, or LLC. She stated that interested party comments were received proposing some clarification edits to the joint ventures, partnership and LLC reporting line, as well as some items related to residuals. Gann stated that the Blanks (E) Working Group also received comments on their exposure of 2023-12BWG. Gann stated that, since the Blanks (E) Working Group is not a policy making group, and because the Statutory Accounting Principles (E) Working Group had sponsored the blanks proposal, this discussion was encompassing all comments with the intent to revise the blanks proposal. Gann stated that although there was some opposition to the deletion of the non-registered private funds reporting line, the Working Group plans to continue with removing that reporting line and have those items be captured in the SSAP No. 48 reporting lines as joint ventures, partnerships or LLCs. Gann stated that one reason that was given as opposition was that there were some investments being reported that were not non-registered private funds. She stated that these could be characterized as a variety of types of collateral loans, including warehouse loans, intercompany and related party loans and loans that were fully guaranteed by the U. S. government. Gann stated that those are not non-registered private funds and should not be reported within that category. She stated that these items should likely be captured within the collateral loan category. She stated that NAIC staff recommends the Working Group re-expose this agenda item and to provide a modified blanks proposal for exposure during the Blanks (E) Working Group call on Feb. 21, 2024. Gann stated revisions in the proposal include a statement, at the top of Schedule BA, that all investments shall be reported in the dedicated reporting line category, and investments that do not have a dedicated category are to be captured in the any other class of asset category. For the joint venture, LLC or partnership reporting category, the Working Group proposes to take the interested party comments and disclosure clarifications and incorporate those into the descriptions. She stated that those descriptions have been further expanded to make it clear that those are for investments that are in scope of SSAP No. 48. Gann stated that there is one exception to the joint venture, partnership and LLC reporting line proposed for structured settlement payment rights that are in scope of SSAP No. 21R. She stated that the Working Group did not include interested party comments for revisions made to the residual reporting category because all the residuals are moving to SSAP No. 21R, and this will be effect Jan. 1, 2025 which will match the SSAP No. 21R effective date. As such, the reporting instructions have been revised to reflect the resulting SSAP No. 21R location.

Tip Tipton (Thrivent), stated that interested parties realize that the new categories for scheduled BA are a vital part of the overall bond project and that this is a critical phase to make sure these get adopted in preparation for the Jan. 1, 2025, effective date. He stated that interested parties will be commenting on the Statutory Accounting Principles (E) Working Group exposure as well as with the Blanks (E) Working Group exposure.

Morse stated that one key point that that industry would like to make is that they understand the concern that is being raised about the reporting being consistent with the SSAPs. He stated that the non-registered private funds group category has had a long history, it used to be called fixed income instruments with underlying characteristics of various types of investments, and in fact, the annual statement instructions for that category today instruct companies to include fixed income instruments that are not Schedule D or Schedule B investments. He stated that there is confusion as to how the SSAP maps into the blank instructions. Morse stated that the basis for the current reporting, which has been flagged as a concern by the Working Group, is that when fixed income instruments are included in this section the investments map to AVR and from AVR get pulled to RBC. He stated that the key comment that industry wanted to make is that how this is being reported now, has been from interpretation of the annual statement instructions, rather than the core SSAPs. He stated that interested parties were primarily hoping to take the time to make sure to understand that sub-group of assets, and make sure that if changes are made to how they are currently reported, that any blanks instructions impacting Schedule BA, AVR, RBC instructions are adopted at the same time. He stated that interested parties hoped this would be effective Jan. 1, 2025, along with the bond project, but with the guidance from this exposure are concerned this may be in a 2024 timeframe, which could be challenging.

Gann stated that the proposal for the blanks reporting changes is Jan. 1, 2025. She stated that a broader question may be for those items that are not non-registered private funds, such as the collateral loans, that were put in that category. She stated that the reporting category is for “non-registered private funds with underlying assets having characteristics of a bond, mortgage loan, or other fixed income instrument”. Although the instructions indicate that the category includes fixed-income instruments that are not corporate or government unit obligations or secured by real property, those instructions are describing the underlying characteristics of what a non-registered private fund should possess to be in this reporting line. She stated that there might be a question of whether industry should continue capturing collateral loans in that reporting line for 2024, noting that the collateral loans reporting line would be the best place for those items. Gann stated that she is not familiar with any direction for collateral loans to go under the non-registered private funds, so that would be something that would be up for regulator discussion.

Clark stated that industry, during this next exposure, could look at that population and tell the Working Group what else is in there and if it is all collateral loans. He stated that he agrees the items identified as being captured in the non-registered private fund line should be reported as collateral loans, but if there are other things in there, interested parties could bring those to the Working Group to determine whether they fit in an existing bucket or if there are new reporting categories needed.

Hudson made a motion, seconded by Walker, to expose the most recent revisions to Agenda Item 2023-16 with an exposure period ending April 19, and to present a modified blanks proposal with a request for exposure to the Blanks (E) Working Group on their Feb. 21, 2023, conference call.

C. Agenda Item 2023-28

Bruggeman directed the Working Group to agenda item 2023-28: *Collateral Loan Reporting*. Gann stated that at the 2023 Fall National Meeting, the Working Group exposed a new disclosure to SSAP No. 21R for year-end 2024 and to expand the reporting lines on Schedule BA to separate collateral loans by the type of collateral that secures the loan. She stated that, with the exposure, the Working Group proposed potential data capture categories to which interested parties provided comments. Gann recommended that the Working Group adopt the exposed disclosure revisions to SSAP No. 21R and move forward with sponsoring a blanks proposal to data capture the information for year-end 2024. She stated that interested parties had proposed clarifying revisions to the Blanks (E) Working Group data capture proposal. Gann stated that ultimately the first recommendation is to adopt the proposed new disclosure to SSAP No. 21R, to improve the data on collateral loans and what back the collateral loans, for year-end 2024.

She stated that the second part of the NAIC staff recommendation is that the Working Group expose proposed reporting lines to Schedule BA, for collateral loans, with a comment deadline of April 19. Gann stated that the agenda item does not contain AVR reporting revisions, but NAIC staff are specifically requesting feedback from industry and regulators on whether collateral loans backed by certain types of collateral should flow through AVR for an RBC impact. She stated that NAIC staff also recommend a referral to the Life Risk-Based Capital (E) Working Group on the proposed reporting lines and specifically to ask for feedback on the AVR mapping. Gann stated that, historically, collateral loans have not flowed through AVR. She stated that this was tracked backed to a 1990 survey where it was identified that collateral loans were too small in proportion to warrant going through AVR for life companies. She stated that they were then captured on Schedule C, and when that schedule was eliminated, they were moved to Schedule BA. At that time, they were not incorporated with the mapping through AVR. Gann stated that, for life companies, they are the only item on Schedule BA that does not map through AVR. She stated that all collateral loans receive a flat charge, for life companies, it is .6080 or 6.08%, for health and property & casualty it is .5 or 5%. She stated that this relates to the conversation for the previous agenda item, where certain collateral loans are being reported in the non-registered private fund category, and that category does map to AVR and potentially has a different RBC impact. Gann stated that NAIC staff also proposed expanding the non-collateral loan reporting lines to separate between those items that are related-party and affiliated loans.

Bruggeman asked Gann whether the second exposure item would apply for Jan. 1, 2025. Gann stated that, ideally, it would apply for Jan. 1, 2025, but that may not be realistic since reporting lines are generally done at the start of the year to be consistent for the entire year reporting. This timeframe would require adoption by the Blanks (E) Working Group by August 2024 and if it cannot be done by that time, it would likely be Jan. 1, 2026. Bruggeman stated that, due to the time Life Risk-Based Capital (E) Working Group needs to be able to change the collateral loan charge, they would need something exposed early in 2025 to make that happen for year-end 2025. He stated that he wants to make sure that the timing is considered not just for the Working Group, but also for the Blanks (E) Working Group and Life Risk-Based Capital (E) Working Group processes.

Tipton thanked NAIC staff for meeting with interested parties about this agenda item earlier in the week. He stated that interested parties really got good clarification, especially on the disclosure item and they envision that being adopted for 2024. He stated that interested parties will work with the Blanks (E) Working Group in getting that framework and structure worked out. He stated that interested parties have been working with NAIC staff over the past six months on scheduling and reporting changes, so, they realize this is critical. He stated that interested parties realize there is Schedule BA reporting as it relates to collateral loans, and that they are appreciative of the opportunity to work with NAIC staff on that issue to do what they can to get it done for year-end 2025. Tipton also stated that interested parties realize there is a lot of interconnectedness to this project and they look forward to working with NAIC staff over the next couple of months on this and getting it done.

Kasinow made a motion, seconded by Hudson, to adopt the new SSAP No. 21R collateral loan disclosure for year-end 2024 (Attachment One-A2) and a sponsor a blanks proposal, and to expose Schedule BA reporting revisions, for April 19, with a request for information on AVR from industry, including a referral to the Life Risk-Based Capital (E) Working Group.

2. Discussed Other Matters

Gann stated that the Working Group received a referral from the Life Risk-Based Capital (E) Working Group regarding proposed RBC changes for repurchase agreements originating from the American Council of Life Insurers (ACLI) (Attachment One-A3). She stated that the proposal is to mirror treatment for certain repurchase agreements, which meet the conforming criteria that currently exists for security lending. She stated that the referral was asking the Working Group to consider this request based on the accounting and reporting aspects. Gann stated that NAIC staff has reviewed that proposal and have noted accounting differences between repurchase agreements and security lending programs. She stated that the Working Group has been asked to provide an immediate response with regards to comments. Gann stated that NAIC staff has drafted a response requesting a delay, or a deferral of consideration of this RBC change to allow for further assessment and convergence of accounting and reporting for securities lending and repurchase agreements. She stated that there were four items NAIC staff identified with the preliminary review of the referral. First, accounting and reporting is different between the two structures. Second, the revisions would require a new general interrogatory for reporting entities to capture the repurchase collateral from conforming programs. Third, there are questions on the location of the conforming guidance and in determining whether a program is conforming. Fourth, NAIC staff took a review of the reporting of the securities lending conforming programs. Gann stated that the review identified very few entities that reported any securities lending program as a nonconforming program, however, she noted that instances were noted in which the collateral reported on Schedule DL did not qualify within the acceptable collateral requirements. She stated that NAIC staff noted that the securities lending guidance was incorporated before the financial crisis of 2008 and, since that time, there have been many changes to how securities lending transactions are reported. Gann stated that NAIC staff suggests the Working Group receive the referral and direct the response letter, included in the meeting materials, to the Life Risk-Based Capital (E) Working Group.

Bruggeman stated that it is up to the Life Risk-Based Capital (E) Working Group to decide whether to have a consistent charge between the two types of programs. He stated that it still warrants Statutory Accounting Principles (E) Working Group going through the process to make sure the data and documentation are in the correct places to lend support for what Life Risk-Based Capital (E) Working Group decides to do and have the structure in place to make that happen.

Walker made a motion, seconded by Hudson, to have the Working Group respond to the Life Risk-Based Capital (E) Working Group referral (Attachment One-A4) and to direct NAIC staff to draft an agenda item to potentially update *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* as needed.

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

https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2024springnm/summary and minutes/sapwg/att 1a_sapwg minutes 02.20.24.docx

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January 22, 2024

Mr. Dale Bruggeman, Chairman
Statutory Accounting Principles Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

RE: Interested Parties Comments on the Items Exposed for Comment during the NAIC National Meeting in Orlando with Comments due January 22

Dear Mr. Bruggeman:

Interested parties appreciate the opportunity to comment on the following items that were exposed for comment by the Statutory Accounting Working Group (the Working Group).

Ref #2019-21: SSAP No. 21 – Principles-Based Bond Project

During the meeting, the Working Group exposed the changes summarized below:

1. All changes exposed in Summer 2023 have been accepted with new edits shown as tracked in the re-exposed draft. (This has been done for readability and to highlight changes from the prior exposure.)

2. Paragraph 30: Revisions specify that temporary reductions in fair value shall be reported as unrealized losses. This guidance was revised to mirror the updated OTTI guidance proposed in paragraph 35.

3. Paragraphs 31-32: Revisions incorporate the measurement method of residuals to be the "effective yield method with a cap." With the revised guidance, the BACV of a residual will be limited to the initial cost, and recognition of interest income / reduction of the cost basis will depend on the cash flows received. Cash flows received that are within the allowable earned yield will be reported as interest income and cash flows received in excess of the allowable earned yield will reduce the carrying value. This revised method intends to allow a systematic approach to recognizing interest income over the life of the

security, while not permitting an increase in the cost basis based on an expectation of future cash flows.

4. Paragraph 33: Revisions incorporate a practical expedient to the measurement method detailed in paragraphs 31-32 that permits companies to utilize a "return of cost basis" approach. Under this approach, all cash flows received from residual tranches will be taken as a reduction of BACV. Once the BACV reaches zero, then all cash flows received will be recognized as interest income. (This was the approach exposed at the Summer National Meeting for all residuals.) Although the industry comment letter has noted support for the 'effective yield with a cap' method detailed in paragraphs 31-32, we noted that some companies would prefer the simplicity of the return of cost basis approach. For companies that do not have significant residual holdings, the preference is the return of cost basis approach to avoid any operational complexity. NAIC staff supports the inclusion of this practical expedient as it is a more conservative approach in the measurement method of residuals.

5. Paragraph 34: Revisions provide guidance for accounting and reporting if the investment no longer meets the definition of a residual.

6. Paragraph 35: Guidance for OTTI has been revised to be consistent with SSAP No. 43R and the assessment of the present value of expected cash flows to the BACV.

Interested parties appreciate the robust dialogue between industry and regulators on this topic. The comments noted above generally reflect common ground where industry and regulators are aligned around proposed guidance. We offer the following additional comments and anticipate that similar alignment may be found on several remaining topics.

The recently adopted guidance in SSAP No. 48 to clarify the reclassification of investments which are in nature residuals has raised an important measurement question. There may be cases where SSAP No. 48 investments, having followed equity method accounting for the accounting periods preceding 1-1-2025, have unrealized gains embedded in their transition-date carrying value. How does this fit within the effective yield method with a cap guidance which specifies that residual tranche investments shall not be accreted above initial cost? In order to support a transition which doesn't reverse amounts which were previously recognized, interested parties request that unrealized gains which were recognized prior to 1-1-2025 be included in the initial basis of the investment for purposes of applying the effective yield method with a cap. Should regulators agree with this approach, we would request transition guidance, and can share the nuances we have begun to think through as an industry group.

The question has arisen about whether audits will be required for some residual tranches, once they are no longer subject to SSAP No. 48 guidance for equity method investments, but rather subject to SSAP No. 21R guidance for residual tranche investments. Interested parties believe the legal form of a residual (e.g., LP/LLC form) should not drive the need for audited financial statements when the same accounting method would be applied to all residuals no matter what the legal form. Note that one of the primary purposes of the audit is to support measurement of an equity method investment, including the recording of equity method of accounting income amounts. Once that measurement method is replaced by residual tranche measurement guidance, our understanding is that the audit requirement would be discontinued, saving costs for companies and ultimately for policyholders, and we would like to clarify that understanding with regulators. Interested parties would also like to request that early adoption for year end 2024 reporting be allowed.

Interested parties generally did not understand the addition of paragraph 34, which lays out a rule base for de-designating a residual in cases where it no longer qualifies. Generally, interested parties are not aware of this circumstance and further are not against the default of leaving such an investment as a residual, which would have the benefit of likely being more conservative than any other treatment and would also prevent the need to create and monitor new policies and processes for a circumstance which would rarely occur.

Paragraph 35 currently states that discounted cash flows will be required as a step in the impairment process for residual tranches "under both methods described above." Given that the practical expedient – to use cost recovery – has been developed partly to offer companies an efficient process which generates a more conservative result, we request that for those companies electing the practical expedient, fair value may be used as the impairment value, rather than requiring a discounted cash flow also to be performed. This approach would be in line with the principle of the practical expedient, as it requires less analysis and is generally expected to result in a more conservative result.

In addition to these comments, interested parties passed on smaller editorial comments to NAIC staff which we have not repeated in this letter.

Ref #2023-16: SSAP 48 - Schedule BA Reporting Categories

The Working Group exposed additional revisions to further define the investments captured on Schedule BA along with the continued proposal to combine non-registered private funds within the proposed reporting lines for joint ventures, partnerships, or limited liability companies. The Working Group also requested additional regulator and industry feedback on whether more specificity is needed since the existing Schedule BA descriptions are fairly broad.

We continue to evaluate this exposure in conjunction with the sponsored item 2023-12BWG – *Schedule BA Reporting Categories*. Interested parties recommend clarifying language to provide consistency between 2023-12BWG and this exposure as highlighted below:

Joint Ventures, Partnership or Limited Liability Company Interests with Underlying Assets Having the Characteristics:

~~Fixed Income Instruments~~Bonds

Include: Investments with underlying collateral which include contractual principal and/or interest payments, excluding mortgage loans.

Investments on the NAIC List of Schedule BA Non-Registered Private Funds with Underlying Assets Having Characteristics of Bonds or Preferred Stock that have been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the Purposes and Procedures Manual of the NAIC Investment Analysis Office shall be reported on Lines 1399999 and 1499999. ~~Any investments deemed by the reporting entity to possess the underlying characteristics of fixed income instruments that has been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the Purposes and Procedures Manual of the NAIC Investment Analysis Office for this category. Report these investments on Lines 1599999 and 1699999.~~

Any investments deemed by the reporting entity to possess the underlying characteristics of bonds that have not been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the Purposes and Procedures Manual of the NAIC Investment Analysis Office shall be reported on Lines 1599999 and 1699999. Designations received from an NAIC CRP are permitted to be reported but are not required and will have no impact on the risk-based capital factor. ~~Any investments deemed by the reporting entity to possess the underlying characteristics of fixed income instruments that has not been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the Purposes and Procedures Manual of the NAIC Investment Analysis Office for this category. Report these investments on Lines 1799999 and 1899999.~~

Residual Tranches or Interests with Underlying Assets Having Characteristics of:

Investments 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 from securitization tranches and beneficial interests as well as other structures captured in scope of SSAP No. 43R – ~~Loan-Backed and Structured Securities~~Asset-Backed Securities ~~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~~.

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.

Investments in the form of preferred stock or common stock that are, in substance, residual interests or a residual security tranche, as defined in SSAP No. 43R or SSAP No. 48.

~~Fixed Income Instruments~~Bonds

Also, as a result of discussions between interested parties and NAIC staff on the 'Non-Registered Private Funds' category being eliminated and incorporated into the 'Joint Venture, Partnership or Limited Liability Company Interests' category, a new item has been exposed by the Working Group (Ref #2023-28) for Collateral Loan Reporting. We hope to collaborate with the NAIC staff on this new exposure to identify the proper reporting for certain warehousing loans that are currently reported in the "non-registered private funds" category and that are collateralized by specific assets. As discussed with NAIC staff, insurers are reporting other fixed income investments in this section of Schedule BA. Examples of such investments include structured settlement investments addressed in SSAP No. 21R – *Other Admitted Assets* that have obtained an NAIC designation, intercompany loans meeting admissibility requirements under SSAP No. 25 – *Affiliates and Other Related Parties* which have obtained an NAIC designation, and loans that are guaranteed by the full faith and credit of the U.S. government. Currently, the non-registered private funds section seems to be the only section of Schedule BA where insurers can report those types of investments. Accordingly, we believe that more work needs to be done to provide appropriate reporting for these types of investments before the removal of the non-registered private fund section. We look forward to collaborating with NAIC staff on this issue. Interested parties also believe that any accounting and reporting changes impacting these items should have a consistent effective date of January 1, 2025, to align with the Bond Project.

In addition, the Working Group made referrals (dated August 28, 2023) regarding 'SAPWG Schedule BA Proposal for Non-Bond Debt Securities' to the Valuation of Securities Task Force and Capital Adequacy Task Force. Interested parties have received comments indicating that certain reporting changes, in addition to the Non-Bond Debt Securities categories on Schedule BA, will have RBC risk factor impacts based on the new and revised reporting categories.

We believe a coordination of effort in updating the accounting, reporting, and RBC impacts is vital for changes to Schedule BA as part of the Bond Project.

Ref #2023-28: SSAP No. 21R – Collateral Loan Reporting

The Working Group moved this agenda item to the active listing, categorized as a SAP clarification and exposed revisions to incorporate a new disclosure to SSAP No. 21R for initial reporting as of year-end 2024, and to sponsor a blanks proposal for a new data-captured disclosure and to expand the reporting lines on Schedule BA to separate collateral loans by the type of collateral that secures the loan. Comments were requested on whether any of the proposed reporting lines should be combined.

Interested parties appreciate the opportunity to comment on proposed expansion of collateral reporting categories. In response to the exposure we have suggested a combination of certain subcategories with the aim of reducing the volume of reporting lines to the lowest reasonable level. These comments are intended to apply to both BA category structure as well as to disclosure requirements.

Collateral Type
~~Cash, Cash Equivalents & ST Investments~~
Bonds (ICO & ABS)
~~Asset-Backed Securities~~
Preferred Stocks
Common Stocks
Real Estate
Mortgage Loans
Joint Ventures, Partnerships, LLC
~~Subsidiary, Affiliated and Controlled Entities~~
Other ~~Qualifying~~ Investments
~~Collateral Does not Qualify as an Investment~~

Interested parties agree that the purpose of this initiative is to increase the clarity of statutory reporting rather than to impact required capital and the AVR. We are primarily concerned that certain investments which may be re-categorized as a result of this clarification will have unintended capital impacts unless AVR and RBC mapping is also updated. If new mapping is needed, as it appears to be in the case of at least one asset class, we request that Blanks and RBC IRE updates are adopted and effective in the same reporting period as the Working Group updates. Interested parties stand ready to engage in proposed mapping updates through the AVR and RBC, with the aim that no unintended capital changes result from the collateral loan topic adoption.

We believe that any accounting and reporting changes impacting these items should have an effective date of January 1, 2025, consistent with other BA category changes related to Principle Based Bond Project.

* * * *

Please feel free to contact either one of us if you have any questions or would like to discuss the above recommendations.

Sincerely,

D. Keith Bell   Rose Albrizio

cc: Interested parties
NAIC staff

https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2024springnm/summary and minutes/sapwg/att 1a1_dkb2406.docx

Ref #2023-28

Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A

Issue: Collateral Loan Reporting

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	☒	☒	☒
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue: This agenda item has been developed to propose an expansion of reporting for collateral loans on Schedule BA to enable regulators the ability to quickly identify the type of collateral in support of admittance of collateral loans in scope of *SSAP No. 21R—Other Admitted Assets*. This agenda item has been drafted in response to comments that the current reporting detail on Schedule BA does not provide sufficient clarity on the type of collateral used in support of admittance of collateral loans. Furthermore, with the adoption of agenda item 2022-11, the statutory accounting guidance has been clarified that the collateral must reflect a qualifying investment, meaning that it would qualify for admittance if held directly by the insurer. This amendment further clarified that collateral that represents an investment in scope of *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* or *SSAP No. 97—Investments in Subsidiary, Controlled or Affiliated Entities* is required to be audited consistent with the admittance requirements of those SSAPs.

As detailed within, this agenda item proposes new disclosure requirements in SSAP No. 21R for collateral loans. The new disclosure requirement is proposed to be satisfied by an expansion of the reporting on Schedule BA, so that the collateral loans are separated by the type of collateral investment that secures the loan. Additionally, a new aggregated data-captured note is proposed to identify the admitted and nonadmitted collateral loans by the type of collateral that secures the loan.

Existing Authoritative Literature:

- **SSAP No. 21R—Other Admitted Assets - (Tracking shows the edits adopted on Oct. 23, 2023.)**

4. Collateral loans are unconditional obligations[1] for the payment of money secured by the pledge of a~~n~~ qualifying investment[2] and meet the definition of assets as defined in SSAP No. 4 and are admitted assets to the extent they conform to the requirements of this statement. The outstanding principal balance on the loan and any related accrued interest shall be recorded as an admitted asset subject to the following limitations:

   a. Loan Impairment—Determination as to the impairment of a collateral loan shall be based on current information and events. When it is considered probable that any portion of amounts due under the contractual terms of the loan will not be collected the loan is considered impaired. The impairment shall be measured based on the fair value of the collateral less estimated costs to obtain and sell the collateral. The difference between the net value of the collateral and the recorded asset shall be written off in accordance with *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets*;

   b. Nonadmitted Asset—In accordance with *SSAP No. 20—Nonadmitted Assets*, collateral loans secured by assets that do not qualify as investments which would otherwise be admitted shall be nonadmitted. Further, any amount of the loan outstanding which is in excess of the permitted relationship of fair value of the pledged investment to the collateral loan shall be treated as a nonadmitted asset. To support the admissibility of collateral loans, reporting entities shall maintain documentation sufficient to support the reasonableness of the fair value measurement of the underlying collateral, which shall be made available to the applicable domiciliary regulator and independent audit firm upon request.

Footnote 1: For purposes of determining a collateral loan in scope of this statement, a collateral loan does not include investments captured in scope of other statements. For example, *SSAP No. 26R—Bonds* includes securities (as defined in that statement) representing a creditor relationship whereby there is a fixed schedule for one or more future payments. Investments captured in SSAP No. 26R that are also secured with collateral shall continue to be captured within scope of SSAP No. 26R.

Footnote 2: A qualifying ~~I~~investment defined as those assets listed in Section 3 of *Appendix A-001—Investments of Reporting Entities* which would, if held by the insurer, qualify for admittance. For example, if the collateral would not qualify for admittance under SSAP No. 4 due to encumbrances or other third-party interests, then it does not meet the definition of "qualifying" and the collateral loan, or any portion thereof which is not adequately collateralized, is not permitted to be admitted. In the cases where the collateral is an equity/unit investment in a joint venture, partnership, limited liability company, and or SCA is pledged as collateral in a collateral loan, audited financial statements on a consistent annual basis are always required in accordance with SSAP No. 48 and/or SSAP No. 97.

Effective Date and Transition

22. This statement is effective for years beginning January 1, 2001. 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 guidance for structured settlements when the reporting entity acquires the legal right to receive payments is effective December 31, 2018. The clarification regarding audits of qualifying collateral pledged for collateral loans in the footnote 2 to paragraph 4, requires applicable audits to be obtained for the 2023 reporting period in the subsequent year. In periods after year-end 2023, the audits of equity collateral pledged for collateral loans are required to be obtained for the reporting year in which it was pledged and annually thereafter. The annual audit lag shall be consistent from period to period.

- **A/S Blank and Instructions** *(This reflects what is proposed to be adopted in 2023-12BWG.)*

Collateral Loans
Unaffiliated..3199999
Affiliated..3299999

Collateral Loans

Include: Refer to SSAP No. 21R—Other Admitted Assets for a definition of collateral loans. Loans that are backed by any form of collateral, regardless of if the collateral is sufficient to fully cover the loan, shall be captured in this category. Guidance in SSAP No. 21R shall be followed to determine nonadmittance.

In the description column, the name of the actual borrower and state if the borrower is a parent, subsidiary, affiliate, officer or director. Also include the type of collateral held.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups):

- Agenda Item 2022-11: Collateral for Loans clarified guidance on the criteria for collateral in order for a collateral loan to qualify as an admitted asset.

- Blanks Agenda Item 2023-12BWG incorporates revisions as part of the bond project to capture debt securities that do not qualify as bonds on Schedule BA. The revisions within this blanks item incorporate minor revisions to the instructions for collateral loans.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:
None
Convergence with International Financial Reporting Standards (IFRS): N/A

Recommendation:
NAIC staff recommend that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose this agenda item with proposed revisions to incorporate a new disclosure to SSAP No. 21R, for initial reporting as of year-end 2024, and to sponsor a blanks proposal for a new data-captured disclosure and to expand the reporting lines on Schedule BA to separate collateral loans by the type of collateral that secures the loan. NAIC staff recommends that the Working Group direct a corresponding blanks proposal to allow for concurrent exposure.

Proposed Revisions to SSAP No. 21R: *(Only new edits are tracked. Prior adopted revisions are shown clean.)*

4. Collateral loans are unconditional obligations[1] for the payment of money secured by the pledge of a qualifying investment[2] and meet the definition of assets as defined in SSAP No. 4 and are admitted assets to the extent they conform to the requirements of this statement. The outstanding principal balance on the loan and any related accrued interest shall be recorded as an admitted asset subject to the following limitations:

a. Loan Impairment—Determination as to the impairment of a collateral loan shall be based on current information and events. When it is considered probable that any portion of amounts due under the contractual terms of the loan will not be collected the loan is considered impaired. The impairment shall be measured based on the fair value of the collateral less estimated costs to obtain and sell the collateral. The difference between the net value of the collateral and the recorded asset shall be written off in accordance with *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets*;

b. Nonadmitted Asset—In accordance with *SSAP No. 20—Nonadmitted Assets*, collateral loans secured by assets that do not qualify as investments which would otherwise be admitted shall be nonadmitted. Further, any amount of the loan outstanding which is in excess of the permitted relationship of fair value of the pledged investment to the collateral loan shall be treated as a nonadmitted asset. To support the admissibility of collateral loans, reporting entities shall maintain documentation sufficient to support the reasonableness of the fair value measurement of the underlying collateral, which shall be made available to the applicable domiciliary regulator and independent audit firm upon request.

5. Collateral loans shall be reported based on the type of qualifying investment that secures the loan. An aggregate note disclosure shall identify the total amount of collateral loans and the collateral loans admitted and nonadmitted by qualifying investment type.

Footnote 1: For purposes of determining a collateral loan in scope of this statement, a collateral loan does not include investments captured in scope of other statements. For example, *SSAP No. 26R—Bonds* includes securities (as defined in that statement) representing a creditor relationship whereby there is a fixed schedule for one or more future payments. Investments captured in SSAP No. 26R that are also secured with collateral shall continue to be captured within scope of SSAP No. 26R.

Footnote 2: A qualifying investment defined as those assets listed in Section 3 of *Appendix A-001—Investments of Reporting Entities* which would, if held by the insurer, qualify for admittance. For example, if the collateral would not qualify for admittance under SSAP No. 4 due to encumbrances or other third-party interests, then it does not meet the definition of "qualifying" and the collateral loan, or any portion thereof which is not adequately collateralized, is not permitted to be admitted. In the cases where the collateral is an equity/unit investment in a joint venture, partnership, limited liability company, and or SCA is pledged as collateral in a collateral loan, audited financial statements on a consistent annual basis are always required in accordance with SSAP No. 48 and or SSAP No. 97.

Proposed Schedule BA Reporting Changes:

Collateral Loans – Reported by Qualifying Investment Collateral that Secures the Loan

Cash, Cash Equivalent & Short-Term Investments (SSAP No. 2R)
Unaffiliated...
Affiliated...

Bonds (SSAP No. 26R)
Unaffiliated...
Affiliated...

Asset-Backed Securities (SSAP No. 43R)
Unaffiliated...
Affiliated...

Preferred Stocks (SSAP No. 32R)
Unaffiliated...
Affiliated...

Common Stocks (SSAP No. 30R)
Unaffiliated...
Affiliated...

Mortgage Loans (SSAP No. 37R)
Unaffiliated...
Affiliated...

Real Estate (SSAP No. 40R)
Unaffiliated...
Affiliated...

Joint Venture, Partnerships or Limited Liability Companies (SSAP No. 48R)
Unaffiliated...

Affiliated...

Subsidiary, Controlled or Affiliated Investment (SSAP No. 97)
Unaffiliated...
Affiliated...

Other Qualifying Investment Category
Unaffiliated...
Affiliated...

Collateral Does Not Qualify as an Investment
Unaffiliated...
Affiliated...

Collateral Loans

Include: Refer to SSAP No. 21R—Other Admitted Assets for a definition of collateral loans. Loans that are backed by any form of collateral, regardless of if the collateral is sufficient to fully cover the loan, shall be captured in this category. Guidance in SSAP No. 21R shall be followed to determine nonadmittance.

In the description column, the name of the actual borrower and state if the borrower is a parent, subsidiary, affiliate, officer or director. Also include the type of collateral held.

Classify the collateral loan in accordance with the type of collateral held, such that if the loan was to default and the collateral was to be claimed by the reporting entity, where it would be captured (investment type by SSAP) as a directly-held investment. If more than one form of collateral secures the loan, classification should occur based on the primary collateral source. The other qualifying investment category shall only be used to capture collateral loans secured by collateral in the form of contract loans, derivatives, other invested assets not separately reported, receivables for securities, securities lending and any investments that would qualify as a write-in for invested assets.

Proposed Data-Captured Disclosure:

Aggregate Collateral Loans by Qualifying Investment Collateral:

Collateral Type	**Aggregate Collateral Loan**	**Admitted**	**Nonadmitted**
Cash, Cash Equivalents & ST Investments			
Bonds			
Asset-Backed Securities			
Preferred Stocks			
Common Stocks			
Real Estate			
Mortgage Loans			

Joint Ventures, Partnerships, LLC			
Subsidiary, Affiliated and Controlled Entities			
Other Qualifying Investments			
Collateral Does not Qualify as an Investment			
Total			

Pursuant to SSAP No. 21R, nonadmittance of a collateral loan is required when the fair value of the collateral is not sufficient to cover the collateral loan or if the collateral securing the loan is not a qualifying investment. This includes situations in which collateral in form of joint ventures, partnerships, LLCs or SCAs is not supported by an audit as required by SSAP No. 48 or SSAP No. 97.

The other qualifying investment category shall only be used to capture collateral loans secured by collateral in the form of contract loans, derivatives, other invested assets not separately reported, receivables for securities, securities lending and any investments that would qualify as a write-in for invested assets. All collateral loans secured by collateral that does not qualify as an investment are~~is~~ required to be nonadmitted under SSAP No. 21R.

Staff Review Completed by: Julie Gann - NAIC Staff, September 2023

Status:
On December 1, 2023, the Statutory Accounting Principles (E) Working Group moved this agenda item to the active listing, categorized as a SAP clarification and exposed revisions to incorporate a new disclosure to SSAP No. 21R for initial reporting as of year-end 2024, and to sponsor a blanks proposal for a new data-captured disclosure and to expand the reporting lines on Schedule BA to separate collateral loans by the type of collateral that secures the loan. Comments are requested on whether any of the proposed reporting lines should be combined.

On February 20, 2023, the Statutory Accounting Principles (E) Working Group took the following two actions:

1) The Working Group **adopted** the exposed revisions to SSAP No. 21R incorporating a collateral loan disclosure for year-end 2024. With this adoption, the Working Group sponsored a blanks proposal to data-capture the disclosure. Adopted revisions to SSAP No. 21R are shown below:

    5. Collateral loans shall be reported based on the type of qualifying investment that secures the loan. An aggregate note disclosure shall identify the total amount of collateral loans, and the collateral loans admitted and nonadmitted by qualifying investment type.

2) The Working Group exposed proposed reporting lines to Schedule BA for collateral loans with a comment deadline of April 19, 2024. Although the exposure does not contain AVR reporting revisions, the Working Group is specifically requesting feedback from regulators and industry on whether collateral loans backed by certain types of collateral should flow through AVR for RBC impact. Additionally, the Working Group directed a referral to the Life Risk-Based Capital (E) Working Group on the proposed reporting lines and the AVR mapping/RBC impact for collateral loans.

February 20, 2024, Exposed Schedule BA Reporting Changes*:*
(Tracking shows changes from the prior exposure.)

Collateral Loans – Reported by Qualifying Investment Collateral that Secures the Loan

~~Cash, Cash Equivalent & Short-Term Investments (SSAP No. 2R)~~
~~Unaffiliated...~~
~~Affiliated...~~

Bonds and Asset-Backed Securities (SSAP No. 26R & SSAP No. 43R)
Unaffiliated...
Affiliated...

~~Asset-Backed Securities (SSAP No. 43R)~~
~~Unaffiliated...~~
~~Affiliated...~~

Preferred Stocks (SSAP No. 32R)
Unaffiliated...
Affiliated...

Common Stocks (SSAP No. 30R)
Unaffiliated...
Affiliated...

Mortgage Loans (SSAP No. 37R)
Unaffiliated...
Affiliated...

Real Estate (SSAP No. 40R)
Unaffiliated...
Affiliated...

Joint Venture, Partnerships or Limited Liability Companies (SSAP No. 48)
Fixed Income Investments (Unaffiliated) ....
Fixed Income Investments (Affiliated) ....

Common Stocks (Unaffiliated) ....
Common Stocks (Affiliated) ....

Real Estate (Unaffiliated) ....
Real Estate (Affiliated) ....

Mortgage Loans (Unaffiliated) ....
Mortgage Loans (Affiliated) ....

Other (Unaffiliated) ....
Other (Affiliated) ....
~~Unaffiliated...~~
~~Affiliated...~~

~~Subsidiary, Controlled or Affiliated Investment (SSAP No. 97)~~
~~Unaffiliated...~~

~~Affiliated..~~

Other ~~Qualifying~~ Investment Category
Cash, Cash Equivalent and Short-Term Investments (Unaffiliated) ....
Cash, Cash Equivalent and Short-Term Investments (Affiliated) ....

Other Long-Term Invested Assets (Unaffiliated) ....
Other Long-Term Invested Assets (Affiliated) ....
~~Unaffiliated...~~
~~Affiliated..~~

~~Collateral Does Not Qualify as an Investment~~
~~Unaffiliated...~~
~~Affiliated..~~

Non-Collateral Loans

Related Party/Affiliated Loans
All Other Non-Collateral Loans
~~Unaffiliated...~~
~~Affiliated..~~

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2024SpringNM/summary and minutes/SAPWG/Att 1A2_23-28 - Collateral Loan Reporting.docx

MEMORANDUM

TO: Dale Bruggeman, Chair, Statutory Accounting Principles (E) Working Group
Tom Botsko, Chair, Capital Adequacy (E) Task Force

FROM: Philip Barlow, Chair, Life Risk-Based Capital (E) Working Group

DATE: January 25, 2024

RE: Repurchase Agreement RBC Proposal Referral

The Life Risk-Based Capital (E) Working Group received, discussed, and exposed for public comment, a proposal from the American Council of Life Insurers (ACLI) to modify the treatment of repurchase agreements in the life risk-based capital (RBC) formula (Proposal). One comment was received from the ACLI with full support of the Proposal. ACLI has subsequently provided an official proposal with structural changes to the RBC blanks and instructions. The implementation of the structural changes is predicated on changes made to the Annual Statement's General Interrogatories. NAIC staff has reviewed the proposal and noted accounting differences between repurchase agreements and security lending programs, on which the proposal appears to base the RBC treatment.

The Working Group would appreciate consideration by the Statutory Accounting Principles (E) Working Group on accounting and reporting aspects of the proposal as well as the Capital Adequacy (E) Task Force on its possible application to the other RBC formulas.

Cc: Dave Fleming, Julie Gann, Robin Marcotte, Jake Stultz, Jason Farr, Wil Oden, Mary Caswell, Maggie Chang, Eva Yeung, Crystal Brown

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2024SpringNM/summary and minutes/SAPWG/Att 1A3_LRBCWG referral to SAPWG and CATF Repo proposal 1-29-24.docx

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

MEMORANDUM

TO: Philip Barlow, Chair, Life Risk-Based Capital (E) Working Group

FROM: Dale Bruggeman, Chair, Statutory Accounting Principles (E) Working Group

DATE: February 8, 2024 - DRAFT

RE: Repurchase Agreement RBC Proposal Referral

The Statutory Accounting Principles (E) Working Group (SAPWG) appreciates the Life Risk-Based Capital (E) Working Group soliciting comments on the proposal from the American Council of Life Insurers (ACLI) to modify the treatment of repurchase agreements in the life risk-based capital (RBC) formula to converge with treatment for securities lending programs. As detailed in the ACLI-sponsored proposal, the request is to incorporate a concept of ‘conforming programs’ for repurchase agreements, with the collateral attributed to those programs assigned a 0.2% (.0020) factor instead of a 1.26% (.0126) factor.

Although the RBC proposal was exposed for a potential year-end 2024 effective date, the SAPWG notes that the statutory accounting and reporting for securities lending and repurchase agreements are currently different. As such, the SAPWG requests that the LRBCWG defer consideration of the proposal until the SAPWG has time to assess the differences and consider converging revisions (if deemed appropriate) before modifying the RBC formula. Particularly, securities lending collateral is detailed in Schedule DL: Securities Lending Collateral Asset for 1) collateral that an entity has received and reinvested and 2) collateral received that the entity has not reinvested but for which the entity has the ability to sell or repledge. This schedule currently does not include repurchase agreement collateral and capturing consistent information on collateral for both securities lending and repurchase agreements is a topic that the SAPWG would like to consider before providing a response to the RBC proposal. As detailed within the proposal, the ACLI identifies that repurchase agreements and securities lending transactions are similar forms of short-term collateralized funding for life insurers, with counterparties reflecting the key difference between the two funding structures. With these similarities, consistent reporting of the collateral seems appropriate to ensure financial regulators receive comparable information regardless of the legal form of the agreement. This is further supported by a review of year-end 2022 data which identified that securities associated with securities lending transactions are declining, whereas securities associated repurchase agreements are increasing.

In addition to time to permit assessment and convergence of accounting and reporting, the SAPWG also notes that blanks reporting revisions would be required to incorporate a new general interrogatory for reporting entities to capture repurchase collateral from conforming programs and for that data to be pulled directly into the RBC formula. With the timing of the Blanks (E) Working Group process, such revisions would need to be adopted in May to be in effect for year-end. By deferring beyond 2024, further time can be provided to ensure the blanks reporting revisions are properly reflected. Although the revisions appear to be limited, the SAPWG has also noted

Washington, DC 444 North Capitol Street NW, Suite 700, Washington, DC 20001-1509 p | 202 471 3990
Kansas City 1100 Walnut Street, Suite 1500, Kansas City, MO 64106-2197 p | 816 842 3600
New York One New York Plaza, Suite 4210, New York, NY 10004 p | 212 398 9000

that the guidance to complete the current securities lending conforming program Annual Statement General Interrogatories are captured in the RBC Instructions. To ensure consistency in reporting, the SAPWG would recommend including guidance within the Annual Statement Instructions. It is noted that the financial statement preparers may not have the RBC instructions, therefore the current process creates a disconnect in which preparers may not have the information to properly assess whether a program should be classified as conforming or nonconforming.

Lastly, in response to a preliminary comparison of conforming and nonconforming securities lending programs, it has been identified that very few reporting entities report any securities lending collateral as part of a nonconforming program. Although the instructions identify what is permitted as "acceptable collateral," from a review of the collateral reported on Schedule DL, reporting entities are classifying programs as conforming even though the reported Schedule DL collateral is outside the parameters of acceptable collateral. From initial assessments, it appears that there may be interpretation differences on whether the "acceptable collateral" requirement encompasses only the collateral received from the counterparty and not what the reporting entity currently holds due to reinvestment of the original collateral. Further clarification of the intent of the guidelines and what is conforming or nonconforming may be warranted before expanding the provisions to include repurchase agreements. It is highlighted that the provisions to separate conforming and nonconforming programs in the RBC formula was incorporated before the great financial crisis, and significant changes to accounting and reporting (including Schedule DL) were incorporated because of how securities lending transactions impacted certain reporting entities during the crisis. Consideration of how the current securities lending accounting and reporting requirements interact with the conforming program requirements may want to be assessed before expanding the conforming program concepts to repurchase agreements with a reduced RBC factor.

In conclusion, the SAPWG appreciates the opportunity to provide immediate comments on the initial exposure and requests that consideration on the proposal be deferred to allow assessment and convergence of accounting and reporting requirements for securities lending and repurchase agreements. The SAPWG will add this issue to its working agenda and proceed as timely as possible and will keep the LRBC WG informed of discussions and progress as this topic is considered.

Cc: Dave Fleming, Julie Gann, Robin Marcotte, Jake Stultz, Jason Farr, Wil Oden, Mary Caswell, Maggie Chang, Eva Yeung, Crystal Brown

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2024SpringNM/summary and minutes/SAPWG/Att 1A4_SAPWG Response to LRBC Repo proposal - Draft 2-8-24.docx

Draft: 1/31/24

Statutory Accounting Principles (E) Working Group
E-Vote
January 29, 2024

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force conducted an e-vote that concluded Jan. 29, 2024. The following Working Group members participated: Dale Bruggeman, Chair (OH); Kevin Clark, Vice Chair (IA); Kim Hudson (CA); Jamie Walker (TX); Cindy Andersen (IL); Travis Sheila (AL); Rylynn Brown (DE); Doug Bartlett (NH); Bob Kasinow (NY); David Smith (VA); and Amy Malm (WI).

1. <u>Exposed Agenda Item 2022-14, revisions to SSAP Nos. 93R and 94R</u>

The Working Group considered an e-vote exposure of additional revisions made to the drafts of *SSAP No. 93R—Investments in Tax Credit Structures* and *SSAP No. 94R—State and Federal Tax Credits* as part of Agenda Item 2022-14 New Market Tax Credits. The revisions recommend various minor consistency and clarifying changes to SSAP Nos. 93 and 94R, as well as more substantial revisions to the Prospective Utilization Assessment detailed in SSAP No. 93 in response to interested party concerns.

Walker made a motion, seconded by Hudson, to expose the revised draft of SSAP Nos. 93 and 94R for a public comment period ending Feb. 9. The motion passed with 10 Working Group members responding with affirmative votes.

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

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2024SpringNM/summary and minutes/SAPWG/Att 1B_01-29-24 evote 2022-14.docx

Draft: 2/2/24

Statutory Accounting Principles (E) Working Group
Virtual Meeting
January 10, 2024

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force met Jan. 10, 2024. The following Working Group members participated: Dale Bruggeman, Chair (OH); Kevin Clark, Vice Chair (IA); Sheila Travis (AL); Kim Hudson (CA); William Arfanis (CT); Rylynn Brown (DE); Cindy Andersen (IL); Melissa Gibson and Stewart Guerin (LA); Judy Weaver (MI); Doug Bartlett (NH); Bob Kasinow (NY); Jamie Walker (TX); Doug Stolte and David Smith (VA); and Elena Vetrina (WI). Also participating was: Roy Eft (IN).

1. Reviewed Comments on Exposed Items

The Working Group met to review comments received (Attachment One-C1) on items exposed at the 2023 Fall National Meeting.

A. Agenda Item 2023-24

Bruggeman directed the Working Group to agenda item 2023-24: *Accounting Standards Update (ASU) 2016-13, Measurement of Credit Losses on Financial Instruments (CECL)*. Wil Oden (NAIC) stated that agenda item 2023-24 was exposed at the 2023 Fall National Meeting to address ASU 2016-13, as well as other subsequently issued CECL-related ASUs. Oden stated that the comment period for CECL was originally scheduled to end Feb. 9, 2024, but was later moved to Dec. 29, 2023. He stated that this change was requested by industry so that the Working Group would have the opportunity to address ASU 2016-13 for statutory accounting purposes, effective Dec. 31, 2023. Oden stated that the main reason for this request was that, under generally accepted auditing standards (GAAS), insurers are required to consider whether they need to provide relevant material disclosures. He stated that if the CECL-related disclosures were not formally rejected for statutory accounting as of Dec. 31, 2023, that would potentially require insurers to provide CECL disclosures on their year-end audited financial statements. He stated that NAIC staff recommended adoption of the exposed revisions to reject ASU 2016-13 and other related ASUs, with an effective date of Dec. 31, 2023, as well as a minor consistency revision detailed in Form A. Additionally, Oden stated that NAIC staff intend to preserve the pre-CECL generally accepted accounting principles (GAAP) impairment methodology in a separate proposal.

Rose Albrizio (Equitable), on behalf of interested parties, stated that they support the adoption of the rejection of this agenda item.

Walker made a motion, seconded by Hudson, to adopt the exposed revisions to reject ASU 2016-13 and the other related ASUs, with an explicit effective date of Dec. 31, 2023. The adoption included a minor consistency revision that added the sentence referencing previously adopted GAAP guidance to all revised Statements of Statutory Accounting Principles (SSAPs) (Attachment One-C2). The Working Group also reiterated its direction to NAIC staff to research and prepare a document to maintain pre-CECL GAAP impairment guidance for posterity. The motion passed unanimously.

B. INT 23-04

Bruggeman directed the Working Group to the exposed tentative *Interpretation (INT) 23-04: Scottish Re Life Reinsurance Liquidation Questions*. Robin Marcotte (NAIC) stated that at the 2023 Fall National Meeting, the Working Group exposed, for a second time, INT 23-04 with updates to provide guidance for ceding entities with reinsurance balances from a U.S.-based life reinsurer in liquidation, Scottish Re. She stated these updates focused on accounting, reporting, and reinsurance recoverables. Marcotte stated that INT 23-04 is proposed to be effective for year-end 2023 reporting.

Marcotte stated that the comments received were primarily provided by the American Council of Life Insurers (ACLI), with interested parties providing comment letters that noted support for the ACLI's comments. Marcotte recommended adoption of INT 23-04 effective for Dec. 31, 2023, reporting, including adoption of the ACLI proposed edits to paragraphs 2 and 14, and recommended the Working Group direct NAIC staff to provide any minor consistency updates to paragraph 23 as needed. She also recommended that the Working Group discuss the admissibility of reinsurance recoverables. Depending on the outcome of the discussion, the Working Group could either choose to adopt paragraph 19 as exposed, which is the NAIC staff recommendation, or modify paragraph 19 with either the ACLI proposed language or the NAIC staff modified language as was detailed in the hearing agenda. She stated that if the Working Group chooses either of these options for updating paragraph 19, then a new disclosure regarding regulatory approval is recommended, and the Working Group should determine the type of disclosure.

Marcotte stated that the ACLI edits proposed to paragraph 2 focused on making it clear that the scope of INT 23-04 is focused on receivables from Scottish Re. She stated that for the reporting of reinsurance recoverables, the ACLI had clarifying edits that reworded paragraph 14 to clarify what amounts are recoverable from the reinsurer's estate. She stated that NAIC staff recommend incorporating the ACLI edits to paragraphs 2 and 14. She stated that paragraph 23 is to summarize whatever is adopted.

Bruggeman stated that ACLI comments identify that there is a lot of variability and, because every contract was so unique, having a discussion with the state of domicile would probably be in the best interest of the individual companies. Hudson stated support of the NAIC staff recommendation and believes there was potential inconsistency in allowing variable admissibility. Hudson noted that this may have to be further revised as additional information is available. Smith stated that a permitted practice would be the way to go and supported not changing the INT on the topic of admissibility. Weaver stated that there is still too much uncertainty about the recoverability of those amounts and, to be conservative, they should be nonadmitted. She stated that if the state of domicile wants to grant a permitted practice, that is a discussion that the insurer and state of domicile can have. Clark stated his agreement with the previous comments.

Bruggeman stated that NAIC staff had provided him with 2022 reporting data, which included approximately 130 companies that have some level of paid and unpaid recoverables and/or credit against the reserves. He stated that six companies have greater than 5% surplus in those recoverables, including reinsurance credits against reserves, and of those six, two are greater than 10%, one being significant. Bruggeman stated that trying to gather the information is a little more onerous than initially thought. He stated that the Working Group can send out the information to state insurance regulators, but since it is individual companies, they do not want to make it public. Eft stated that he supports what NAIC staff have presented.

Charles Evers (Protective Life), on behalf of the ACLI and Protective Life, stated support for allowing further admission beyond what has been exposed. He noted that, under *SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance,* reinsurance-related receivables are required to be assessed for impairment. Further, the ACLI recommended adding additional requirements that would have companies that wanted to admit additional amounts talk with their domestic regulator for permission. Evers stated that he understands if it is a desire just to be more conservative, which is the Working Group's prerogative. He stated that they felt it was overly conservative, when there are significant assets in the Scottish Re estate, and they expect a significant recovery. He stated his expectation that the liquidation would be conducted in a timely manner. He stated that although they believe the ACLI recommendations represent a reasonable approach, that they were given a fair hearing on this issue and that they deeply appreciate the opportunity to be in front of the Working Group to state their position.

Arfanis made a motion, seconded by Hudson, to adopt INT 23-04, as exposed, with the minor updates to paragraphs 2, 14, and 23 as discussed, to provide guidance for ceding entities with reinsurance balances from Scottish Re, with an effective date of reporting periods on or after Dec. 31, 2023 (Attachment One-C3). The motion passed unanimously.

2. Considered the Maintenance Agenda – Pending List

A. Agenda Item 2024-01

Bruggeman directed the Working Group to agenda item 2024-01: Bond Definition – Debt Securities Issued by Funds. Julie Gann (NAIC) stated that this agenda item was developed to clarify guidance on the treatment of debt securities issued by funds, particularly to eliminate the inconsistent application between similar funds and to better align with the recently adopted definition for residual tranches. She stated that in the adopted definition in *SSAP No. 26R—Bonds,* bonds issued by business development corporations, closed-end funds, or similar operating entities are examples of issuer credit obligations, meaning they are in the scope of SSAP No. 26R when they are registered under the federal Investment Company Act of 1940 (1940 Act). Gann stated that it has been noted that this guidance is inconsistent with the stated intent of having the bond definition be principles-based as the registration would be a legal structure component, and with the existing guidance, two investment structures could be identical and have different classification based on whether the structure is registered. Gann stated that this agenda item proposes revising the adopted definition in SSAP No. 26R to clarify that debt securities issued by funds that represent operating entities qualify as issuer credit obligations. She stated that those issued from U.S. Securities and Exchange Commission (SEC)-registered items would still qualify, but there is guidance in a new paragraph 12 to help identify other debt securities issued by funds that would qualify. She stated that NAIC staff recommends exposing this agenda item, noting the revisions to SSAP No. 26R are minor—revising paragraph 7i and adding the new paragraph 12. Gann stated that there are also proposed revisions to the draft issue paper, which is yet to be adopted, but NAIC staff are highlighting what those would be as well to address what was previously included related to the 1940 Act registered funds. Gann stated that NAIC staff proposed a comment deadline of Feb. 9, 2024, because that matches the current comment deadline for items exposed at the 2023 Fall National Meeting.

Clark made a motion, seconded by Hudson, to expose agenda item 2024-01 with proposed revisions to clarify the guidance for debt securities issued by funds. These revisions permit debt securities issued by funds to be classified as issuer credit obligations if the fund represents an operating entity regardless of SEC registration status. The motion passed unanimously.

3. Discussed Other Matters

Marcotte stated that the Valuation Analysis (E) Working Group sent the Statutory Accounting Principles (E) Working Group two referrals related to life reinsurance. She stated that NAIC staff recommend the Statutory Accounting Principles (E) Working Group receive the referrals and that NAIC staff will develop agenda items for discussion at the 2024 Spring National Meeting. Marcotte stated that the first referral (Attachment One-C4) recommends deleting a sentence from Section 2C of Appendix A-791, Life and Health Reinsurance Agreements, noting that this sentence is more of an aside example and is being misused as a rule. She stated that the second referral (Attachment One-C5) identified issues when evaluating reinsurance for risk transfer under SSAP No. 61R, specifically how to evaluate risk transfer when treaties involve more than one type of reinsurance in the same treaty. She stated that it has been observed that some companies are reporting an overstated reserve credit due to bifurcated risk transfer analysis and are recommending that the Statutory Accounting Principles (E) Working Group discuss this issue and consider whether any clarifications are needed to the risk transfer requirements. Marcotte stated that NAIC staff will draft two separate agenda items for the Valuation Analysis (E) Working Group referrals.

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

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Statutory Accounting Principles (E) Working Group
Jan. 10, 2024 Call
Comment Letters Received

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D. Keith Bell, CPA
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Accounting Policy
Corporate Finance
The Travelers Companies, Inc.
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Rose Albrizio, CPA
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201-743-7221
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December 29, 2023

Mr. Dale Bruggeman, Chairman
Statutory Accounting Principles Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

RE: Interested Parties Comments on Item Exposed for Comment during the NAIC National Meeting in Orlando with Comments due December 29

Dear Mr. Bruggeman:

Interested parties appreciate the opportunity to comment on the following items that were exposed for comment by the Statutory Accounting Working Group (the Working Group).

INT 23-04T: Scottish Re Life Reinsurance Liquidation Questions

The proposed Interpretation addresses the accounting and reporting of reinsurance recoverables from Scottish Re, a U.S.-based life reinsurer in liquidation. The Working Group tentative consensuses provide responses to the following issues:

Issue 1 – Commutation or Recapture of a Life Reinsurance Contract
Issue 2 – Impairment of Reinsurance Recoverables
Issue 3 – Reporting of Reinsurance Recoverables
Issue 4 – Admissibility of Reinsurance Recoverables
Issue 5 – Disclosures

Interested parties support the comments in the letter submitted by the American Council of Life Insurers.

Ref #2023-24: ASU 2016-13 Measurement of Credit Losses on Financial Instruments

The Working Group moved this agenda item to the active listing, categorized as a SAP clarification and exposed this agenda item to reject ASU 2016-13, *Financial Instruments–Credit*

Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, *ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, *ASU 2019-04, Codification Improvements to Topics 326, 815, 825*, *ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*, *ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, and *ASU 2020-03 Codification Improvements to Financial Instruments*, within INT 06-07: Definition of Phrase "Other Than Temporary" and fifteen applicable SSAPs.

The Working Group also moved agenda item Ref #2026-20, which was started to address current expected credit losses (CECL), to the disposed listing. The Working Group directed NAIC staff to research how best to maintain pre-CECL GAAP impairment guidance for posterity.

On December 11, 2023, the Working Group chair approved an accelerated comment deadline that was requested by industry after the December 1, 2023 meeting. As a result, the comment deadline for the Fall National Meeting exposure of agenda item 2023-24 was shortened from February 4, 2024, to December 29, 2023, to allow the Working Group the ability to formally reject CECL and other related ASUs in January 2024.

Interested parties appreciate the Working Group's quick response to industry's request. FASB ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* (CECL) is effective for non-public companies preparing GAAP basis financial statements for years beginning after December 31, 2022. For insurance entities required to file audited statutory basis financial statements under the Model Audit Rule, the requirement would have been effective for the audited financial statements as of December 31, 2023. For these reasons, we fully support staff's recommendation to reject the ASU.

* * * *

Please feel free to contact either one of us if you have any questions or would like to discuss the above recommendations.

Sincerely,

D. Keith Bell Rose Albrizio

cc: Interested parties
NAIC staff

ACLI
Financial Security for Life

Mike Monahan
Senior Director, Accounting Policy
202-624-2324
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December 21, 2023

Mr. Dale Bruggeman, Chairman
Statutory Accounting Principles Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Re: INT 23-04T: Life Reinsurance Liquidation Questions

Dear Mr. Bruggeman:

The American Council of Life Insurers (ACLI) appreciates the opportunity to submit comments on the proposed INT 23-04T: Life Reinsurance Liquidation Questions (the "INT"), which was re-exposed for comment December 1, 2023 with comments due on December 29, 2023. We appreciate NAIC staff and regulators' prompt attention to this matter, which has implications for companies' year end 2023 reporting. ACLI would also like to express our gratitude for changes made by the NAIC to date that we believe have already improved the quality of INT 23-04T.

The INT, as re-exposed, provides guidance for ceding entities regarding the five key accounting and reporting issues below, and would be applicable only to amounts arising from the liquidation of Scottish Re:

1) Commutation or Recapture of a Life Reinsurance Contract
2) Impairment of Reinsurance Recoverables
3) Reporting of Reinsurance Recoverables
4) Admissibility of Reinsurance Recoverables
5) Disclosures

General Comments

The proposed INT 23-04T would limit the scope to amounts arising from the Scottish Re Liquidation. ACLI understands the rationale for limiting the scope of the INT, but would suggest a small revision to paragraph 2 for the avoidance of doubt:

> *This interpretation is ~~focused on~~ **applicable only to** the accounting and reporting of reinsurance recoverables from Scottish Re, a U.S.-based life reinsurer in liquidation. The Statutory Accounting Principles (E) Working Group tentative consensuses to the noted issues are included below.*

Issue 1 – Commutation or Recapture of a Life Reinsurance Contract

We agree with the provisions in paragraphs 3 and 4, which we understand to require that reporting entities a) unwind reinsurance balances in the manner prescribed by paragraph 58 and b) establish new balances to which the provisions outlined under Issue 3 would apply.

Issue 2 – Impairment of Reinsurance Recoverables

We have no comments on this issue.

Issue 3 – Reporting of Reinsurance Recoverables

ACLI does not object to the proposed financial statement reporting outlined in paragraphs 10-16 of the INT. We would offer the following suggested revision to paragraph 14 to provide additional clarity as to the scope of amounts reported in Line 16.3.

> *14. ~~Other a~~**A**mounts ~~receivable~~* ***recoverable from the reinsurer's estate*** *for claims* ***incurred*** *~~unpaid related to the period~~ before the reinsurance contract cancellation and unpaid* ***as of the reporting date*** *~~which are~~ ~~recoverable from the reinsurer's estate~~ shall be reported on the asset page line 16.3 - Other Amounts Receivable Under Reinsurance Contracts.*

Issue 4 – Admissibility of Reinsurance Recoverables

The re-exposed INT would allow amounts to be admitted that are reported on the asset page in line 16.1 or secured by a trust, to the extent such amounts are not in dispute, the trust funds are sufficient, and for amounts reported on line 16.1 after an impairment review. Other reinsurance recoverables are required to be non-admitted.

ACLI believes that amounts recoverable from Scottish Re that are reported on the asset page in lines 16.3 and 25 should also be admitted, subject to an impairment review and approval of reporting entities' domestic regulators. Our comments below support this position and provide additional commentary on several related questions.

The present value of future losses is an example of an "other recoverable" amount that would be reported on line 25. For some cedants, this represents a significant component of the overall receivable from Scottish, and it is acknowledged specifically by the liquidation order. An example of an exposure of this nature would arise if level term business was ceded to Scottish under coinsurance. For level term policies, premiums far exceed claims in the earlier years, and reserves are built up to provide for the increased claims expected in the later years. Since these reinsurance contracts are terminated under the liquidation order, the direct writers will now be responsible for paying these claims without reimbursement from Scottish Re, despite having paid the premiums to Scottish Re. These future losses are acknowledged in the liquidation order, and we have not received information from the receiver that such amounts will receive lower priority in the liquidation- (i.e., they are no less recoverable than paid claims).

The coinsurance reserves scenario described above is only one example, and ACLI believes it is important to provide for consideration of relevant facts and circumstances by reporting entities and their domestic regulators, who are best positioned to analyze and opine on the individual facts and circumstances of a given insurer's exposure in a liquidation (and have done so in the context of the current ongoing liquidation). With this objective in mind, we would propose the following revisions to paragraph 19 to provide for the admittance of amounts reported in lines 16.3 and 25, subject to appropriate review and approval by a reporting entity's domestic regulator.

> *19. Other amounts expected to be recovered that are reported on the asset page lines 16.3 and 25 in accordance with paragraphs 14 through 16 shall only be admitted on approval by the*

reporting entity's domiciliary regulator. Such approval would not constitute a permitted practice, and may be granted in consideration of a reporting entity's individual facts and circumstances, and based on review of appropriate supporting documentation and assumptions.

At the Fall National Meeting, ACLI provided examples of specific evidential matter that regulators may consider, but which may be too specific to be codified directly into the INT given the wide diversity in facts and circumstances among individual companies. Regulator review may include consideration of documentation provided by the receiver; artifacts establishing the nature of the amounts due from the liquidation estate; contractual agreements with Scottish Re prior to liquidation, and assumptions as to collectability of amounts due, including sufficient assets in the liquidation estate and expected timing of collections. Additionally, we would recommend for regulators' consideration of a possible requirement that amounts admitted under paragraph 19 be allocated to special surplus on liabilities, surplus and other funds page, line 34. ACLI also recommends that the aggregate write-in for special surplus funds (line 34) be named as "Scottish Re Recoverable."

Several additional questions regarding admissibility were discussed during and after the NAIC's Fall 2023 National Meeting. We have included comments on several of these issues below and stand ready to work with NAIC staff and regulators to address any other issues and concerns that may arise.

Would the approval of recoverable amounts to be admitted under our proposed paragraph 19 above be considered a permitted practice?

ACLI's view is that the approval of the admission of a recoverable that is provided for specifically in the INT would not be a departure from SAP, and thus not a permitted practice. We note that there is precedent for regulator approval elsewhere in the Accounting Practices and Procedures Manual. One specific example is in SSAP 72 paragraph 8, which requires approval for the recognition of capital contributions as Type 1 subsequent events. For the avoidance of doubt, we have included explicit language to this effect in our proposed revisions.

Do the provisions of Credit for Reinsurance Model Law (#785) constrain the amounts that may be admitted from the estate of Scottish Re?

Subject to the review of individual state laws and regulations in which Model Law 785 is codified, our interpretation is that the credit for reinsurance provisions ceased to apply when the reinsurance agreement terminated. Accordingly, we are not constrained as to the accounting for receivables arising from the liquidation by the requirements of A-785.

Would approval of amounts to be admitted be unduly burdensome for state regulators?

While ACLI members cannot provide a definitive response to this question as it relates to all of our state regulators, we offer our observation that some states already have a practice of reviewing detailed information regarding their companies' exposure to Scottish Re. We believe the primary burden will be on companies to provide information regulators find sufficient, and that our proposed revisions provide for the continued practice of this prudent regulatory oversight rather than a significant expansion of regulators' obligations. Further, we believe that on an ongoing basis the review will represent primarily an update from prior periods.

ACLI members are appreciative of the time and efforts of NAIC staff and regulators regarding this important issue. If you have any questions regarding this letter, please do not hesitate to contact us.

Sincerely,

CC: Julie Gann, Robin Marcotte, Jake Stultz, Jason Farr, and Wil Oden (NAIC)

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/APPTF/2024SpringNM/summary%20and%20minutes/SAPWG/Att%201C1_Comment%20letters.pdf

Ref #2023-24

Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A

Issue: ASU 2016-13 Measurement of Credit Losses on Financial Instruments

Check (applicable entity):

	P/C	Life	Health
Modification of existing SSAP	☒	☒	☒
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue: In June 2016, the Financial Accounting Standards Board (FASB) issued *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments* (CECL*)* to change impairment and credit loss United States generally accepted accounting principles (GAAP) guidance from an "incurred loss" methodology to an "expected loss" methodology. These changes were made primarily in response to the 2008 Great Recession in which companies were anticipating significant credit losses but were unable to record these losses as the probable threshold had not yet been met. In response to this issue, FASB established the Financial Crisis Advisory Group (FCAG) to advise FASB on improvements to financial reporting in response to the Great Recession. The main recommendation from the FCAG to FASB was to investigate improvements to impairment and credit loss guidance through the development of an alternative to the "incurred loss" methodology. Based on this recommendation FASB developed CECL which replaces the "incurred loss" methodology and provides financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. CECL affects all entities holding financial assets that are not accounted for at fair value through net income, including loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance recoverables and any other financial assets not specifically excluded that have the contractual right to receive cash. The impact from applying CECL is anticipated to vary by reporting entity in accordance with the credit quality of assets held and how they apply current GAAP.

One significant difference between previous GAAP and CECL is that the impairment guidance for in-scope assets were superseded and replaced with credit loss guidance under *Topic 326–Financial Instruments—Credit Losses*. Beyond consolidating new credit loss guidance into a single topic, CECL fundamentally changed the methodology for calculating and recording credit losses by replacing the incurred credit loss model with the expected credit loss model, which requires expected losses to be assessed and recorded at the onset of the acquisition of in-scope assets. This requirement is applicable for all in-scope assets unless management assesses that the asset represents a zero-risk transaction, U.S. Treasuries for example. As a result, the calculation of a credit loss allowance is now required for many assets which previously would have only recorded a credit loss allowance once it has occurred, or the probable threshold had been met. The asset categories scoped into the new CECL credit loss guidance are as follows:

- Financing Receivables
- Receivables from Sales-Type or Direct Finance Leases
- Related Party Accounts and Loans Receivable, excluding related parties under common control.
- All financial instruments held at Amortized Cost (categorized as Held to Maturity under GAAP), excluding purchased financial assets with credit deterioration (PCDs).
    - Includes but is not limited to debt securities, trade and time-share receivables, contract assets, and reinsurance recoverables.
- Off-balance-sheet credit exposures not accounted for as insurance.

    - Includes but is not limited to loan commitments, forward commitments to purchase loans, letters of credit, and financial guarantees.
- Cash Equivalents

While CECL does require the accrual of an allowance on expected credit losses, it does not require a specific evaluation method but rather adopts a principles-based approach which allows for any kind of credit loss evaluation if the end product of the evaluation meets certain defined criteria. Additionally, assets with similar risk profiles may be evaluated for expected credit losses collectively but these risk profiles must be assessed annually to determine if they remain similar. Note that Available for Sale securities are excluded from the expected credit loss methodology but are instead required to utilize a modified other-than-temporary impairment (OTTI) model detailed in Topic 326-30. The following information summarizes the key information on the accounting and reporting of credit losses under Topic 326:

Overview of CECL Concepts:
Accounting guidance is divided into securities reported at amortized cost (includes investment held at Held-to-Maturity, or HTM), and debt securities reported as available for sale (AFS), which reports fair value through OCI. The following reflects high-level concepts from CECL:

Amortized Cost Securities:

1. Allowance for credit losses is a valuation accounting that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected on the financial assets. Net income is adjusted to reflect the allowance for credit losses based on the current expected estimate. The allowance shall be reported at each reporting date. Changes from current estimates shall be compared to estimates previously reported, with adjustments reflected in net income.

2. The entity shall measure credit losses on a collective basis when similar risk characteristics exist. If a financial asset does not share risk characteristics with other assets, the entity shall evaluate the asset on an individual basis. (Should not include individual and collective assessments on the same asset.)

3. The entity shall estimate expected credit losses over the contractual terms of the financial assets, considering prepayments. However, it shall not extend the contractual term for expected extensions, renewals, and modifications unless there is a reasonable expectation of executing a troubled debt restructuring.

4. When developing an estimate, the entity shall consider available information relevant to assessing collectability of cash flows. This may include internal information, external information, or a combination of past events, current conditions and reasonable and supportable forecasts. (Internal information may be determined sufficient.)

5. Historical credit loss information for assets with similar characteristics generally provides a basis for expected losses, but entities shall not rely solely on past events to estimate expected credit losses. When using historical information, the entity shall consider the need to adjust for management expectations about current conditions and reasonable and supported forecasts that differ from the historical period.

6. Estimate of expected credit losses shall include a measure of the expected risk of credit loss even if that risk is remote. However, entities are not required to measure expected credit losses when the expectation of nonpayment of the amortized cost basis is zero.

7. Estimate of expected credit losses shall reflect how credit enhancements (other than freestanding contracts) mitigate expected credit losses. However, freestanding contracts shall not be used to offset expected losses.

8. Assets purchased with existing credit deterioration are initially reported at the purchase price plus the allowance for credit losses to determine the initial amortized cost basis. Any noncredit discount or premium shall be allocated to each individual asset. At the acquisition date, the initial allowance for credits losses determined on a collective basis shall be allocated to individual assets to appropriately allocate any noncredit discount or premium.

9. For collateral-dependent financial assets, entities shall measure expected credit losses based on the fair value of the collateral when the entity determines that foreclosure is probable. The entity may expect credit losses of zero when the fair value (less costs to sell) of the collateral at the reporting date is equal to or exceeds the amortized cost basis of the financial asset. If the collateral is less than the amortized cost basis, an entity shall recognize an allowance for credit losses as the difference between the collateral fair value and the amortized cost of the asset.

10. In the period when financial assets are deemed uncollectible, they shall be written off with a deduction from the allowance.

11. Detailed disclosures are included to enable users to understand: 1) credit risk inherent in a portfolio and how management monitors credit quality of a portfolio; 2) management's estimate of expected credit losses; and 3) changes in the estimate of expected credit losses that have occurred during the period. These disclosures include a rollforward of the allowance for credit losses and a reconciliation of the purchase price for assets purchased with credit deterioration.

12. Noted examples are included for collateral-dependent financial assets (real estate loans), assets with collateral maintenance provisions (reverse-repurchase agreements), and HTM debt securities when potential default is greater than zero, but expected nonpayment is zero (Treasury Securities).

<u>Available-for-Sale Debt Securities</u>

13. Investment is impaired if the fair value of the investment is less than amortized cost basis.

14. For individual AFS debt securities, the entity shall determine whether a decline in fair value below the amortized cost basis has resulted from a credit loss or other factors. Impairments related to credit losses shall be recorded through an allowance for credit losses. However, the allowance shall be limited by the amount that the fair value is less than the amortized cost basis.

15. At each reporting date, the entity shall record an allowance for credit losses that reflects the amount of impairment related to credit losses, limited by the fair value floor. Changes in the allowance shall be recorded in the period of the change as a credit loss expense (or reversal of credit loss expense).

16. <u>Impairment shall be assessed at the individual security level</u>. For example, debt securities bearing the same CUSIP – even if purchased in separate lots – may be aggregated by a reporting entity on an average cost basis if that corresponds to the basis used to measure realized or unrealized gains and losses for the debt securities. <u>Providing a general allowance for an unidentified investment in a portfolio of debt securities is not appropriate.</u>

17. In assessing whether a credit loss exists, an entity shall compare the present value of cash flows expected to be collected from the security with the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis of the security, a credit loss exists and an allowance for credit losses shall be recorded for the credit loss, limited by the amount that the fair value is less than amortized cost basis. Credit losses on an impaired security shall continue to be measured using the present value of expected future cash flows. (Entity would discount the expected cash flows at the effective interest risk implicit in the security at the date of acquisition.)

18. Estimates of expected future cash flows shall be on the entity's best estimate based on past events, current conditions and on reasonable and supportable forecasts.

19. If the entity intends to sell, or if more-likely-than-not will be required to sell before recovery of the amortized cost basis, any allowance for credit losses shall be written off and the amortized cost basis shall be written down to the debt security's fair value at the reporting date with any incremental impairment reflected in earnings.

20. Entities shall reassess the credit losses each reporting period when there is an allowance for credit losses. Subsequent changes shall be recorded in the allowance for credit losses, with a corresponding adjustment in the credit loss expense. Entities are not permitted to reverse a previously recorded allowance for credit losses to an amount below zero.

21. Once an AFS debt security has been written down, the previous amortized cost basis less write-offs, including noncredit related impairment reported in earnings, shall become the new amortized cost basis, and shall not be adjusted for subsequent recoveries in fair value.

22. For AFS debt securities for which impairments were reported in earnings as a write-off because of an intent to sell or a more-likely-than-not requirement to sell, the difference between the new amortized cost basis and the cash flows expected to be collected shall be accreted as interest income. Over the life of the security, continue to estimate the present value of cash flows expected to be collected. For all other AFS debt securities, if there is a significant increase in the cash flows expected to be collected or if actual cash flows are significantly greater than cash flows previously expected, those changes shall be accounted for as a prospective adjustment to the yield. Subsequent increases in fair value after the write-down shall be included in other comprehensive income.

23. These AFS debt securities shall be presented on the balance sheet at fair value, with parenthetical presentation of the amortized cost and the allowance for credit losses. The allowance for credit losses shall be separately presented as a component of accumulated other comprehensive income.

24. Detailed disclosures are included to allow users to understand: 1) credit risk inherent in AFS debt securities; 2) management's estimate of credit losses; and 3) changes in the estimate of credit losses that have taken place during the period. These disclosures include detailed information for situations in which AFS securities are in an unrealized loss position, but the entity has reached a conclusion that an allowance for credit losses is unnecessary. Other key disclosures include the methodology and significant inputs used to measure credit loss, a rollforward of the allowance for credit losses, and a reconciliation of purchased financial assets with credit deterioration.

25. Noted examples are included for AFS debt securities in an unrealized loss position for which no credit losses are reported (situations include Treasury Securities, Federal Agency MBS, and Corporate Bonds).

Additionally, CECL would make changes to how companies account for off-balance sheet credit exposures. Traditionally, most credit exposures have had no financial impact outside of disclosures until the probable threshold has been met. However, as credit exposures are within the scope of CECL entities will likely be required to assess and accrue a credit loss allowance at the inception of the credit exposure.

CECL also includes revisions to various other elements of the FASB Codification – Contingencies, Guarantees, Troubled Debt Restructuring, Revenue, Business Combinations, Consolidation, Derivatives, Fair Value Measurement, Foreign Currency Transactions, Leases, Transfer and Servicing, Insurance, Financial Guarantee Contracts, & Health Care Entities. Staff will evaluate these changes in detail, and if these revisions are applicable to SAP, as CECL is considered.

Subsequent Revisions:
Several ASUs have been issued after CECL to provide clarification and improvements to the guidance in ASC Topic 326. Note that references to CECL are inclusive of these subsequent revisions. For the discussion at the 2023 Fall National Meeting, NAIC staff will include the following ASUs:

- *ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, amends CECL guidance by providing clarification on two specific issues.
    - Issue 1 amended the transition date effective for nonpublic entities from 2020 to 2021 year-end.
    - Issue 2 clarifies that receivables from operating leases are not within the scope of CECL and should be accounted for in accordance with Topic 820.
- *ASU 2019-04, Codification Improvements to Topics 326, 815, 825*, addresses several topics, which are further disaggregated by issue, intended to clarify or correct the original CECL guidance. The Topics are numbered from 1-5 with several individual issues addressed within each Topic.
    - Topic 1 provides clarifications on accrued interest, transfers between categories/classifications of loans and debt securities, and recoveries on previously written off financial assets.
    - Topic 2 corrects cross-references, clarifies that reinsurance recoverables are within the scope of CECL, and provides methodological clarifications in several areas involving the calculation of credit loss reserves (see Issues 2D through 2F).
    - Topic 3 provides clarifications and corrections on several issues involving Fair Value Hedges and Hedge Accounting and clarifies that non-profit organizations that do not separately report earnings may not adopt the amortization approach as detailed for fair value hedging.
    - Topic 4 clarifies that Health and Welfare Benefit plans are not within the scope of CECL, that the scope of certain disclosures is limited to only public entities and clarifies guidance on alternative to fair value valuations.
    - Topic 5 clarifies the presentation of line of credit converted to debt items and whether entities should consider extension or renewals when calculating contract terms.
- *ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*, amends the effective date for various ASUs. The transition date for CECL was moved to December 15, 2022, for all entities other than public SEC filers.
- *ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, addresses five issues identified with CECL.
    - Issues 1 and 2 involve clarifications and additional guidance on assets purchased with credit deterioration.
    - Issue 3 extends the disclosure relief detailed in ASU 2019-04 to additional disclosures on accrued interest receivables.
    - Issue 4 provides clarifications on CECL assessments which involve financial assets secured by collateral maintenance provisions.
    - Issue 5 corrects a cross-reference error.

- *ASU 2020-03 Codification Improvements to Financial Instruments* addresses several issues identified with CECL.
    - Issue 1 clarifies that all entities are required to provide the fair value option disclosures.
    - Issue 2 corrects certain paragraphs in Topic 820 to include the phrase nonfinancial items accounted for as derivatives under Topic 815 to be consistent with the previous amendments.
    - Issue 3 clarifies that the disclosure requirements in Topic 320 apply to the disclosure requirements in Topic 942 for depository and lending institutions.
    - Issues 4 and 5 correct and enhance various cross-references.
    - Issue 6 clarifies the correct contractual term used to measure the net investment in a lease.
    - Issue 7 clarifies that when an entity regains control of financial assets sold, an allowance for credit losses should be recorded in accordance with Topic 326.

Staff Analysis:

The main purpose of statutory accounting principles (SAP) is to address the concerns of regulators, primarily as it relates to assessing solvency, who are the primary users of statutory financial statements. To do so, SAP stresses measurement of a company's ability to pay claims in the future and adopts reasonably conservative principles of accounting to ensure that insurance companies' capital and surplus is reflective of funds in excess of policyholder liabilities which are available to pay claims should the assets backing reserves become insufficient. Risk-based capital then provides a basis for evaluating the sufficiency of this capital and surplus amount in the context of a particular company's risk-taking activities, including its exposure to credit risk. Capital requirements are calibrated to ensure sufficiency of capital even during periods of economic uncertainty and distress, within the intended level of statistical safety.

The statutory framework has long incorporated concepts that incorporate a prospective view of future credit risk that historical GAAP has not. The first is the Asset Valuation Reserve (AVR). AVR requires life insurance companies to establish a reserve to account for future impairment losses on all assets (with some minor exceptions). While this is much more formulaic than the allowance required under CECL, it is intended to accomplish the same objective. The second is that *SSAP No. 26R—Bonds* requires insurance companies that do not maintain AVR to report bonds at fair value if the bond is not considered high-quality (NAIC designations 3 to 6). While this requirement does not result in credit loss reserves, it does have a similar effect by requiring non-life companies to report lower quality bonds at fair value or convert previously highest or high-quality bonds to fair value in the event of credit quality degradation. Further, the RBC formula factors in the credit risk of each individual asset in calculating the amount of capital required to be held. These mechanisms incorporate an expectation of future credit losses. Therefore, while GAAP has just begun recognizing an expectation of future credit losses with the advent of CECL, the statutory framework has recognized and incorporated future credit loss potential for decades.

Although the statutory framework has long considered future credit losses, it is worth assessing CECL to determine whether it could introduce any improvements to the existing statutory framework if adopted. Based on the review performed, Staff does not recommend adoption of CECL for the following reasons:

- CECL is a framework that incorporates significant judgement and forecasting by the company to establish credit reserves. The assumptions and data that go into these estimates are required to be company-specific, reflecting the company's reasonable and supportable forecasts of future economic conditions. It also is required to consider current economic conditions, which results in sensitivity in the reserve to changing economic conditions. The statutory framework has historically limited insurer judgment in estimating reserves. Where judgment has been allowed, there are typically mechanisms in place to closely regulate and assess those assumptions for reasonableness. Further, loss reserves and RBC are generally set to already incorporate downside risk within a desire level of statistical safety. As the framework already incorporates an expectation of adverse experience, it is not particularly volatile with changes in economic conditions. It is intended to reflect risk through the economic cycle, not at a point in time. As a result of both the volatility and judgment involved, the CECL standard does not fit the overall design of the statutory accounting and solvency monitoring framework.

- CECL does not provide a specific method that companies must use to make expected loss estimates but is instead defined by several results-oriented principles. While this does allow companies the flexibility to adopt the forecasting process that best fits their investments and company, it also means that there will be a significant diversity in the methods used to calculate expected credit losses under CECL. Such optionality is generally not considered compatible with SAP and would also place a significant burden on regulators and examiners to assess the variety of forecasting methods utilized by insurance companies.
- The majority of insurance company investments are debt securities which are generally classified as Available for Sale (AFS) for GAAP reporting. Investments classified as AFS are held at fair value with changes in fair value recorded through other comprehensive income. The portion of the CECL standard that applies to AFS securities is markedly different than what applies to debt securities held at amortized cost. Unlike GAAP, statutory accounting requires the majority of debt securities to be held at amortized cost. As a result, using a CECL standard for statutory accounting would be significantly more expansive and impactful to a statutory balance sheet than under GAAP and would result in a significantly different application of CECL between statutory accounting and GAAP, even if the identical standard were adopted.
- CECL is a complex standard that requires companies to either develop internal models or to contract an external solution to support calculating a reserve. GAAP does allow companies to elect to hold their investments under the fair value option, in which case CECL is not required. This may be an appealing option for some insurers, particularly smaller ones that wish to avoid the operational cost of CECL. The fair value option does not exist for statutory accounting. As such, adopting CECL would likely force insurers to incur the cost of CECL that would not otherwise be necessary for their GAAP financial statements.
- Similarly, many insurance companies do not prepare GAAP financial statements. This means that they would need to learn about and adopt CECL for the first time for their statutory financial statements if CECL were to be adopted.
- As RBC has its own methodology for incorporating credit risk, any CECL allowance would need to be reversed in the RBC formula in order to avoid double counting expected losses. This would largely eliminate any benefit of CECL to regulators' solvency monitoring efforts.

<u>As a result of these factors, NAIC Staff does not recommend adopting CECL for statutory accounting.</u>

Existing Authoritative Literature:

Existing SAP guidance has predominantly adopted (or adopted with modification) GAAP guidance pertaining to other-than-temporary impairment. <u>However, the adopted guidance, although coming from GAAP, does not reflect GAAP concepts for similar securities.</u> For example, the guidance in SSAP No. 26R reflects concepts from GAAP applicable for receivables and loans (e.g., it is probable that the entity will be unable to collect all amounts due accordingly to the contractual terms.) The guidance in *SSAP No. 43R—Loan-Backed and Structured Securities* is more comparable to current GAAP concepts applicable for both HTM and AFS debt securities (e.g., assessment of whether an entity will recover the amortized cost basis based on a review of the present value of cash flows.)

The GAAP categories for debt securities have previously been rejected for statutory accounting. As such, SAP does not include the classifications of "Held-to-Maturity," "Available-for-Sale" or "Trading" for debt securities. All debt securities are captured within SSAP No. 26R or SSAP No. 43R and reported at either amortized cost, or the lower of amortized cost or fair value, based on NAIC designation.

Existing Authoritative Literature:

INT 06-07: Definition of the Phrase "Other Than Temporary" – This INT reflects the adoption with modification of *FSP FAS 115-1/124-1: The Meaning of Other Them Temporary Impairment and Its Application to Certain Investments*. **This FSP was subsequently included in the FASB Codification in ASC 320-10 and ASC 326-30 and this ASC guidance has been deleted (or significantly revised) with the issuance of ASU 2016-13**. (This INT has not been duplicated in this agenda item.)

Preamble – This guidance reflects some of the core principles of statutory accounting as it pertains to the Staff Analysis detailed above:

> 19. SAP is conservative in some respects but not unreasonably conservative over the span of economic cycles, or in recognition of the primary statutory responsibility to regulate for financial solvency. SAP attempts to determine at the financial statement date an insurer's ability to satisfy its obligations to its policyholders and creditors.
>
> 33. Conservative valuation procedures provide protection to policyholders against adverse fluctuations in financial condition or operating results. Statutory accounting should be reasonably conservative over the span of economic cycles and in recognition of the primary responsibility to regulate for financial solvency. Valuation procedures should, to the extent possible, prevent sharp fluctuations in surplus.

SSAP No. 26R, Paragraphs 12-13 – This guidance reflects adoption of *FSP FAS 115-1/124-1: The Meaning of Other Them Temporary Impairment and Its Application to Certain Investments.* **This FSP was subsequently included in the FASB Codification in ASC 320-10 and ASC 326-30 and this ASC guidance has been deleted (or significantly revised) with the issuance of ASU 2016-13**.

> 13. An other-than-temporary(INT 06-07) impairment shall be considered to have occurred if it is probable that the reporting entity will be unable to collect all amounts due according to the contractual terms of a debt security in effect at the date of acquisition.[1] A decline in fair value which is other-than-temporary includes situations where a reporting entity has made a decision to sell a security prior to its maturity at an amount below its carrying value. If it is determined that a decline in the fair value of a bond is other-than-temporary, an impairment loss shall be recognized as a realized loss equal to the entire difference between the bond's carrying value and its fair value at the balance sheet date of the reporting period for which the assessment is made. The measurement of the impairment loss shall not include partial recoveries of fair value subsequent to the balance sheet date. For reporting entities required to maintain an AVR/IMR, the accounting for the entire amount of the realized capital loss shall be in accordance with SSAP No. 7. The other-than-temporary impairment loss shall be recorded entirely to either AVR or IMR (and not bifurcated between credit and non-credit components) in accordance with the annual statement instructions.
>
> 14. In periods subsequent to the recognition of an other-than-temporary impairment loss for a bond, the reporting entity shall account for the other-than-temporarily impaired security as if the security had been purchased on the measurement date of the other-than-temporary impairment. The fair value of the bond on the measurement date shall become the new cost basis of the bond and the new cost basis shall not be adjusted for subsequent recoveries in fair value. The discount or reduced premium recorded for the security, based on the new cost basis, shall be amortized over the remaining life of the security in the prospective manner based on the amount and timing of future estimated cash flows. The security shall continue to be

[1] If a bond has been modified from original acquisition, the guidance in *SSAP No. 36—Troubled Debt Restructuring* and paragraph 22 of *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* shall be followed, as applicable. After modification of original terms, future assessments to determine other-than-temporary impairment shall be based on the modified contractual terms of the debt instrument.

subject to impairment analysis for each subsequent reporting period. Future declines in fair value which are determined to be other-than temporary shall be recorded as realized losses.

SSAP No. 43R, Paragraphs 12-13 – This guidance reflects concepts included within *FSP FAS 115-1/124-1: The Meaning of Other Them Temporary Impairment and Its Application to Certain Investments,* as well the adoption of *EITF 99-20, Exchange of Interest-Only and Principal-Only Securities for a Mortgage-Backed Security,* and *FSP ETIF 99-20-1, Amendments to the Impairment Guidance of ETIF Issue 99-20.* **The guidance reflected from this FSP was included in ASC 310-20, 325-40, and 326-30 and has been deleted or significantly revised with the issuance of ASU 2016-13:**

Collection of All Contractual Cashflows is Not Probable

19. The following guidance applies to loan-backed and structured securities with evidence of deterioration of credit quality since origination for which it is probable, either known at acquisition or identified during the holding period, that the investor will be unable to collect all contractually required payments receivable, except for those beneficial interests that are not of high credit quality or can contractually be prepaid or otherwise settled in such a way that the reporting entity would not recover substantially all of its recorded amount determined at acquisition (see paragraphs 22-25).

20. The reporting entity shall recognize the excess of all cash flows expected at acquisition over the investor's initial investment in the loan-backed or structured security as interest income on an effective-yield basis over the life of the loan-backed or structured security (accretable yield). Any excess of contractually required cash flows over the cash flows expected to be collected is the nonaccretable difference. Expected prepayments shall be treated consistently for determining cash flows expected to be collected and projections of contractual cash flows such that the nonaccretable difference is not affected. Similarly, the difference between actual prepayments and expected prepayments shall not affect the nonaccretable difference.

21. An investor shall continue to estimate cash flows expected to be collected over the life of the loan-backed or structured security. If, upon subsequent evaluation:

a. The fair value of the loan-backed or structured security has declined below its amortized cost basis, <u>an entity shall determine whether the decline is other than temporary</u> (INT 06-07). For example, if, based on current information and events, there is a decrease in cash flows expected to be collected (that is, the investor is unable to collect all cash flows expected at acquisition plus any additional cash flows expected to be collected arising from changes in estimate after acquisition (in accordance with paragraph 19.b.), an other-than-temporary impairment shall be considered to have occurred. The investor shall consider both the timing and amount of cash flows expected to be collected in making a determination about whether there has been a decrease in cash flows expected to be collected.

b. Based on current information and events, if there is a significant increase in cash flows previously expected to be collected or if actual cash flows are significantly greater than cash flows previously expected, the investor shall recalculate the amount of accretable yield for the loan-backed or structured security as the excess of the revised cash flows expected to be collected over the sum of (1) the initial investment less (2) cash collected less (3) other-than-temporary impairments plus (4) amount of yield accreted to date. The investor shall adjust the amount of accretable yield by reclassification from nonaccretable difference. The adjustment shall be accounted for as a change in estimate in conformity with *SSAP No. 3—Accounting Changes and Corrections of Errors* (SSAP No. 3), with the amount of periodic accretion adjusted over the remaining life of the loan-backed or structured security (prospective method).

Unrealized Gains and Losses and Impairment Guidance

29. For reporting entities required to maintain an AVR, the accounting for unrealized gains and losses shall be in accordance with paragraph 36 of this statement. For reporting entities not required to maintain an AVR, unrealized gains and losses shall be recorded as a direct credit or charge to unassigned funds (surplus).

30. The application of this reporting requirement resulting from NAIC designation (i.e., lower of cost or fair value) is not a substitute for other-than-temporary impairment recognition (paragraphs 33-37). For securities reported at fair value where an other-than-temporary impairment has been determined to have occurred, the realized loss recognized from the other-than-temporary impairment shall first be applied towards the realization of any unrealized losses previously recorded as a result of fluctuations in the security's fair value due to the reporting requirements. After the recognition of the other-than-temporary impairment, the security shall continue to report unrealized gains and losses as a result of fluctuations in fair value.

31. If the fair value of a loan-backed or structured security is less than its amortized cost basis at the balance sheet date, an entity shall assess whether the impairment is other than temporary. Amortized cost basis includes adjustments made to the cost of an investment for accretion, amortization, collection of cash, previous other-than-temporary impairments recognized as a realized loss.

32. If an entity intends to sell the loan-backed or structured security (that is, it has decided to sell the security), an other-than-temporary impairment shall be considered to have occurred.

33. If an entity does not intend to sell the loan-backed or structured security, the entity shall assess whether it has the intent and ability[2] to retain the investment in the security for a period of time sufficient to recover the amortized cost basis. If the entity does not have the intent and ability to retain the investment for the time sufficient to recover the amortized cost basis, an other-than-temporary impairment shall be considered to have occurred.

34. If the entity does not expect to recover the entire amortized cost basis of the security, the entity would be unable to assert that it will recover its amortized cost basis even if it does not intend to sell the security and the entity has the intent and ability to hold. Therefore, in those situations, an other-than temporary impairment shall be considered to have occurred. (For mortgage-referenced securities, an OTTI is considered to have occurred when there has been a delinquency or other credit event in the referenced pool of mortgages such that the entity does not expect to recover the entire amortized cost basis of the security.) In assessing whether the entire amortized cost basis of the security will be recovered, an entity shall compare the present value of cash flows expected to be collected from the security with the amortized cost basis of the security. If present value of cash flows expected to be collected is less than the amortized cost basis of the security, the entire amortized cost basis of the security will not be recovered (that is, a non-interest related decline[3] exists), and an other-than-temporary impairment shall be considered to have occurred. A decrease in cashflows expected to be collected on a loaned-backed or structured security that results from an increase in prepayments on the underlying assets shall be considered in the estimate of the present value of cashflows expected to be collected.

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[2] This assessment shall be considered a high standard due to the accounting measurement method established for the securities within the scope of this statement (amortized cost).

[3] A non-interest related decline is a decline in value due to fundamental credit problems of the issuer. Fundamental credit problems exist with the issuer when there is evidence of financial difficulty that may result in the issuer being unable to pay principal or interest when due. An interest related decline in value may be due to both increases in the risk-free interest rate and general credit spread widening.

35. In determining whether a non-interest related decline exists, an entity shall calculate the present value of cash flows expected to be collected based on an estimate of the expected future cash flows of the impaired loan-backed or structured security, discounted at the security's effective interest rate.

a. For securities accounted for under paragraphs 14-18 – the effective interest rate of the loan-backed or structured security is the rate of return implicit in the security (that is, the contractual interest rate adjusted for any net deferred fees or costs, premium, or discount existing at the origination or acquisition of the security).

b. For securities accounted for under paragraphs 19-21 – the effective interest rate is the rate implicit immediately prior to the recognition of the other-than-temporary impairment.

c. For securities accounted for under paragraphs 22-25 – the reporting entity shall apply the guidance in paragraph 24.b.

36. When an other-than-temporary impairment has occurred because the entity intends to sell the security or has assessed that that they do not have the intent and ability to retain the investments in the security for a period of time sufficient to recover the amortized cost basis, the amount of the other-than-temporary impairment recognized in earnings as a realized loss shall equal the entire difference between the investment's amortized cost basis and its fair value at the balance sheet date. (This guidance includes loan-backed and structured securities previously held at lower of cost or market. For these securities, upon recognition of an other-than-temporary impairment, unrealized losses would be considered realized.)

37. When an other-than-temporary impairment has occurred because the entity does not expect to recover the entire amortized cost basis of the security even if the entity has no intent to sell and the entity has the intent and ability to hold, the amount of the other-than-temporary impairment recognized as a realized loss shall equal the difference between the investment's amortized cost basis and the present value of cash flows expected to be collected, discounted at the loan-backed or structured security's effective interest rate in accordance with paragraph 35. (This guidance includes loan-backed and structured securities previously held at lower of cost or market. For these securities, upon recognition of an other-than-temporary impairment, unrealized losses would be considered realized for the non-interest related decline. Hence, unrealized losses could continue to be reflected for these securities due to the reporting requirements.)

Reinsurance recoverables are explicitly included in the scope of the new CECL guidance, but only for "*expected losses related to the credit risk of the reinsurer/assuming company"* (326-20-55-82). The current existing statutory accounting guidance does not include the concept of reserving for expected credit losses. It should be noted that while not related to creditworthiness, *SSAP No. 62R—Property and Casualty Reinsurance* does include the concept of the provision for reinsurance, which is more focused on known overdue/uncollectible reinsurance and does not take the creditworthiness of the reinsurer into the calculation. However, impairment analysis is required for reinsurance balances in both *SSAP No. 61R—Life, Deposit -Type and Accident and Health Reinsurance* and SSAP No. 62R.

Multiple other SSAPs are impacted by the updated guidance, and NAIC Staff has prepared tables in Exhibit 1 which provide detailed summarizations of the updates made by CECL.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups):

The following ASUs were issued after CECL as clarifications and improvements to the guidance in ASC Topic 326 but have already been addressed for statutory accounting purposes by the Working Group:

- *ASU 2019-05 Financial Instruments—Credit Losses (Topic 326)—Targeted Transition Relief* was assessed and rejected for statutory accounting purposes by the Working Group. For further details see Agenda Item 2019-28.
- *ASU 2022-02 Financial Instruments—Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures* was assessed and rejected for statutory accounting purposes by the Working Group. For further details see Agenda Item 2022-10.
- *ASU 2022-01 Derivatives and Hedging (Topic 815) Fair Value Hedging—Portfolio Layer Method* was assessed and adopted with modification for statutory accounting purposes by the Working Group. For further details see Agenda Item 2022-09.

Agenda item 2016-20 was started on CECL and last exposed for comment on August 4, 2018.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:
None.

Convergence with International Financial Reporting Standards (IFRS):
The credit losses project began as a joint project with the IASB, but the Boards determined that convergence was not possible in 2012 due to the differing needs of their respective stakeholder groups. The IASB issued *IFRS 9, Financial Instruments* in July 2014. The FASB and IASB both sought to respond to concerns identified pertaining to the delayed recognition of credit losses; however, the IASB's stakeholders strongly preferred an impairment model that uses a dual measurement approach, while U.S. stakeholders strongly preferred the current expected credit loss model.

The main difference between ASU 2016-13 and IFRS 9 relates to the timing of recognition of expected losses. The ASU requires that the full amount of expected credit losses be recorded for all financial assets measured at amortized cost, whereas IFRS 9 requires an allowance for credit losses equal to 12 months of expected credit losses until there is a significant increase in credit risk, at which point lifetime expected losses are recognized. Consequently, the allowance for credit losses as measured and recorded under the ASU will be accounted for differently under GAAP than under IFRS and will have a different effect on the financial statements.

Staff Recommendation:
Based on the Staff Analysis detailed on Pages 6-7, Staff recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to reject *ASU 2016-13 Measurement of Credit Losses on Financial Instruments* and other related ASUs (see "Subsequent Revisions" on page 5) within the following SSAPs:

- *SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments*
- *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets*
- *SSAP No. 22R—Leases*
- *SSAP No. 26R—Bonds*
- *SSAP No. 32R—Preferred Stock*
- *SSAP No. 34—Investment Income Due and Accrued*
- *SSAP No. 37—Mortgage Loans*
- *SSAP No. 39—Reverse Mortgages*
- *SSAP No. 41R—Surplus Notes*
- *SSAP No. 43R—Loan and Asset Backed Securities*
- *SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance*

- *SSAP No. 62R—Property and Casualty Reinsurance*
- *SSAP No. 86—Derivatives*
- *SSAP No. 103R—Transfer/Service of Financial Assets*
- *SSAP No. 105R—Working Capital Finance Investments*
- *INT 06-07: Definition of the Phrase "Other Than Temporary*

Staff also recommends modifying *INT 06-07: Definition of Phrase "Other Than Temporary"* to clarify that companies should adhere to the impairment guidance detailed within the SSAPs, which may reflect U.S. GAAP guidance prior to the FASB's issuance of ASU 2016-13.

Agenda item 2016-20 was started on CECL and last exposed for comment on August 4, 2018. Agenda item 2016-20 was reviewed by NAIC Staff, and we recommend it be formally disposed and replaced by this new agenda item.

Proposed Revisions to SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments

Relevant Literature

21. This statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, and ASU 2020-03 Codification Improvements to Financial Instruments*. Companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs.

Proposed Revisions to SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets

43. This statement rejects ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, and ASU 2020-03 Codification Improvements to Financial Instruments. Companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs.

Proposed Revisions to SSAP No. 22R—Leases

53. This statement rejects ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, and ASU 2020-03 Codification Improvements to Financial Instruments. Companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs.

Proposed Revisions to SSAP No. 26R—Bonds

33. This statement rejects the GAAP guidance for debt securities, which is contained in *ASU 2020-08, Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs*, *ASU 2018-03, Recognition and Measurement of Financial Assets and Financial Liabilities, ASU 2017-08, Premium Amortization on Purchased Callable Debt* Securities, ASU *2016-01, Financial Instruments – Overall*, *FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities, FASB Statement No. 91, Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases, FASB Emerging Issues Task Force No. 89-18, Divestitures of Certain Investment Securities to an Unregulated Commonly Controlled Entity under FIRREA,* and *FASB Emerging Issues Task Force No. 96-10, Impact of Certain Transactions on Held-to-Maturity Classifications Under FASB Statement No. 115.* This statement rejects ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, and ASU 2020-03 Codification Improvements to Financial Instruments.

Proposed Revisions to SSAP No. 32R—Preferred Stock

21. This statement rejects *ASU 2018-03, Recognition and Measurement of Financial Assets and Financial* Liabilities*, ASU 2016-01, Financial Instruments – Overall, FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities* and *FASB Emerging Issues Task Force No. 86-32, Early Extinguishment of a Subsidiary's Mandatorily Redeemable Preferred Stock*. This statement adopts *FASB Staff Position 115-1/124-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments,* paragraph 16, with modification to be consistent with statutory language in the respective statutory accounting statements. This statement rejects ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, and ASU 2020-03 Codification Improvements to Financial Instruments.

Proposed Revisions to SSAP No. 34—Investment Income Due and Accrued

9. This statement adopts FASB Staff Position 115-1/124-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, paragraph 16, with modification to be consistent with statutory language in the respective statutory accounting statements. This statement rejects ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, and ASU 2020-03 Codification Improvements to Financial Instruments. Companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs.

Proposed Revisions to SSAP No. 37—Mortgage Loans

31. This statement rejects *FASB Statement No. 91, Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases*, *FASB Emerging Issues Task Force No. 88-17, Accounting for Fees and Costs Associated with Loan Syndications and Loan Participations,* and *AICPA Practice Bulletin 6, Amortization of Discounts on Certain Acquired Loans*. This statement rejects ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, and ASU 2020-03 Codification Improvements to Financial Instruments.

Proposed Revisions to SSAP No. 39—Reverse Mortgages

Relevant Literature

17. This statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, and ASU 2020-03 Codification Improvements to Financial Instruments*.

Proposed Revisions to SSAP No. 41R—Surplus Notes

22. This statement rejects AICPA Practice Bulletin No. 15, Accounting by the Issuer of Surplus Notes, which requires surplus notes to be accounted for as debt and that interest be accrued over the life of the surplus note, irrespective of the approval of interest and principal payments by the insurance commissioner. This statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, and ASU 2020-03 Codification Improvements to Financial Instruments***.**

Proposed Revisions to SSAP No. 43R—Loan-Backed and Structured Securities

58. This statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, and ASU 2020-03 Codification Improvements to Financial Instruments*.

Proposed Revisions to SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance

88. This statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842),*

ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, and ASU 2020-03 Codification Improvements to Financial Instruments. Companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs.

Proposed Revisions to SSAP No. 62R—Property and Casualty Reinsurance

129. This statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, and ASU 2020-03 Codification Improvements to Financial Instruments*. Companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs.

Proposed Revisions to SSAP No. 86—Derivatives

73. This statement rejects 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, ASU 2020-01, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815), Clarifying the Interactions between Topic 321, Topic 323 and Topic 815, ASU 2018-03, Recognition and Measurement of Financial Assets and Financial Liabilities, and ASU 2016-03, Intangibles—Goodwill and Other, Business Combinations, Consolidation, Derivatives and Hedging. This statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, and ASU 2020-03 Codification Improvements to Financial Instruments*. Companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs.

Proposed Revisions to SSAP No. 103R—Transfer/Service of Financial Assets

134. This statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, and ASU 2020-03 Codification Improvements to Financial Instruments*. Companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs.

Proposed Revisions to SSAP No. 105R—Working Capital Finance Investments

Relevant Literature

32. This statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial*

Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, and ASU 2020-03 Codification Improvements to Financial Instruments.

Proposed Revisions to INT 06-07: Definition of Phrase "Other Than Temporary"

INT 06-07 Discussion

13. On xx/xx/2024, the Working Group rejected *ASU 2016-13 Measurement of Credit Losses on Financial Instruments* and other related ASUs. As a result, companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect prior U.S. GAAP guidance.

Staff Review Completed by:
NAIC Staff – William Oden, September 2023

Status:
On December 1, 2023, the Statutory Accounting Principles (E) Working Group moved this agenda item to the active listing, categorized as a SAP clarification and exposed this agenda item to reject ASU 2016-13, *ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, *ASU 2019-04, Codification Improvements to Topics 326, 815, 825*, *ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*, *ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, and *ASU 2020-03 Codification Improvements to Financial Instruments*, within INT 06-07: Definition of Phrase "Other Than Temporary" and fifteen applicable SSAPs which are detailed above. The Working Group also moved agenda item 2026-20, which was started to address CECL, to the disposed listing. The Working Group directed NAIC staff to research how best to maintain pre-CECL GAAP impairment guidance for posterity.

On December 11, 2023, the Working Group chair approved an accelerated comment deadline that was requested by industry after the December 1, 2023 meeting. As a result, the comment deadline for the Fall National Meeting exposure of agenda item 2023-24 was shortened from February 4, 2024 to December 29, 2023, to allow the Working Group the ability to formally reject CECL and other related ASUs in January 2024.

On January 10, 2024, the Working adopted, as final, the exposed revisions, as detailed below, to INT 06-07 and SSAP Nos. 2R, 5R, 22R, 26R, 32R, 34, 37, 39, 41R, 61R, 62R, 86, 103R, and 105R to reject ASUs 2016-13, 2018-19, 2019-04, 2019-10, 2019-11, and 2020-03 as not applicable to statutory accounting. The Working Group also reiterated its direction to NAIC staff to research and prepare a document to maintain pre-CECL GAAP impairment guidance for posterity.

Note on January 10, 2024, Exposed Revisions: Subsequent to the Fall National Meeting Exposure, additional consistency revisions were made to the proposed revisions and are shown highlighted grey below for January 10, 2024, discussion. The sentence directing companies to continue applying the relevant statutory accounting impairment guidance was originally excluded from any revised SSAPs which was within scope of INT 06-07 as the INT already had this sentence. Staff later determined that it would be clearer and cleaner to have this sentence within all revised SSAPs. Additionally, Staff adjusted each of the revised SSAPs to specifically denote the effective date of the rejection.

Ref #2023-24

Proposed Revisions to SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments

Relevant Literature

21. Effective December 31, 2023, ~~T~~this statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses,* and *ASU 2020-03 Codification Improvements to Financial Instruments*. Companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs.

Proposed Revisions to SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets

43. Effective December 31, 2023, ~~T~~this statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses,* and *ASU 2020-03 Codification Improvements to Financial Instruments*. Companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs.

Proposed Revisions to SSAP No. 22R—Leases

53. Effective December 31, 2023, ~~T~~this statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses,* and *ASU 2020-03 Codification Improvements to Financial Instruments*. Companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs.

Proposed Revisions to SSAP No. 26R—Bonds

33. This statement rejects the GAAP guidance for debt securities, which is contained in *ASU 2020-08, Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs*, *ASU 2018-03, Recognition and Measurement of Financial Assets and Financial Liabilities, ASU 2017-08, Premium Amortization on Purchased Callable Debt* Securities, ASU *2016-01, Financial Instruments – Overall*, *FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities, FASB Statement No. 91, Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases, FASB Emerging Issues Task Force No. 89-18, Divestitures of Certain Investment Securities to an Unregulated Commonly Controlled Entity under FIRREA,* and *FASB Emerging Issues Task Force No. 96-10, Impact of Certain Transactions on Held-to-Maturity Classifications Under FASB Statement No. 115.* Effective December 31, 2023, ~~T~~this statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial*

Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, and *ASU 2020-03 Codification Improvements to Financial Instruments*. Companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs.

Proposed Revisions to SSAP No. 32R—Preferred Stock

21. This statement rejects *ASU 2018-03, Recognition and Measurement of Financial Assets and Financial* Liabilities*, ASU 2016-01, Financial Instruments – Overall, FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities* and *FASB Emerging Issues Task Force No. 86-32, Early Extinguishment of a Subsidiary's Mandatorily Redeemable Preferred Stock*. This statement adopts *FASB Staff Position 115-1/124-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments,* paragraph 16, with modification to be consistent with statutory language in the respective statutory accounting statements. Effective December 31, 2023, ~~T~~this statement rejects ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, *ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, and *ASU 2020-03 Codification Improvements to Financial Instruments*. Companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs.

Proposed Revisions to SSAP No. 34—Investment Income Due and Accrued

9. This statement adopts FASB Staff Position 115-1/124-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, paragraph 16, with modification to be consistent with statutory language in the respective statutory accounting statements. Effective December 31, 2023, ~~T~~this statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, and *ASU 2020-03 Codification Improvements to Financial Instruments*. Companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs.

Proposed Revisions to SSAP No. 37—Mortgage Loans

31. This statement rejects *FASB Statement No. 91, Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases*, *FASB Emerging Issues Task Force No. 88-17, Accounting for Fees and Costs Associated with Loan Syndications and Loan Participations,* and *AICPA Practice Bulletin 6, Amortization of Discounts on Certain Acquired Loans*. Effective December 31, 2023, ~~T~~this statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, and *ASU 2020-03 Codification Improvements to Financial Instruments*. Companies should continue to apply the relevant statutory accounting impairment

guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs.

Proposed Revisions to SSAP No. 39—Reverse Mortgages

Relevant Literature

17. Effective December 31, 2023, ~~T~~this statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses,* and *ASU 2020-03 Codification Improvements to Financial Instruments*. Companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs.

Proposed Revisions to SSAP No. 41R—Surplus Notes

22. This statement rejects AICPA Practice Bulletin No. 15, Accounting by the Issuer of Surplus Notes, which requires surplus notes to be accounted for as debt and that interest be accrued over the life of the surplus note, irrespective of the approval of interest and principal payments by the insurance commissioner. Effective December 31, 2023, ~~T~~this statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses,* and *ASU 2020-03 Codification Improvements to Financial Instruments*. Companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs.

Proposed Revisions to SSAP No. 43R—Loan-Backed and Structured Securities

58. Effective December 31, 2023, ~~T~~this statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses,* and *ASU 2020-03 Codification Improvements to Financial Instruments*. Companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs.

Proposed Revisions to SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance

88. Effective December 31, 2023, ~~T~~this statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses,* and *ASU 2020-03 Codification Improvements to Financial Instruments*. Companies should continue to apply the

relevant statutory accounting impairment guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs.

Proposed Revisions to SSAP No. 62R—Property and Casualty Reinsurance

129. Effective December 31, 2023, ~~T~~this statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses,* and *ASU 2020-03 Codification Improvements to Financial Instruments*. Companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs.

Proposed Revisions to SSAP No. 86—Derivatives

73. This statement rejects 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, ASU 2020-01, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815), Clarifying the Interactions between Topic 321, Topic 323 and Topic 815, ASU 2018-03, Recognition and Measurement of Financial Assets and Financial Liabilities, and ASU 2016-03, Intangibles—Goodwill and Other, Business Combinations, Consolidation, Derivatives and Hedging. Effective December 31, 2023, ~~T~~this statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses,* and *ASU 2020-03 Codification Improvements to Financial Instruments***.** Companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs**.**

Proposed Revisions to SSAP No. 103R—Transfer/Service of Financial Assets

134. Effective December 31, 2023, ~~T~~this statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses,* and *ASU 2020-03 Codification Improvements to Financial Instruments*. Companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs.

Proposed Revisions to SSAP No. 105R—Working Capital Finance Investments

Relevant Literature

32. Effective December 31, 2023, ~~T~~this statement rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815,*

825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, and *ASU 2020-03 Codification Improvements to Financial Instruments*. Companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect U.S. GAAP guidance prior to FASB's issuance of ASU 2016-13 and other related ASUs.

Proposed Revisions to INT 06-07: Definition of Phrase "Other Than Temporary"

INT 06-07 Discussion

13. ~~On xx/xx/2024, ~~Effective December 31, 2023, ~~T~~the Working Group rejected *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-04 Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses,* and *ASU 2020-03 Codification Improvements to Financial Instruments.* ~~*ASU 2016-13 Measurement of Credit Losses on Financial Instruments* and other related ASUs.~~ As a result, companies should continue to apply the relevant statutory accounting impairment guidance, which may reflect prior U.S. GAAP guidance.

Ref #2023-24

Exhibit 1 – Summary of Changes from ASU 2016-13 and subsequent ASUs

ASU 2016-13 Financial Instruments—Credit Losses (Topic 326)			
Topic	**Codification**	**Abbreviated Summary of Change**	**Related Paragraphs**
Balance Sheet—Overall	210-10	Removal of disclosure guidance link.	45-15
Comprehensive Income—Overall	220-10	Supersede content and amend AFS guidance link.	45-10A 45-16A 55-15B
Statement of Cash Flows—Overall	230-10	Amends guidance to say amortized cost basis.	45-21
Interim Reporting—Overall	270-10	Amend guidance for new credit loss language and include references to transition guidance.	50-1
Receivables—Overall	310-10	Amends guidance for new CECL language, supersedes (or transfers to 326) several guidance paragraphs including OTTI, and adds new guidance on PCD interest income.	05-1 35-1 thru 49 35-53A thru C 45-1 45-4A 45-5 45-6 50-1 thru 35 55-1 thru 12 55-16 thru 22
Receivables—Nonrefundable Fees and Other Costs	310-20	Amends guidance for new CECL language and supersedes OTTI guidance.	15-3 15-4 35-9 60-1 60-2
Receivables—Loans and Debt Securities	310-30	Supersedes entire subtopic and replaces with transition guidance.	All

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ASU 2016-13 Financial Instruments—Credit Losses (Topic 326)			
Topic	**Codification**	**Abbreviated Summary of Change**	**Related Paragraphs**
Acquired with Deteriorated Credit Quality			
Receivables—Troubled Debt Restructurings by Creditors	310-40	Amends guidance for new CECL language, supersedes OTTI guidance, and eliminates exclusion of loan pools from the scope of 310-40.	15-11 15-12 35-7 thru 12 40-3 50-1 thru 6 55-7 55-13 thru 15
Investments—Debt Securities—Overall	320-10	Amends guidance for new CECL language and supersedes all OTTI and credit loss guidance.	15-4 15-9 15-10 35-1 35-17 thru 24 35-30 35-33A thru I 35-34 thru 37 35-43 40-1 40-2 45-7 thru 9A 50-1 thru 8B 55-16 thru 19 55-21A thru 23
Investments—Equity Method and Joint Ventures—Overall	323-10	Amendment conforms terminology to match CECL guidance.	35-25 55-30 55-34 55-38

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ASU 2016-13 Financial Instruments—Credit Losses (Topic 326)			
Topic	**Codification**	**Abbreviated Summary of Change**	**Related Paragraphs**
			55-42 55-44 55-46
Investments—Other—Beneficial Interests in Securitized Financial Assets	325-40	Amends guidance for new CECL language and supersedes all OTTI and credit loss guidance. Also adds specific guidance for benefit interests acquired as with PCD and adds a requirement to use the PV of future cash flows to measure expected credit losses for benefit interests.	15-3 15-4 25-2 30-1 thru 2 35-2 thru 4C 35-6 35-6A thru 10B 35-13 35-14 55-1
Financial Instruments—Credit Losses	326-10 326-20 326-30	Creates Topic 326 codification; note that some guidance was moved from existing codification for inclusion within 326 and these transfers are underlined. Note that AFS and HTM classifications are not applicable for statutory accounting purposes.	All
Contingencies—Loss Contingencies	450-20	Amendment conforms terminology to match CECL guidance and includes codification links to topic 326.	15-2 50-2A 60-2 60-3
Guarantees—Overall	460-10	Amendment conforms terminology to match CECL guidance and requires that guarantees within the scope of 326 must bifurcate the instruments and apply Topic 326 guidance to the	25-2 25-3 30-5 35-3

ASU 2016-13 Financial Instruments—Credit Losses (Topic 326)			
Topic	**Codification**	**Abbreviated Summary of Change**	**Related Paragraphs**
		contingent portion and Topic 460 to the non-contingent portion.	35-4 45-1 50-4 50-5 55-21 55-22
Debt —Troubled Debt Restructurings by Debtors	470-60	Amendment conforms terminology to match CECL guidance.	15-3 15-12
Revenue from Contracts with Customers—Overall	606-10	Amendment conforms terminology to match CECL guidance and includes codification links to topic 326.	45-3 45-4 50-4 55-108 55-109 55-231 55-237 55-239
Business Combinations—Identifiable Assets and Liabilities, and Any Noncontrolling Interest	805-20	Amendment conforms terminology to match CECL and guidance on recording PCD assets which are within the scope of CECL or are purchased with credit deterioration. Additionally, guidance was simplified for indemnification assets arising from government-assisted acquisitions of a financial institution.	30-2 30-4 thru 4B 30-10 30-12 30-26 35-4B
Consolidation—Overall	810-10	Amendment conforms terminology to match CECL guidance.	30-8C
Derivatives and Hedging—Overall	815-10	Amends guidance for new CECL language and supersedes OTTI guidance.	35-5

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ASU 2016-13 Financial Instruments—Credit Losses (Topic 326)			
Topic	**Codification**	**Abbreviated Summary of Change**	**Related Paragraphs**
Derivatives and Hedging—Embedded Derivatives	815-15	Amends OTI guidance to instead direct reader to Topic 326.	25-5
Derivatives and Hedging—Fair Value Hedges	815-25	Amendments conforms terminology to match CECL guidance and includes codification links to topic 326.	35-10 thru 12 55-85 thru 90
Derivatives and Hedging—Cash Flow Hedges	815-30	Amendment conforms terminology to match CECL guidance.	35-42 35-43
Fair Value Measurement—Overall	820-10	Amendment conforms terminology to match CECL guidance.	55-92
Financial Instruments—Overall	825-10	Amendment conforms terminology to match CECL guidance and supersedes old credit loss guidance.	05-2 25-4 35-1 thru 3 55-8 55-10
Foreign Currency Matters—Foreign Currency Transactions	830-20	Amendment conforms terminology to match CECL guidance and supersedes old AFS guidance for foreign currency debt securities.	35-6 35-7
Interest—Overall	835-10	Amendment supersedes interest income recognition on impaired or deteriorated credit quality loans.	60-2 60-3
Leases—Lessor	842-30	Amendment conforms terminology to match CECL guidance and supersedes impairment guidance/terminology with credit loss guidance.	25-2 25-6 25-9 35-3 40-2

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ASU 2016-13 Financial Instruments—Credit Losses (Topic 326)			
Topic	**Codification**	**Abbreviated Summary of Change**	**Related Paragraphs**
Leases—Leveraged Lease Arrangements	842-50	Amendment removes original OTTI reference and adds codification references to Topic 326.	50-2
Subsequent Events—Overall	855-10	Amendment conforms terminology to match CECL guidance and remove examples now subject to Topic 326.	55-1 55-2
Transfers and Servicing—Sales of Financial Assets	860-20	Amendment conforms terminology to match CECL guidance and adds reference links to Topic 326 for the sale of financial assets which are receivables, purchased financial asset with credit deterioration, or is a beneficial interest that meets the criteria in paragraph 325-40-30-1A.	30-2 35-3 35-9 50-5 55-19
Financial Services—Depository and Lending—Statement of Cash Flows	942-230	Amendment terminology in implementation illustration to match CECL guidance.	55-2 55-4
Financial Services—Depository and Lending—Receivables	942-310	Amendment conforms terminology to match CECL guidance and supersedes impairment guidance.	05-1 05-4 25-1 35-1 55-1
Financial Services—Insurance—Insurance Activities	944-20	Amendment removes impairment guidance/terminology.	55-37
Financial Services—Insurance—Separate Accounts	944-80	Amendment supersedes impairment and unrealized gain/loss guidance/terminology with credit loss guidance.	25-9 55-11 55-16
Financial Services—Insurance—Receivables	944-310	Amendment conforms terminology to match CECL guidance and adds requirement to assess	35-3 35-4 35-6

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ASU 2016-13 Financial Instruments—Credit Losses (Topic 326)			
Topic	**Codification**	**Abbreviated Summary of Change**	**Related Paragraphs**
		credit losses on insurance receivables and references to Topic 326.	45-4 45-4A
Financial Services—Mortgage Banking—Receivables	948-310	Amendment conforms terminology to match CECL guidance and supersedes impairment guidance with Topic 326.	30-1 30-4 35-1 thru 3 35-5 35-5A 50-1
Health Care Entities—Income Statement	954-225	Amendment replaces impairment reference with credit loss language.	45-8
Health Care Entities—Receivables	954-310	Amendment replaces uncollectible accounts guidance with credit loss guidance.	30-1 35-1
Not-for-Profit Entities—Investments—Debt and Equity Securities	958-320	Amendment replaces impairment guidance with credit loss guidance.	55-5
Not-for-Profit Entities—Investments—Other	958-325	Amendment replaces impairment guidance with credit loss guidance.	30-1 35-1
Real Estate—Time-Sharing Activities—Receivables	978-310	Amendment replaces uncollectible accounts guidance with credit loss guidance.	35-5 35-6

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ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses			
Topic	**Codification**	**Abbreviated Summary of Change**	**Related Paragraphs**
Financial Instruments—Credit Losses—Overall	326-10	Extends effective date of CECL from 2020 to 2021.	65-1
Financial Instruments—Credit Losses—Measured at Amortized Cost	326-20	Add clarification that operating lease receivables are in scope of Topic 842.	15-3
Various	Various	Amend the transition dates of all pending content paragraphs that link to transition guidance paragraph 326-10-65-1 from 2020 to 2021.	Various

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ASU 2019-04 Codification Improvements to Topics 326, 815, and 825			
Topic	**Codification**	**Abbreviated Summary of Change**	**Related Paragraphs**
Financial Instruments—Credit Losses—Measured at Amortized Cost & Financial Instruments—Credit Losses—Available-for-Sale Debt Securities	326-20 & 326-30	The amendments related to accrued interest receivables provide an entity with the ability to measure an allowance for credit losses on accrued interest receivables separately from the allowance for credit losses on the other components of the amortized cost basis and to make certain accounting policy elections and apply a practical expedient to operationalize the amendments in Update 2016-13.	30-5 30-5A 35-8A 45-5 50-3A thru 3D 30-1A 30-1B 35-13A 45-1 50-3A thru 4
Receivables—Overall & Investments—Debt Securities—Overall & Financial Instruments—Credit Losses—Measured at Amortized Cost & Financial Services—Mortgage Banking—Receivables	310-10 & 320-10 & 326-20 & 948-10	The amendments related to transfers between classifications or categories for nonmortgage loans and debt securities provide an entity with guidance on how to account for the allowance for credit losses or the valuation allowance when transferring loans and debt securities.	35-47 thru 48B 45-2 35-10 thru 10B 35-15 35-16 45-8B 55-24 55-25 35-7 30-4 35-2A 35-5A 45-2

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ASU 2019-04 Codification Improvements to Topics 326, 815, and 825			
Topic	**Codification**	**Abbreviated Summary of Change**	**Related Paragraphs**
Financial Instruments—Credit Losses—Measured at Amortized Cost & Financial Instruments—Credit Losses—Available-for-Sale Debt Securities	326-20 & 326-30	The amendments clarify that an entity should consider expected recoveries when measuring the allowance for credit losses by superseding the guidance in paragraphs 326-20-35-8 through 35-9 that may have precluded an entity from considering recoveries when estimating expected credit losses on financial assets measured at amortized cost basis. Additionally, the amendments clarify that expected recoveries of amounts previously written off and expected to be written off should be included in the valuation account and should not exceed the aggregate of amounts previously written off and expected to be written off by the entity.	30-1 35-4 35-5 35-8 35-9 50-13 55-52 35-12 35-13
Receivables—Troubled Debt Restructurings by Creditors	310-40	The amendment clarifies paragraph 310-40-55-14 by removing the incorrect cross-reference to paragraph 326-20-35-2 and, instead, properly cross-referencing paragraphs 326-20-35-4 through 35-5, which require that an entity use 41 the fair value	55-14
Investments—Equity Method and Joint Ventures—Overall	323-10	The amendment to paragraph 323-10-35-26 clarifies the guidance by including references to both Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost, and Subtopic 326-30, Financial Instruments—Credit Losses—Available-for-Sale Debt Securities, to require the subsequent measurement of credit losses on financial assets after the guidance on equity method losses is applied.	35-24 35-26

Ref #2023-24

ASU 2019-04 Codification Improvements to Topics 326, 815, and 825			
Topic	**Codification**	**Abbreviated Summary of Change**	**Related Paragraphs**
Financial Instruments—Credit Losses—Measured at Amortized Cost	326-20	The amendments clarify that reinsurance recoverables that result from insurance transactions that are within the scope of Topic 944, Financial Services—Insurance, are within the scope of Subtopic 326-20 even if those reinsurance recoverables are measured on a net present value basis in accordance with Topic 944.	05-1 15-2
Financial Instruments—Credit Losses—Measured at Amortized Cost & Financial Instruments—Credit Losses—Available-for-Sale Debt Securities	326-20 & 326-30	The amendments clarify the Board's intent for how an entity should determine the effective interest rate and estimated expected future cash flows by removing the prohibition in the guidance and requiring that the projections used for determining the effective interest rate also be used in determining the estimated expected future cash flows. The amendments also clarify that if an entity projects future interest rate environments when using a discounted cash flow method to measure expected credit losses on variable-rate financial instruments, then the entity should adjust the effective interest rate to consider the timing (and changes in the timing) of expected cash flows resulting from expected prepayments.	30-4 35-11
Financial Instruments—Credit Losses—Measured at Amortized Cost & Financial Instruments—Credit	326-20 & 326-30	The amendments in paragraph 326-20-30-4A permit an entity to make an accounting policy election to adjust the effective interest rate used to discount expected cash flows of a financial asset. The amendments also clarify that an entity should not adjust the effective interest rate used to discount expected cash flows for subsequent	30-4A 35-7A

ASU 2019-04 Codification Improvements to Topics 326, 815, and 825			
Topic	**Codification**	**Abbreviated Summary of Change**	**Related Paragraphs**
Losses—Available-for-Sale Debt Securities		changes in expected prepayments if the financial asset is restructured in a troubled debt restructuring. Paragraph 326-30-35-7A was also amended to allow an entity to make an accounting policy election to adjust the effective interest rate used to discount expected cash flows of a debt security classified as available-for-sale	
Financial Instruments—Credit Losses—Measured at Amortized Cost	326-20	The amendments clarify the guidance and align the measurement of credit losses using fair value of collateral when foreclosure is probable and when an entity elects the collateral-dependent practical expedient by adding a requirement to adjust the fair value of the collateral for estimated costs to sell in paragraph 326- 20-35-4. Additionally, the amendments clarify the guidance that when an entity adjusts the fair value of the collateral for the estimated costs to sell, the estimated costs to sell should be undiscounted if the entity intends to sell rather than operate the collateral.	35-4 35-5
Derivatives and Hedging—Hedging—General & Derivatives and Hedging—Fair Value Hedges	815-20 & 815-25	The amendments clarify that an entity may measure the change in fair value of a hedged item using an assumed term only for changes attributable to interest rate risk. They also clarify that an entity may measure the change in the fair value of the hedged item attributable to interest rate risk using an assumed term when the hedged item is designated in a hedge of both interest rate risk and foreign exchange risk. In addition, the	25-12 35-13B 55-99

Ref #2023-24

ASU 2019-04 Codification Improvements to Topics 326, 815, and 825			
Topic	**Codification**	**Abbreviated Summary of Change**	**Related Paragraphs**
		amendments clarify that one or more separately designated partial term fair value hedging relationships of a single financial instrument can be outstanding at the same time.	
Derivatives and Hedging—Fair Value Hedges	815-25	The amendments clarify that an entity may, but is not required to, begin to amortize a fair value hedge basis adjustment before the fair value hedging relationship is discontinued. They also clarify that if an entity elects to amortize the basis adjustment during an outstanding partial-term hedge, the basis adjustment should be fully amortized by the hedged item's assumed maturity date in accordance with paragraph 815-25-35-13B.	35-9A
Derivative and Hedging—Overall	815-10	The amendments clarify that an entity should disclose available-for-sale debt securities at their amortized cost and that fair value hedge basis adjustments related to foreign exchange risk should be excluded from the disclosures required by paragraph 815-10-50-4EE.	4EE
Derivatives and Hedging—Cash Flow Hedges	815-30	The amendment clarifies that an entity should consider the contractually specified interest rate being hedged when applying the hypothetical derivative method.	35-26
Derivative and Hedging—Overall & Derivatives and Hedging—Hedging—General	815-10 & 815-20	The amendments clarify that a not-for-profit entity that does not separately report earnings is not permitted to elect the amortization approach for amounts excluded from the assessment of effectiveness under fair value hedge accounting. The amendments also update the cross-references	15-1 15-1 25-12

ASU 2019-04 Codification Improvements to Topics 326, 815, and 825			
Topic	**Codification**	**Abbreviated Summary of Change**	**Related Paragraphs**
		in paragraph 815-10-15-1 to further clarify the scope of Topic 815, Derivatives and Hedging, for entities that do not report earnings separately.	
Derivatives and Hedging—Hedging—General	815-20	The amendments clarify that a private company that is not a financial institution as described in paragraph 942-320-50-1 should document the analysis supporting a last-of-layer designation concurrently with hedge inception. The amendments also clarify that not-for-profit entities (except for not-for-profit entities that have issued, or are a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market) qualify for the same 60 subsequent quarterly hedge effectiveness assessment timing relief for which certain private companies qualify in accordance with paragraph 815-20-25-142.	25-139 25-143
Derivatives and Hedging—Hedging—General	815-20	The amendments clarify that the application of the first payments-received cash flow hedging technique to changes in overall cash flows on a group of variable interest payments continues to be permitted under Topic 815, Derivatives and Hedging.	55-33G
Derivatives and Hedging—Hedging—General	815-20	The amendments clarify various provisions to the amendments in Update 2017-12.	65-3 65-5
Investments—Debt Securities—Overall &	320-10 & 321-10	The amendments clarify the guidance in paragraphs 320-10-15-3 and 321-10-15-3, including adding health and welfare plans to the	15-3 15-3

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ASU 2019-04 Codification Improvements to Topics 326, 815, and 825			
Topic	**Codification**	**Abbreviated Summary of Change**	**Related Paragraphs**
Investments—Equity Securities—Overall		list of entities for which Topic 320, Investments—Debt Securities, does not apply.	
Investments—Debt Securities—Overall & Financial Services—Depository and Lending—Investments—Debt and Equity Securities	320-10 & 942-320	The Board intended to eliminate all fair value disclosures for financial assets measured at amortized cost basis for entities other than public business entities through the amendments in Update 2016-01. The amendments clarify the guidance in paragraph 320-10-50-5 by eliminating the requirement for entities other than public business entities to disclose aggregate fair value of held-to maturity debt securities.	50-5 50-5A 50-3 50-3A
Investments—Equity Securities—Overall	321-10	The amendments clarify that all adjustments made under the measurement alternative upon the identified remeasurement events should be accounted for in accordance with Topic 820.	35-2 50-2B
Foreign Currency Matters—Overall & Financial Instruments—Overall	830-10 & 825-10	The amendments clarify that an entity is required to follow paragraph 830-10-45-18 for equity securities without readily determinable fair values accounted for under the measurement alternative in accordance with paragraph 321-10-35-2. Paragraph 830-10-45-18 requires remeasurement at historical exchange rates. The amendments to paragraph 830-10-45-18(a)(1) and (a)(2) are not intended to change items that should be remeasured at historical exchange rates.	45-18 65-5
Financial Instruments—Credit Losses—Measured at Amortized Cost	326-20	The amendments require an entity to present the amortized cost basis of line-of-credit arrangements that are converted to term loans in a separate column, as illustrated in Example 15.	50-6A 50-7 55-79

Ref #2023-24

ASU 2019-04 Codification Improvements to Topics 326, 815, and 825			
Topic	**Codification**	**Abbreviated Summary of Change**	**Related Paragraphs**
Financial Instruments—Credit Losses—Measured at Amortized Cost & Financial Instruments—Credit Losses—Overall	326-20 & 326-10	The amendments clarify that an entity should consider extension or renewal options (excluding those that are accounted for as a derivative in Topic 815) that are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the entity.	30-6 65-1 65-2

Ref #2023-24

ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses			
Topic	**Codification**	**Abbreviated Summary of Change**	**Related Paragraphs**
Financial Instruments—Credit Losses—Measured at Amortized Cost	326-20	The amendment intends to clarify that expected recoveries of amounts previously written off and expected to be written off should be included in the valuation account and should not exceed the aggregate of amounts previously written off and expected to be written off by an entity. In addition, the amendments clarify that when a method other than a discounted cash flow method is used to estimate credit losses, expected recoveries should not include any amounts that result in an acceleration of the noncredit discount; however, an entity may include increases in expected cash flows after acquisition	30-13 and 30-13A 55-86 thru 90
Financial Instruments—Credit Losses—Overall	326-10	The Board did not intend to introduce significant operational complexities when measuring expected credit losses on preexisting troubled debt restructurings. As a result. the amendment allows entities an accounting policy election to calculate the prepayment-adjusted effective interest rate on preexisting troubled debt restructurings using the prepayment assumptions that exist as of the date that an entity adopts the amendments in Update 2016-13, instead of the prepayment-adjusted effective interest rate immediately before the restructuring date.	65-1

ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses			
Topic	**Codification**	**Abbreviated Summary of Change**	**Related Paragraphs**
Investments—Debt and Equity Securities—Overall	320-10	The amendment provides a practical expedient that allows an entity to exclude accrued interest receivable balances from the disclosure requirements in paragraphs 326-20-50-4 through 50-22 and 326-30-50-4 through 50-10. The amendments in this Update extend the disclosure relief for accrued interest receivable balances as permitted in Update 2019-04 to certain other Topics in the Codification.	50-2A 50-5C
Financial Instruments—Credit Losses—Measured at Amortized Cost	326-20	The amendment clarifies that an entity should reasonably expect the borrower to continually replenish collateral securing the financial asset(s) in accordance with the contractual terms of the financial asset to apply the practical 15 expedient. An entity is not required to consider remote scenarios in making this determination.	35-6
Business Combinations—Identifiable Assets and Liabilities, and Any Noncontrolling Interest & Financial Instruments—Credit Losses—Overall	805-20 & 326-10	The amendment clarifies paragraph 805-20-50-1 by removing the cross reference to Subtopic 310-30, Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality, which was superseded by Update 2016-13. The amendment instead correctly cross-references the guidance for purchased financial assets with credit deterioration in Subtopic 326-20.	50-1 65-4

Ref #2023-24

ASU 2020-03 Codification Improvements to Financial Instruments			
Topic	**Codification**	**Abbreviated Summary of Change**	**Related Paragraphs**
Financial Instruments—Overall	825-10	Amendment clarifies that because financial assets and financial liabilities on which the fair value option have been elected are measured at fair value and not at amortized cost basis, all entities are subject to the fair value option disclosures in paragraphs 825-10-50-24 through 50-32.	50-23A 65-7
Fair Value Measurement—Overall	820-10	The amendments clarify the applicability of the portfolio exception in Subtopic 820-10, Fair Value Measurement—Overall, to nonfinancial items accounted for as derivatives under Topic 815, Derivatives and Hedging.	35-2A 35-18L
Financial Services—Depository and Lending—Investments—Debt and Equity Securities & Financial Instruments—Overall	942-320 & 825-10	The amendments on certain disclosures for depository and lending institutions clarify that the disclosure requirements in paragraphs 320-10-50-3 and 320-10-50-5 through 50-5C apply to the disclosure requirements in paragraphs 942-320-50-3 through 50-3A.	50-1 50-3 50-3A 65-5
Debt—Modifications and Extinguishments	470-50	The amendments clarify that paragraphs 470-50-40-17 through 40-18, which describe the accounting for fees between the debtor and creditor and third-party costs, respectively, directly related to exchanges or modifications of debt instruments, reference paragraph 470-50-40-21 for the accounting for modifications to or	40-17 40-18 40-21

Ref #2023-24

ASU 2020-03 Codification Improvements to Financial Instruments			
Topic	**Codification**	**Abbreviated Summary of Change**	**Related Paragraphs**
		exchanges of line-of-credit or revolving-debt arrangements.	
Fair Value Measurement—Overall	820-10	The amendment clarifies that the disclosure requirements in paragraph 820-10-50-2 do not apply to entities using the net asset value per share (or its equivalent) practical expedient.	50-2
Financial Instruments—Credit Losses—Measured at Amortized Cost & Financial Instruments—Credit Losses—Overall	326-20 & 326-10	The amendments align the contractual term to measure expected credit losses for a net investment in a lease under Topic 326 to be consistent with the lease term determined under Topic 842.	30-6A 55-8 65-4
Transfers and Servicing—Sales of Financial Assets	860-20	The amendments relate to the interaction of the guidance in Topic 326 and Subtopic 860-20, Transfers and Servicing—Sales of Financial Assets. The amendments to Subtopic 860-20 clarify that when an entity regains control of financial assets sold, an allowance for credit losses should be recorded in accordance with Topic 326.	25-13

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Interpretation of the
Statutory Accounting Principles (E) Working Group

INT 23-04: Scottish Re Life Reinsurance Liquidation Questions

INT 23-04 Dates Discussed
October 23, 2023; October 24, 2023; December 1, 2023; January 10, 2024

INT 23-04 References

Current:
SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance

INT 23-04 Issue

Background:

1. Liquidations of U.S. licensed reinsurers are uncommon. Due to a 2023 liquidation order of a U.S.-based life reinsurer, life industry cedents have requested an interpretation to address the accounting and reporting for reinsurance receivables from the reinsurer's estate. This interpretation is intended to be applied generically; however, the following circumstances are relevant to the accounting issues identified.

a. The recent liquidation order was for Scottish Re, a U.S. life reinsurance entity, which was in regulatory supervision for several years.

b. The life reinsurer was not assuming new business but was receiving ongoing premium on yearly renewable contracts.

c. The 2023 liquidation order cancelled reinsurance contracts on a cut-off basis, effective September 30, 2023.

d. Settlement from the reinsurer's estate is expected to exceed one year.

e. Settlement from the reinsurer's estate to the ceding entities is expected to be less than 100%. That is, cedents are expected to receive a portion of what they are owed.

f. Some ceding insurers established trusts to hold assets backing the reserves under the reinsurance agreements.

Interpretation Discussion

2. This interpretation is applicable only to the accounting and reporting of reinsurance recoverables from Scottish Re, a U.S.-based life reinsurer in liquidation. The Statutory Accounting Principles (E) Working Group consensuses to the noted issues are included below.

Issue 1 – Commutation or Recapture of a Life Reinsurance Contract

3. If a liquidation order cancels a life reinsurance contract on a cut-off basis, should the life reinsurance commutation guidance in S*tatement of Statutory Accounting Principle*s (*SSAP) No. 61R—Life, Deposit-Type and Accident and Health Reinsurance* be used as the primary accounting guidance for the commutation?

4. Yes. SSAP No. 61R, paragraph 58, provides the primary guidance for a life reinsurance commutation. The guidance provides that:

> **Recaptures and Commutations**
>
> 58. A recapture or a commutation of a reinsurance agreement is a transaction which results in the complete and final settlement and discharge of all present and future obligations between the parties arising out of the agreement or a portion of the agreement. Commuted and recaptured balances shall be accounted for by writing them off through the accounts, exhibits and schedules in which they were originally recorded. The assumed reserves and reserve credits taken are eliminated by the reinsurer and ceding entity, respectively. The reinsurer and ceding entity must also make any required IMR liability adjustment changes. Any net gain or loss is reported in the summary of operations.

Issue 2 – Impairment of Reinsurance Recoverables

5. The reinsurer that was previously in regulatory supervision and is now in liquidation was known to have financial difficulties and many ceding entities have either established valuation allowances and/or written off reinsurance recoverables as impairment losses. Questions have been received in response to the diversity in practice on whether the ceding entities were reporting impairment losses or were reporting a valuation allowance on all categories of their expected reinsurance recoverables from the reinsurer which is now in liquidation.

6. Do reporting entities have the choice of setting up a valuation allowance or applying the impairment guidance in SSAP No. 61R to the reinsurance recoverables from the life reinsurer in liquidation?

7. No. Reporting entities do not have a choice of a valuation allowance or applying impairment analysis. SSAP No. 61R, paragraph 42, requires impairment analysis of uncollectible reinsurance amounts in accordance with *SSAP No. 5R—Liabilities, Contingencies and Impairments of Asset.* The guidance requires that impaired amounts shall be written off through a charge to the Statement of Operations utilizing the same accounts which established the reinsurance recoverables. SSAP No. 5R and SSAP No. 61R do not permit a valuation allowance.

8. The liquidation order of a reinsurer should prompt an impairment analysis of all amounts recoverable from the reinsurer with a write-off of amounts not expected to be recovered.

9. The impairment analysis shall be updated at every reporting date.

Issue 3 – Reporting of Reinsurance Recoverables

10. The liquidation order results in a commutation and recapture of business for the ceding entity. A liquidation will determine the reinsurer's estate assets, then determine payments based on liquidation priority. This will result in a delay in settlement from the estate of the reinsurer. As previously detailed, the amounts paid by the estate shall be impaired to the amount expected to be received by the ceding entities.

11. Where shall the ceding entity report the remaining receivables for the reinsurer's estate?

12. In accordance with the recapture and commutation guidance in SSAP No. 61R, paragraph 58 (quoted above), the ceding entity shall remove balances through the schedules and exhibits originally reported. No reserve credit or contra-liabilities shall be reported. The reinsurance reserve credits shall be removed. Gains or losses are reported in the summary of operations.

13. Based on preliminary information received, it is expected that there will be an amount receivable for paid claims incurred before the reinsurance contract cancellation. This amount shall be reported on the asset page line 16.1 - Amounts Recoverable from Reinsurers.

14. Amounts recoverable from the reinsurer's estate for claims incurred before the reinsurance contract cancellation and unpaid as of the reporting date shall be reported on the asset page line 16.3 - Other Amounts Receivable Under Reinsurance Contracts.

15. If the ceding entity owes amounts to the reinsurer's estate, the amounts shall be reported as a liability on line 9.3 - Other Amounts Payable on Reinsurance.

16. After impairing the recoverables, any other amount expected to be recovered from the reinsurer's estate shall be reported on line 25 Aggregate Write-ins for Other Than Invested Assets.

Issue 4 – Admissibility of Reinsurance Recoverables

17. As noted above, quarterly impairment analysis of collectability is required. After evaluating for impairment, if there are remaining receivables from the reinsurer's estate, do those assets qualify as admitted reinsurance recoverable assets?

18. Reinsurance recoverables from Scottish Re in liquidation are admitted as follows:

a. The reinsurance recoverable amount from Scottish Re from paid claims incurred prior to the reinsurance contract cancellation which are reported on the asset page line 16.1 - Amounts Recoverable from Reinsurers which are not in dispute are admitted after impairment review.

b. To the extent reinsurance amounts recoverable are secured by assets in an Appendix A-785 - Credit for Reinsurance compliant trust, such recoverable amounts may be admitted to the extent the that the amounts are not in dispute and that the collateral in an Appendix A-785 compliant trust is sufficient.

19. Other reinsurance recoverables, which are not identified as admitted assets in paragraph 18 are nonadmitted until received. This includes amounts either in dispute or not secured by collateral in a trust that is compliant with Appendix A-785.

Issue 5 – Disclosures

20. Do the relevant disclosures in SSAP No. 61R and other relevant SSAPs apply to a commuted life reinsurance contract which has not been fully settled due to a liquidation?

21. Yes. The relevant disclosures in SSAP No. 61R and other relevant SSAPs continue to apply to a life reinsurance contract which is commuted and recaptured due to a liquidation. These disclosures include but are not limited to the disclosures regarding commutation, uncollectible reinsurance and anything else that is required.

22. Disclosure in the reinsurance notes to the financial statements shall include additional information necessary to obtain an understanding of the impact of Scottish Re reinsurance counterparties in liquidation, including but not limited to, reinsurance payable liabilities, reinsurance recoverables by paid claims and

other amounts, information regarding the status of any collateral and its fair value. Where applicable, reporting entities should disclose any individual components (e.g., unreimbursed claims or provisions for future losses) of recoverable amounts that are presented in the aggregate on the financial statements. The disclosure shall include measurement, impairment and collectability of any reinsurance recoverables including timing of expected payments and nonadmitted amounts.

INT 23-04 Summary

23. Although readers should refer to the detailed guidance above, a summary of the key provisions is as follows:

a. Issue 1 – Commutation or Recapture of a Life Reinsurance Contract: Follow SSAP No. 61R, paragraph 58, as it provides primary recapture and commutation guidance.

b. Issue 2 – Impairment of Reinsurance Recoverables: SSAP No. 61R paragraph 42, requires impairment of uncollectible reinsurance in accordance with SSAP No. 5R.

c. Issue 3 – Reporting of Reinsurance Recoverables: Follow the recapture and commutation guidance in SSAP No. 61R, then analyze for impairment. Report reinsurance payables separate from reinsurance recoverables. Amounts related to paid and unpaid claims incurred prior to reinsurance contract cancellation are reported on asset page line 16.1 - Amounts Recoverable from Reinsurers and asset page line 16.3 - Other Amounts Receivable Under Reinsurance Contracts, respectively. Any remaining reinsurance recoverables from the reinsurance counterparty after impairment assessment shall be reported on the asset page line 25 Aggregate Write-ins for Other than Invested Assets.

d. Issue 4 – Admissibility of Reinsurance Recoverables: Admit amounts related to claims incurred prior to contract cancellation which have been paid by the reporting entity as of the reporting date (reported on asset page line 16.1 - Amounts Recoverable from Reinsurers) which are not in dispute after impairment review. Admit reinsurance recoverables which are not in dispute, and which are secured by collateral in an A-785 compliant trust. Nonadmit all amounts recoverable from a life reinsurer in liquidation which are either in dispute or which are not secured by collateral in a trust compliant with Appendix A-785.

e. Issue 5 – Disclosures: Follow existing applicable disclosures and provide additional information sufficient to understand the nature and impact of a reinsurance counterparty in liquidation as described in paragraph 22.

INT 23-04 Status

24. The consensuses in this interpretation were adopted on January 10, 2024, with an effective date of reporting periods on or after December 31, 2023.

25. No further discussion is planned.

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MEMORANDUM

TO: Dale Bruggeman, Chair of the Statutory Accounting Principles (E) Working Group
Kevin Clark, Vice Chair of the Statutory Accounting Principles (E) Working Group

FROM: Fred Andersen, Chair of the Valuation Analysis (E) Working Group
Rachel Hemphill, Vice Chair of the Valuation Analysis (E) Working Group

DATE: December 18, 2023

RE: Referral on Appendix A-791 Section 2.c Q&A

The purpose of this referral is to ask the Statutory Accounting Principles (E) Working Group (SAPWG) to consider making a clarifying edit to *A-791, Life and Health Reinsurance Agreements*, Section 2.c Q&A.

The Valuation Analysis (E) Working Group (VAWG) recommends that SAPWG remove the first sentence from the answer to A-791 Section 2, paragraph c's Q&A (shown as underlined and bolded text below):

> **Q – If group term life business is reinsured under a YRT reinsurance agreement (which includes risk-limiting features such as with an experience refund provision which offsets refunds against current and/or prior years' losses (i.e., a "loss carryforward" provision), under what circumstances would any provisions of the reinsurance agreement be considered "unreasonable provisions which allow the reinsurer to reduce its risk under the agreement" thereby violating subsection 2.c.?**
>
> <u>**A – Unlike individual life insurance where reserves held by the ceding insurer reflect a statutorily prescribed valuation premium above which reinsurance premium rates would be considered unreasonable, group term life has no such guide.**</u> So long as the reinsurer cannot charge premiums in excess of the premium received by the ceding insurer under the provisions of the YRT reinsurance agreement, such provisions would not be considered unreasonable. Any provision in the YRT reinsurance agreement which allows the reinsurer to charge reinsurance premiums in excess of the proportionate premium received by the ceding insurer would be considered unreasonable. The revisions to this QA regarding group term life yearly renewable term agreements is effective for contracts in effect as of January 1, 2021.

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First, this sentence is unnecessary, as it is an aside in a discussion about group term life. More importantly, this statement is being misinterpreted as supporting the use of Commissioner's Standard Ordinary (CSO) rates as a "safe harbor," at or below which YRT rates would be automatically considered not to be excessive.

The 791 section 2c QA guidance does not provide a safe harbor based on CSO. It indicates that if the YRT reinsurance premium is higher than the proportionate underlying direct premium for the risk reinsured, then the reinsurance premium is excessive. VAWG observes that the prudent mortality under the *Valuation Manual*, Section 20: Requirements for Principle-Based Reserves for Life Products (VM-20), may appropriately be either higher or lower than the CSO rate depending on the facts and circumstances.

Cc: Jennifer Frasier, Julie Gann, Robin Marcotte, Jake Stultz, Jason Farr, Wil Oden

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/APPTF/2024SpringNM/summary%20and%20minutes/SAPWG/Att%201C4_VAWG%20Referral%20to%20SAPWG%20Re%20A-791%20Section%202.c%20QA.pdf

MEMORANDUM

TO:	Dale Bruggeman, Chair of the Statutory Accounting Principles (E) Working Group Kevin Clark, Vice Chair of the Statutory Accounting Principles (E) Working Group (SAPWG)
FROM:	Fred Andersen, Chair of the Valuation Analysis (E) Working Group Rachel Hemphill, Vice Chair of the Valuation Analysis (E) Working Group (VAWG)
DATE:	December 18, 2023
RE:	Referral on Reinsurance Risk Transfer and Reserve Credit

VAWG has identified that issues arise when evaluating reinsurance for risk transfer in accordance with *SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance*, when treaties involve more than one type of reinsurance, and there is interdependence of the types of reinsurance, including but not limited to an experience refund that is based on the aggregate experience. In such cases, VAWG regulators find that these types of reinsurance must be evaluated together and cannot be evaluated separately for the purpose of risk transfer. For example, where a treaty includes coinsurance and YRT with an aggregate experience refund and the inability to independently recapture the separate types of reinsurance, it is not adequate to separately review the coinsurance and YRT pieces of the transaction for risk transfer. The treaty as a whole is non-proportional. This complexity is not immediately apparent to the regulatory reviewer, and it is important that this issue be raised broadly, so that individual state regulators are aware. Individual regulators are encouraged to contact VAWG if they would like additional perspective when reviewing such treaties.

Generally, VAWG regulators observe that some companies are reporting an overstated reserve credit due to a bifurcated risk transfer analysis. Specifically, some companies reported a proportional reserve credit for a coinsurance component, despite in aggregate the reinsurer only being exposed to loss in tail scenarios. From an actuarial perspective, there is consensus among VAWG members that it is not appropriate for a ceding company to take a proportional reserve credit that reflects the transfer of all actuarial risks when not all actuarial risks are transferred.

VAWG recommends that SAPWG discuss this issue, to 1) increase familiarity with the issue and 2) consider whether any clarifications to risk transfer requirements is appropriate.

Cc: Jennifer Frasier, Julie Gann, Robin Marcotte, Jake Stultz, Jason Farr, Wil Oden

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Statutory Accounting Principles (E) Working Group
Spring National Meeting
Comment Letters Received

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February 9, 2024

Mr. Dale Bruggeman, Chairman
Statutory Accounting Principles Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

RE: Interested Parties Comments on the Items Exposed for Comment during the NAIC National Meeting in Orlando with Comments due February 9

Dear Mr. Bruggeman:

Interested parties appreciate the opportunity to comment on the following items that were exposed for comment by the Statutory Accounting Working Group (the Working Group).

Ref #2022-14: SSAP No. 21 – New Market Tax Credits

The Working Group exposed, through an e-vote, further revisions to SSAP No. 93R and SSAP No. 94R as part of the New Market Tax Credits project. Revisions to SSAP Nos. 34, 93R, and 94R included minor consistency and clarifying revisions and one notable revision to SSAP No. 93R. That revision was made in response to concerns raised by interested parties over the paragraph 18 admittance test (now referred to as the Prospective Utilization Assessment). The Prospective Utilization Assessment was revised to remove the initial assessment of the current portion of unallocated tax credits and replaced with language that required companies to perform the Prospective Utilization Assessment only if certain conditions exist. The drafts with these revisions were exposed with an accelerated comment period of February 9, 2024, to allow the Working Group the opportunity to adopt Ref #2022-14 at the Spring National Meeting.

Interested parties appreciate the opportunity to comment on the revisions exposed by the Working Group for SSAP No. 93 - *Low Income Housing Tax Credit Property Investments* and SSAP No. 94 - *Transferable and Non-Transferable State Tax Credits.* We agree with the proposals and the most recent changes that were made in response to interested parties' feedback.

We understand that the Working Group would like feedback on the reporting categories that should be used to report tax credit investments in Schedule BA once the SSAP No. 93 changes are adopted. We have the following suggestions and comments with item No. 5 below addressing an inconsistency noted in the standard and not related to reporting categories:

1. Currently, Schedule BA has reporting sections for Guaranteed, Non-Guaranteed, and All Other Low Income Housing Tax Credit (LIHTC) investments. The RBC charges are driven by these categories and are 0.14%, 2.6%, and 15%, respectively. One suggestion could be to keep the same categories but remove all references to LIHTC tax credit investments if the expectation is that the RBC charges will remain the same regardless of tax credit program type.

2. Another suggestion is to keep the same categories, but to have two separate sections in each category, for debt and equity investments since the standard now scopes in all tax credit investments regardless of whether they are in debt or equity form. Since these investments are of high credit quality regardless of program, interested parties would expect that the RBC charges would stay the same as currently reported for LIHTC investments (as detailed in No. 1). We are happy to have further discussions on this topic understanding that it is not the Working Group, but rather Capital Adequacy that would make the ultimate decisions related to the RBC charge for these investments.

3. Another item to consider is that some tax credit investments in debt security form receive an NAIC designation from the SVO. Whether a specific reporting category will be needed for these investments depends on decisions made regarding RBC charges for these investments and whether they will be the same as they are currently for LIHTC investments. Therefore, interested parties would need more information on the expected RBC framework in order to provide more concise feedback on the appropriate reporting lines.

4. Interested parties also noted that the current annual statement instructions for LIHTC investments may need some clarity as there is diversity in interpretation as to what the instructions require. For example:

    a. Under the non-guaranteed section, there is a reference to “level of leverage below 50%”. It is not clear why this requirement is included and whether this requirement is for the insurer to determine whether debt in the structure is below 50% of the total capitalization of the entity or how to classify the investment for accounting and reporting if leverage is higher than 50%. Interested parties note this requirement is not included in SSAP No. 93 and currently resides only in the Annual Statement instructions.

    b. The “all other” category refers to non-qualifying LIHTC investments. Interested parties are not clear on what non-qualifying means. It may be helpful to include a definition of non-qualifying and ensure it is reflected in SSAP No. 93 as opposed to residing solely in the annual statement instructions. If non-qualifying relates to an investee's qualifications to receive expected tax credits, then reporting entities will probably have to go to paragraph 28 to do an impairment analysis if the investee no longer qualifies and therefore, the tax credits will not emerge. However, paragraph 3 states that any investments that do not fall in the scope of SSAP No. 93 are to be accounted and reported consistent with the SSAP that addresses their underlying investment structure. If that is the case, then "non-qualifying" investments would not be reported in this section of Schedule BA and removal of the category may need to be considered.

5. Paragraphs 8 and 10 of the SSAP No. 93 exposure state that any expected residual value is to be excluded from the value of the investment that is amortized under the proportional amortization method. However, example 2 states that there is a residual value of $1 thousand, but the full investment of $100 thousand is being amortized. If the intent is to exclude residual value from the balance that is to be amortized, we suggest that the example be modified to reflect this requirement.

Ref #2023-25: *ASU 2023-03—Amendments to SEC Paragraphs*

The Working Group moved this agenda item to the active listing, categorized as a SAP clarification and exposed revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject *ASU 2023-03—Amendments to SEC Paragraphs* as not applicable for statutory accounting.

Interested parties have no comment on the Working Group's exposed revisions.

Ref #2023-27: *ASU 2023-04—Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 121*

The Working Group moved this agenda item to the active listing, categorized as a SAP clarification and exposed revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject *ASU 2023-04—Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 121* as not applicable for statutory accounting.

Interested parties have no comment on the Working Group's exposed revisions.

Ref #2023-29: IMR / AVR Preferred Stock

The Working Group moved this agenda item to the active listing, categorized as a SAP clarification and exposed revisions to the annual statement instructions to remove the guidance that directs all preferred stock to be allocated between IMR/AVR based on NAIC designation, and clarify that perpetual preferred stock, which includes SVO-Identified Preferred Stock (ETFs) shall be reported as equities through AVR.

Interested parties agree with the exposure but also question whether mandatorily redeemable preferred stock should be treated similarly.

Ref #2023-30: Admissibility Requirements of Investments in Downstream Holding Companies

The Working Group moved this agenda item to the active listing, categorized as a SAP clarification, and exposed consistency revisions to *SSAP No. 97—Subsidiary, Controlled and Affiliated Entities* to revise paragraph 24 language to better align it with the existing guidance provided in paragraphs 26 and 27.

Interested parties note that paragraph 24 references paragraph 23, and paragraph 23 addresses the admissibility requirements of the downstream holding company and its SCA entities. As a result, we recommend that the proposed wording be modified slightly as follows:

> "If the downstream noninsurance holding company does not meet the requirements of paragraph 26, audited GAAP financial statements, as described in paragraph 23, are required **~~for the downstream noninsurance holding company and its SCA and non-SCA investments~~** in order for the investment in the downstream noninsurance holding company **~~or individual SCAs~~** to be classified as an admitted asset."

Ref #2023-31: Updates from Model 630 Mortgage Guaranty Insurance

The Working Group moved this agenda item to the active listing, categorized as a SAP clarification and exposed their intent to review the revisions to the *Mortgage Guaranty Insurance Model Act* (#630) for incorporation into SSAP No. 58 and Appendix A-630 as applicable. The Working Group also requested comments on the proposed effective date of the AP&P updates.

Interested parties have no comments on this item.

Ref #2024-01: Bond Definition – Debt Securities Issued by Funds

This agenda item has been developed to clarify guidance in the principles-based bond definition on the treatment on debt securities issued by funds, particularly to eliminate inconsistent application between similar funds and to better align with the recently adopted definition of residual tranches. In the adopted bond definition, bonds issued by business development corporations (BDCs), closed-end funds (CEFs), or similar operating entities are provided as examples of issuer credit obligations (ICOs) when they are registered under the Investment Company Act of 1940 (1940 Act). It has been noted that this guidance is inconsistent with the stated intent of having the bond definition be principles-based as the registration of the fund appears to be the basis of classification as an ICO vs ABS, rather than based on principles. It has been noted that with the current guidance, two funds with issued debt that are virtually identical can have separate SSAP classification of the debt securities (resulting with different accounting/reporting) simply based on whether the fund is registered. Additionally, it would lead to debt securities being classified inconsistently with their equity counterparts. In concept, there should be consistency between the classification of a debt security as an asset-backed security, and the equity of that structure being classified as a residual interest. Using SEC-registration as currently adopted would result in misalignment of these concepts.

Other changes captured within this agenda item propose to revise the principles-based bond definition guidance to clarify that debt securities issued by funds representing operating entities qualify as ICOs. This would allow consistent treatment of similar funds regardless of SEC registration status. Guidance is also proposed to assist with distinguishing whether a fund represents an operating entity or a securitization vehicle.

The original guidance, and the reference to the SEC registration, was an easy approach to determine whether a debt security from a fund qualified as an ICO. This is because SEC registered funds have leverage limits on how much debt can be issued. Although debt securities issued from SEC registered CEFs and BDCs are still permitted as ICOs, the proposed edits permit debt securities from non-registered funds to qualify as ICO if the funds are functioning as operating entities and are not issuing securities for the primary purpose of raising debt capital.

Interested parties appreciate the overall goal behind the refinements proposed in the exposure to provide consistency between funds, whether registered or not, for classification as ICOs. Interested parties propose one small change to the new language included within paragraph 12.

12. *Likewise, distinguishing between a fund that represents an operating entity and a securitization vehicle that represents an ABS Issuer can involve similar ambiguity. Both types of entities may hold only passive investments and issue debt securities for which ultimate recourse upon default is to those investments. However, a clear distinction can generally be made by evaluating the substance of the entity and its primary purpose:*

    a. *A fund representing an operating entity has a primary purpose of raising equity capital and generating returns to its equity investors.* ***~~Marginal~~*** ***Prudent*** *amounts of debt may be issued to fund operations or produce levered returns to equity holders. However, this is in service to meeting the fund's primary equity-investor objective. For 1940-Act registered closed-end funds (CEFs) and business development corporations (BDCs), debt securities issued from the fund in accordance with permitted leverage ratios represent debt issued by operating entities and qualify as issuer credit obligations.*

    b. *In contrast, an ABS Issuer has a primary purpose of raising debt capital and its structural terms and features serve to support this purpose. Perhaps most distinctively, in addition to the characteristics detailed in Paragraph 8, the contractual terms of the structure generally define how each cash flow generated by the collateral is to be applied. There is generally little discretion afforded to the manager/servicer of the vehicle and any discretion that is allowed is narrowly defined in the contractual agreements. This hardwiring of debtholder protections allows for the issuance of higher amounts of leverage than would be possible for a fund representing an operating entity, further supporting the entity's primary purpose of raising debt capital.*

Changing “marginal” to “prudent” may seem rather innocuous. However, marginal seemingly connotes something very small, whereas prudent seems to be more in line with the spirit of the principle-based language within paragraph 12. Interested parties believe with this slight change, along with paragraph 12 and its primary purpose distinctions, the principle-based bond standard will achieve the stated goal of consistency for like funds.

* * * *

Please feel free to contact either one of us if you have any questions or would like to discuss the above recommendations.

Sincerely,

D. Keith Bell

Rose Albrizio

cc: Interested parties
NAIC staff

PineBridge® INVESTMENTS

Februrary 9, 2024

Dear Chair Bruggeman and members of the Statutory Accounting Principles (E) Working Group ("SAPWG"):

We appreciate the opportunity to comment on your exposure regarding clarifications to SSAP No. 26R on the treatment of debt securities issued by funds.[1] We support your effort to "eliminate inconsistent application between similar funds and to better align with the recently adopted definition of residual tranches through the Bond Project." We would like to share some facts to support the consistent statutory treatment for securities issued by business development companies (BDCs), closed-end funds (CEFs), and private funds.

First, as you noted in the exposure memo, that substance over form is an important principle. Under SSAP No. 26R, operations such as BDCs and CEFs, regardless of being public (or listed) or private (or unlisted), their debt issuances are treated as issuer credit obligation (ICOs). "Substance" rather than "form" dictates the ICO designation of BDCs and CEFs.

Second, we see similar substance across BDCs, CEFs, and many private funds regarding the following:

- There is a related operating entity whose primary purposes are managing assets and raising capital.
- All have a well-defined and hard-wired payment priority in the legal documents. For example, in an event of default, contractually BDCs and CEFs need to redeem senior debt first and then pay off junior obligations. Furthermore, BDCs and CEFs often have additional asset coverage tests; and if a coverage test is breached, mandatory redemption would take place such that senior debt is paid first to de-lever the capital structure. This is also how the "hardwiring" works in many rated feeder funds.
- There is no special purpose vehicle (SPV) within a typical fund construct.

Finally, rating agencies' private fund methodologies and analysis align with those for CEFs and corporate bonds (both designated as ICO) in several ways:

- Multiple rating agencies apply their CEF methodology to rate private funds.
- Rating levels and the amount of debt issued by these funds intend to right-size the risks embedded in the investment vehicle, including but not limited to prudent leverage, portfolio mix, liquidity, legal construction, and management quality.
- Funds ratings typically do not carry a structured finance (SF) subscript and are generally assigned by the Financial Institutions Group within rating agencies, not their structured finance team. An entity level anchor rating is assigned first, and that is then notched up/down to reflect security level seniority or structural subordination. Typically, rating agencies would rate no more than three-classes of debt issued by a fund. This framework aligns well with how rating agencies analyze corporate bonds overall.

In summary, we support private funds with prudent leverage to be designated as ICO, consistent with the SSAP No. 26R classification for BDCs and CEFs.

Sincerely yours,
PineBridge Insurance Solutions and Strategies

[1] SAPWG 2024-01, Bond Definition – Debt Securities Issued by Fund, https://content.naic.org/sites/default/files/inline-files/24-01%20-%20PBBD%20-%20SEC%20Funds.docx

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March 7, 2024

Mr. Dale Bruggeman, Chairman
Statutory Accounting Principles Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

RE: Interested Parties Comments on the Ref #2019-21

Dear Mr. Bruggeman:

Interested parties appreciate the opportunity to comment on the following item that was exposed for comment by the Statutory Accounting Working Group (the Working Group) on February 20th with comments due March 7th.

Ref #2019-21: Exposed Revisions to SSAP No. 21R at SAPWG Meeting on Feb. 20, 2024

The Working Group exposed the following proposed changes to SSAP No. 21R, which resulted from thoughtful consideration of the many comments interested parties had most recently submitted:

1. Paragraphs 21, 22, 24 and 24: Minor clarifying/corresponding edits.

2. Paragraphs 28-29: Revisions bring in the adopted residual definition from SSAP No. 43R and SSAP No. 48. The last sentence in paragraph 29 is new and specifically addresses residuals: “Additionally, it would be expected that the equity position in an ABS Issuer, as defined in SSAP 26R, would be classified as a residual tranche.”

3. Paragraph 30: Revisions eliminate the descriptions and SSAP locations for the definition of residuals and specify that residuals, per the paragraph 28-29 definition, shall be accounted and reported in accordance with the guidance in SSAP No. 21R.

4. Paragraphs 31: Revisions replace "securitization" with "structure" to broadly reference all residuals that could be captured within the guidance.

5. Paragraph 32: Revisions clarify that residuals shall either be accounted for 1) at the lower amortized cost or fair value, with amortized cost calculated under the allowable earned yield method, or 2) under the practical expedient method, which reflects a return of principal concept.

6. Paragraphs 33 & 34: Revisions reflect terminology changes, to refer to the allowable earned yield method as amortized cost rather than BACV.

7. Paragraph 34 (Deleted): Revisions eliminate the guidance that directed reclassification of residual tranches to other SSAPs/reporting schedules in situations when residual tranches cease to meet the definition of a residual tranche. (For example, in situations in which the senior debt has been repaid.) It is not customary to reclassify investments under statutory accounting principles, and in speaking with interested party representatives, any such situations are likely not to be material and will not continue for extended periods of time. As the reclassification would introduce a number of financial statement reporting questions (as the residual would have to be disposed and then reacquired on the subsequent schedule) and as investment classification generally only occurs at acquisition, the guidance has been eliminated. With this deletion, if a residual is classified as a residual, it would remain with that classification and follow the SSAP No. 21R guidance until it is disposed by the reporting entity.

8. Paragraph 36: Revisions separate the OTTI calculation between those items measured at the allowable earned yield method and those that follow the practical expedient. (The original guidance would have required those companies that follow the practical expedient to calculate the allowable earned yield for determining OTTI, which would defeat the purpose of selecting the practical expedient.) Revisions then clarify terminology to reference amortized cost for the allowable earned yield method and BACV for OTTI under the practical expedient.

9. Paragraph 37: Revisions incorporate transition guidance for residuals that were accounted for under a different SSAP as of December 31, 2024. The transition guidance addresses situations in which the residual was previously accounted for at the lower of amortized cost or fair value as well as situations in which the residuals were previously accounted for at equity value or fair value.

10. Paragraph 41: Revisions prescribe the Jan. 1, 2025, effective date, permitting early application of the residual guidance.

Interested parties recommend a couple of suggested edits as follows:

- The reference to line "a." in paragraph 27 is repeated in the numbering, The reference in the second line should be changed to "b." and the remaining items following that line adjusted accordingly.
- The phrase "… as the present value of cash flows expected to be collected is less than the amortized cost basis of the securities" in line 27f should be deleted as it doesn't add any clarification but is confusing as to the intent.

Interested parties have no comment on the other changes made to SSAP No. 21.

*   *   *   *

Please feel free to contact either one of us if you have any questions or would like to discuss further.

Sincerely,

D. Keith Bell   Rose Albrizio

cc: Interested parties
NAIC staff

Interested parties' comments on Ref #2202-12 updated 3-14-24
Shading in paragraph 12 is new

Statement of Statutory Accounting Principles No. 63

Underwriting Pools

STATUS

Type of Issue	Common Area
Issued	Initial Draft
Effective Date	January 1, 2001
Affects	No other pronouncements
Affected by	No other pronouncements
Interpreted by	INT 03-02
Relevant Appendix A Guidance	None

SCOPE OF STATEMENT

1. This statement establishes statutory accounting principles for underwriting pools and associations, including intercompany pooling arrangements.

SUMMARY CONCLUSION

2. Underwriting pools and associations can be categorized as follows: (a) involuntary, (b) voluntary, and (c) intercompany.

Interested parties' comments on Ref #2202-12 updated 3-14-24
Shading in paragraph 12 is new

3. Involuntary pools represent a mechanism employed by states to provide insurance coverage to those with higher than average probability of loss who otherwise would be excluded from obtaining coverage. Reporting entities are generally required to participate in the underwriting results, including premiums, losses, expenses, and other operations of involuntary pools, based on their proportionate share of similar business written in the state. Involuntary plans are also referred to as residual market plans, involuntary risk pools, and mandatory pools.

4. Voluntary pools are similar to involuntary pools except they are not state mandated and a reporting entity participates in the pool voluntarily. In addition, voluntary pools are not limited to the provision of insurance coverage to those with higher than average probability of loss, but often are used to provide greater capacity for risks with exceptionally high levels of insurable values (e.g., aircraft, nuclear power plants, refineries, and offshore drilling platforms).

5. Intercompany pooling relates to business which is pooled among affiliated entities who are party to a pooling arrangement.(INT 03-02)

6. Participation in a pool may be on a joint and several basis, i.e., in addition to a proportional share of losses and expenses incurred by the pool, participants will be responsible for their share of any otherwise unrecoverable obligations of other pool participants. In certain instances, one or more entities may be designated as servicing carriers for purposes of policy issuance, claims handling, and general administration of the pooled business, while in other cases a pool manager or administrator performs all of these functions and simply bills pool participants for their respective shares of all losses and expenses incurred by the pool. In either case, liabilities arising from pooled business are generally incurred on a basis similar to those associated with non-pooled business, and should therefore be treated in a manner consistent with the guidelines set forth in *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets*.

7. Intercompany pooling arrangements involve establishment of a conventional quota share reinsurance agreement under which all of the pooled business is ceded to the lead entity and then retroceded back to the pool participants in accordance with their stipulated shares. Arrangements whereby there is one lead company that retains 100% of the pooled business and all or some of the affiliated companies have a 0% net share of the pool may qualify as intercompany pooling. In these arrangements, only the policy issuing entity has direct liability to its policyholders or claimants; other pool participants are liable as reinsurers for their share of the issuing entity's obligations. Although participants may use different assumptions (e.g., discount rates) in recording transactions, the timing of recording transactions shall be consistently applied by all participants.

~~7.~~8. Insurance groups that utilize intercompany pooling arrangements often modify these arrangements from time to time for various business reasons. These business reasons commonly include mergers, acquisitions, dispositions, or a restructuring of the group's legal entity structure. In order to effectuate a relatively simple modification, such as changing pooling participation percentages without changing the pool participants, companies often simply amend the existing pooling agreement. Alternatively, in order to effectuate a more complex modification, such as changing (by adding or removing) the number of pool participants, a company may commute the existing pooling agreement and execute a new pooling agreement(s). In conjunction with executing the appropriate intercompany pooling agreements, a transfer of assets and liabilities amongst the impacted affiliates may also be required in order to implement the new pooling agreement(s). The following subparagraphs provide guidance specific to modifications of intercompany pooling arrangements and shall not be applied to an analogous transaction or event.

a. The appropriate valuation basis to be used for assets and liabilities that are transferred among affiliates in conjunction with the execution of a new intercompany pooling

Interested parties' comments on Ref #2202-12 updated 3-14-24
Shading in paragraph 12 is new

agreement(s) that serves to substantively modify an existing intercompany pooling arrangement is statutory book value for assets and statutory value for liabilities.

b. The net amount of the assets and liabilities being moved among entities as a result of a modification to an intercompany pooling shall be used to settle the intercompany payable/receivable (i.e., the assets that are transferred in conjunction with the modification) to minimize the amount of assets transferred in the modification.

~~8.~~9. Underwriting results relating to voluntary and involuntary pools shall be accounted for on a gross basis whereby the participant's portion of premiums, losses, expenses, and other operations of the pools are recorded separately in the financial statements rather than netted against each other. Premiums and losses shall be recorded as direct, assumed, and/or ceded as applicable. If the reporting entity is a direct writer of the business, premiums shall be recorded as directly written and accounted for in the same manner as other business which is directly written by the entity. To the extent that premium is ceded to a pool, premiums and losses shall be recorded in the same manner as any other reinsurance arrangement. A reporting entity who is a member of a pool shall record its participation in the pool as assumed business as in any other reinsurance arrangement.

~~9.~~10. Underwriting results relating to intercompany pools shall be accounted for and reported as described in paragraph 8. While it is acceptable that intercompany pooling transactions be settled through intercompany arrangements and accounts, intercompany pooling transactions shall be reported on a gross basis in the appropriate reinsurance accounts consistent with other direct, assumed and ceded business.

11. Equity interests in, or deposits receivable from, a pool represent cash advances to provide funding for operations of the pool. These are admitted assets and shall be recorded separately from receivables and payables related to a pool's underwriting results. Receivables and payables related to underwriting results shall be accounted for in accordance with the guidance in paragraphs 6-8. If it is probable that these receivables are uncollectible, any uncollectible amounts shall be written off against operations in the period such determination is made. If it is reasonably possible a portion of the balance is uncollectible but is not written off, disclosure requirements outlined in SSAP No. 5R shall be followed.

12. Note that other applicable reinsurance guidance from *SSAP No. 61R—Life, Deposit Type and Accident and Health Reinsurance* or *SSAP No. 62R—Property and Casualty Reinsurance*, depending on the type of business, applies to intercompany pooling arrangements and voluntary and involuntary pools. This includes the SSAP No. 62R guidance in paragraphs 33 through 39 regarding retroactive reinsurance.

Disclosures

~~10.~~13. 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;

Interested parties' comments on Ref #2202-12 updated 3-14-24
Shading in paragraph 12 is new

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.

i. For modifications to an existing intercompany pooling arrangement that involve the transfer of assets with fair values that differ from cost or amortized cost, the statement value and fair value of assets received or transferred by the reporting entity.

~~11.~~14. Refer to the Preamble for further discussion regarding disclosure requirements.

Effective Date and Transition

~~12.~~15. This statement is effective for years beginning January 1, 2001. 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*.

REFERENCES

Relevant Issue Papers

- *Issue Paper No. 97—Underwriting Pools and Associations Including Intercompany Pools*

Ref #2022-14c

Other SSAPs

Spring National Meeting Adoption: *This document represents the final adopted version of the revisions to SSAP No. 34 and SSAP No. 48R. The changes shown to SSAP No. 48R have **not** been amended to reflect the proposed formatting changes proposed in agenda item #2024-08: Consistency Revisions for Residuals.*

Proposed revisions to ***SSAP No. 34—Investment Income Due and Accrued***

SCOPE OF STATEMENT

1. This statement establishes statutory accounting principles for investment income due and accrued. This statement does not address the accounting for tax credits allocated or purchased, which are discussed in SSAP No. 93R—*Investments in Tax Credit Structures* and *SSAP No. 94R—State and Federal Tax Credits*.

Proposed revisions to ***SSAP No. 48R—Joint Ventures, Partnerships and Limited Liability Companies***

SCOPE OF STATEMENT

1. This statement establishes statutory accounting principles for investments in any joint ventures, partnerships, and limited liability companies, including investments in certified capital companies (CAPCO) per *INT 06-02: Accounting and Reporting for Investments in a Certified Capital Company (CAPCO)*, whether or not it is considered to be controlled by or affiliated with the reporting entity. Single real estate property investments that are wholly-owned by an LLC that is directly and wholly-owned by the reporting entity, and that meet the criteria established in *SSAP No. 40R—Real Estate Investments*, are excluded from this statement. This statement does not address the accounting for investments in joint ventures, partnerships, and ~~and~~ limited liability companies that invest in tax credit programs ~~that~~ and are in the scope of~~hold an equity interest in either a tax syndication structure or tax equity fund invest in Low-Income Housing Tax Credit Properties as discussed in~~ *SSAP No. 93*R—~~*Low-Income Housing Tax Credit Property Investments*~~*Investments in Tax Credit Structures*.

https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2024springnm/summary and minutes/sapwg/att 1e_22-14c - updates to other ssaps.docx

Ref #2022-14a

Note: *The issue paper will include the final revisions made to SSAP No. 93—Low-Income Housing Tax Credit Property Investments shown as tracked changes. ASC references will be removed from the final document.*

Spring National Meeting Adoption: *Revisions to SSAP No. 93 made* ***after*** *the exposure on January 31, 2024, have been shown as tracked changes highlighted in grey. This document represents the final adopted version of SSAP No. 93R.*

Statements of Statutory Accounting Principles No. 93 - Revised

Investments in Tax Credit Structures

STATUS

Type of Issue	Common Area
Issued	June 13, 2005; Conceptually revised March 16, 2024
Effective Date	January 1, 2006; Conceptual revisions detailed in Issue Paper No. xxx effective January 1, 2025
Affects	No other pronouncements
Affected by	No other pronouncements
Interpreted by	INT 06-07
Relevant Appendix A Guidance	None

Ref #2022-14a

SCOPE OF STATEMENT

1. This statement establishes statutory accounting principles for qualifying tax credit investments[1] in programs made primarily for the purpose of receiving allowable general business federal tax credits and/ or state tax credits, including state premium tax credit programs. Although these investments are often in the form of equity, this statement shall be applied to all investments (regardless of the structure of the investment) that qualify pursuant to paragraph 2.

2. A reporting entity that invests in projects or programs that generate general business federal tax credits, corresponding state tax credits or state premium tax credits that meet the following conditions at the time of initial investment are required to capture the investment in scope of this statement:

a. It is probable that the tax credits allocable to the investor will be available.

b. Reporting entity investor does not have the ability to exercise significant influence over the operating and financial policies of the underlying projects.

c. Substantially all the projected benefits are from tax credits and other tax benefits, determined on a discounted basis using a discount rate that is consistent with the cash flow assumptions utilized by the reporting entity for the purpose of deciding to invest in the project.

d. The reporting entity's projected yield based solely on the cash flows from the tax credits and other tax benefits is positive.

3. Tax credit investments that do not meet the conditions in paragraph 2 shall be captured within the statutory accounting statement that addresses the underlying investment structure. Equity structured tax credit investments would generally fall within *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies*. Debt structured tax credit investments should be assessed in accordance with *SSAP No. 26R—Bonds* to determine eligibility for reporting as a bond. ~~Investments intax credit structures that do not meet the conditions in paragraph 2 shall be captured within the statutory accounting statement applicable to the investment held.~~

4. Investments in a CAPCO (Certified Capital Company), organized as a partnership or an LLC, which is a company, authorized by state statute that borrows from investors, to make venture capital investments in "qualified" businesses, are not within the scope of this statement. Although associated with tax credits, the reporting entity is paid principal and interest on its investment with the CAPCO. Depending upon the terms of the CAPCO offering, principal and interest payments to the reporting entity will come from the CAPCO and/or the state. The CAPCO will make cash payments directly to the investors while the state will make payments in the form of premium or income tax credits. Investments in a CAPCO shall be accounted for in accordance with *Interpretation (INT) 06-02: Accounting and Reporting for Investments in a Certified Capital Company (CAPCO)* and specific statutory accounting guidance addressing CAPCOs.

[1] The scope of *ASC 323-740–Investments—Equity Method and Joint Ventures—Income Taxes—Proportional Amortization Method* only extends to income tax equity investments, whereas this statement is intended to capture all tax credit investments which meet the criteria in paragraphs 2.a-2.d, regardless of structure. This includes, but is not limited to, tax equity investments and tax credit debt investments.

SUMMARY CONCLUSION

5. Investments in tax credit structures are generally acquired to obtain a positive yield through tax credits and other tax benefits. The value of the investment is primarily based on the value of the remaining stream of tax credits and deductible expenses available to the reporting entity investor. The primary purpose of investing in these tax credit structures is to generate tax credits which benefit reporting entities, most commonly through a reduction in tax liability or, when ~~transferability is~~ permitted by IRS or state tax provisions, through the sale of ~~the~~ certificated/transferable tax credits.

6. Investments in tax credit structures held by reporting entities meet the definition of an asset as specified in *SSAP No. 4—Assets and Nonadmitted Assets* and are admissible assets to the extent that they comply with the requirements of this statement.

Accounting

7. This guidance addresses the methodology for measuring an investment that is accounted for using the proportional amortization method. At initial recognition, investments in scope of this statement shall be recorded at cost.

8. Subsequent to initial recognition, the investment shall be carried at proportional amortized cost. Under the proportional amortization method, the reporting entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits allocated to the investor. The amortization amount shall be calculated as follows (ASC 323-740-35-2):

a. The initial investment balance less any expected residual value of the investment, multiplied by;

b. The percentage of actual tax credits and other tax benefits allocated to the reporting entity in the current period divided by the total estimated tax credits and other tax benefits expected to be received by the reporting entity over the amortization timeframe (life of the investment)~~the life of the investment~~.

9. Reporting entities shall recognize tax credits in the period they are allocated to the investor for tax purposes. Unless all tax credits are allocated to the reporting entity at the date of initial investment, immediate recognition of the entire benefit of the tax credits to be received during the term of the investment project that generates tax credits and other tax benefits is not permitted. Tax credits shall not be recognized in the financial statements before the year in which the tax credits ~~arisesis~~ are allocated. (ASC 323-740-25-5)

10. Any expected residual value of the investment shall be excluded from the proportional amortization calculation. Non-tax related benefits received from the investment shall be included as a component of net investment income when realized or realizable. Gains or losses on the sale of the investment, if any, shall be included as a capital gain or loss at the time of the sale. (ASC 323-740-35-5) Determination of gain or loss will depend on the reported value (e.g., residual value at the end of the amortization timeframe) compared to the amount received in exchange for the investment. Liquidation of the investment commonly occurs at the end of the tax credit timeframe through a put or call agreement, often reflecting a nominal residual value that was established at the time of acquisition. The liquidation amount from such agreements shall reflect the expected residual value when available.

11. At the end of the amortization timeframe ~~(life of the investment)~~, if the reporting entity retains the investment, the investment shall be subsequently measured and assessed within the statutory accounting

statement applicable to the investment held. Retained investments will remain on Schedule BA until disposal and cannot exceed the initial expected residual value.

12. Exhibit A illustrates the application of accounting guidance in two examples that generate tax credits and tax benefits using the proportional amortization method. The first example illustrates the application of a standard project. The second example illustrates the application of accounting guidance in a project that has expected residual value and generates non-tax related benefits in addition to tax credits and other tax benefits using the proportional amortization method. (ASC 323-740-35-3)

Application of Proportional Amortization Method

13. Under the proportional amortized cost method, the amortization of the investment is to be recognized in the income statement as an expense component of the net investment income calculation. Non-tax related benefits received from operations, or sale of the investment should be accounted for in accordance with paragraph 10.

14. Tax credits and other tax benefits, not to include amortization of the investment, shall be reflected as follows:

a. ~~Tax credits allocated are to be recorded, and assessed for admittance, in accordance with *SSAP No. 94R Transferable and Non-Transferable Tax Credits*.~~Tax credits shall be recognized in the period that they are allocated to the reporting entity for tax purposes:

i. Federal tax credits that can be utilized in the year allocated shall be reported in the income statement as an offset to federal taxes in accordance with *SSAP No. 101—Income Taxes*. Federal tax credits that cannot be utilized in the year allocated and are carried forward to a future tax year shall be reported as a deferred tax asset (DTA) in accordance with SSAP No. 101.

ii. State tax credits that can be utilized in the year allocated shall be reported in the income statement as an offset to state premium tax or state income tax, whichever is applicable, in the tax-reporting year in which the credit is utilized. State tax credits that cannot be utilized in the year allocated and are carried forward to a future tax year shall be reported gross of any related state tax liabilities and reported in the category of other-than-invested assets (not to be reported net).

iii. Use of tax credits carried forward in a~~Tax credits carried forward to a~~ future period shall be reflected as an offset to the corresponding income or premium tax in the tax reporting year in which the tax credit is utilized.

~~i.~~iv. Tax credits allocated from tax credit investments, as defined within this SSAP, and held by reporting entities meet the definition of assets as specified in SSAP No. 4 and are admitted assets to the extent that they comply with the requirements of this statement. The admissibility of tax credits ~~are~~ is subject to SSAP No. 101.

b. Federal tax benefits other than tax credits (e.g., tax benefits from investment depreciation) shall be recognized in the year allocated pursuant to SSAP No. 101~~—*Income Taxes*~~. When utilized, the federal tax benefits are recognized as a component of income tax expense.

c. State tax benefits other than tax credits shall be recognized in the year allocated ~~shall be recognized in the year allocated~~ gross of any related state tax liabilities pursuant to SSAP

No. 101. When utilized, the state tax benefits are recognized as a component of taxes, licenses, and fees.

Admittance ~~Requirements~~of Tax Credit Investments

15. Although investments in tax credit programs do not represent investments that can be ~~directly~~ readily liquidated for policyholder claims, the reduction of tax liability or sale~~transfer~~ of allocated tax credits represents a benefit that supports admittance of these investments, but only if the tax credits will be received and can be utilized by the reporting entity. Investments in tax credit programs that will not result in any of the anticipated tax credits or that will result in tax credits which cannot be utilized or sold~~transferred~~ by the reporting entity shall be considered impaired and should refer to paragraphs 27 and 28.

16. Reporting entities shall, at initial investment, obtain a clean[2] fund level tax opinion[3] on the validity of the credits and structure of the underlying program and investment fund. Investments not supported by an initial tax opinion shall be nonadmitted. If the program is a permitted syndicated program with a yield guarantee, the opinion must verify that the investment and guarantee have~~s~~ been properly structured under IRS or state tax provisions ~~rules~~ and the guarantee does not disqualify the reporting entity from obtaining ~~federal general business~~the tax credits.

17. Reporting entities shall annually obtain U.S. GAAP or U.S. tax basis audited financial statements on the investment fund. In the event audited U.S. GAAP or U.S. tax basis financial statements are not obtained or the audit receives an opinion other than unqualified, the asset shall be nonadmitted. If the audited financial statements are in-process but not completed as of the annual statement filing deadline, the reporting entity may admit the investment based on the results of the immediately preceding prior year audited financial statements. A lag in reporting shall be consistent from period to period.

a. Other tax credit investments – If the reporting entity has a tax credit investment which by virtue of its structure cannot be audited, the investment is exempt from the annual audit requirement. One example of this type of investments would be tax credit debt investments[4] which do not involve any amount of equity ownership as a component of the investment. This type of tax credit debt investment is exempt from the annual audit requirement, but the reporting entity is still required to obtain a clean tax opinion, in accordance with paragraph 16, to support admittance at initial investment.

[2] While not quantified or defined in either the Internal Revenue Code or state regulations, common industry standards consider a "should" opinion to be the minimum degree of confidence associated with a clean tax opinion. For the purposes of this statement, a "should" opinion must represent a probability of success no less 70%. Any tax credit investment which receives a tax opinion with a degree of confidence less than "should" is to be nonadmitted.

[3] A fund level tax opinion for the purposes of this statement is defined as a full IRS Circular 230 tax opinion which covers from the fund level through to the underlying assets generating the tax credit benefits. The fund level is defined as the entity, or level, at which the investor comes directly into the investment without any intermediaries.

[4] Common examples of tax credit debt investments are Tax Credit Strips derived from tax credit bonds, Qualified Tax Credit Bonds, and Build America Tax Credit Bonds. Tax opinions received on these tax credit investments are also referred to as "bond counsels." Tax Credit Strips derived from tax equity investments would not qualify for the paragraph 17.a carve out as the source of the stripped tax credits is auditable.

Ref #2022-14a

Prospective Utilization Assessment

18. The prospective utilization assessment, as detailed below in paragraphs 19-21, must be performed annually by the reporting entity if any of the following circumstances exist in either the current or prior reporting period:

a. Reporting entity records a valuation allowance against a deferred tax asset (DTA) balance.

b. Reporting entity becomes aware of other facts and circumstances which indicate that it will, more likely than not, be unable to substantially utilize the unallocated tax credits. Such instances include, but are not limited to:

i. If the reporting entity holds an investment which allocates state premium tax credits and intends to decrease premium volume in that state, it may affect whether or not the unallocated tax credits in that state can be utilized.

ii. If the reporting entity holds an investment allocating state income tax credits and records a valuation allowance in its U.S. GAAP financial statements against state DTA balances, including the same state as the tax credit investment, it cannot ignore the circumstances that led to the valuation allowance, even though statutory accounting does not permit state DTAs.

19. Prospective Utilization Assessment – ~~A r~~If any of the circumstances detailed in paragraph 18 exist, the reporting entity is required to ~~first~~ assess the future utilization of the investment's ~~current portion of~~ unallocated tax credits against ~~the~~ estimated tax liabilities ~~for both the tax year in which the tax credits can be initially utilized as well as any applicable carryback periods. Based on this assessment, if the reporting entity does not expect to substantially utilize the current portion of unallocated investment tax credits, the reporting entity shall perform an expanded assessment to~~and determine the extent to which it will be able to utilize the investment's unallocated tax credits over the life of the ~~investment~~tax credits. If assessment projections identify that the investment's unallocated tax credits ~~from investments in tax credit programs~~ will exceed what can be utilized under IRS or state tax provisions ~~(current and other applicable tax periods)~~, the reporting entity shall nonadmit investments as necessary so that investments in scope of this statement (in aggregate) are only admitted to the extent tax credits are expected to be utilized within current, carryback, and carryforward periods. ~~Additionally, if the assessment indicates that the next three years of investment tax credits cannot be substantially utilized within the carryforward periods then the entire investment shall be nonadmitted.~~ In making this assessment, the reporting entity is not permitted to assume increased operations (e.g., expanded product sales) beyond those allowed under prudent and feasible tax-planning strategies ~~actual experience~~ to conclude that additional federal or state tax liability will exist that would allow additional utilization of tax credits. A reporting entity ~~can~~ may subsequently admit a previously nonadmitted tax credit investment, based on subsequent assessments in which the reporting entity determines that they will be able to utilize the unallocated tax credits.

~~18.~~20. Additional Admittance to Prospective Utilization Assessment – If the tax credit investment allocates tax credits with the following features, the reporting entity may perform a secondary assessment to determine if additional amounts of the tax credit investment nonadmitted under paragraph 19 can be admitted:

a. Tax credit investments which allocate tax credits which are certificated or transferable in accordance with permitted IRS or state tax provisions ~~are~~ shall admit~~ted~~ up to the lesser of the proportional amortized cost~~,~~ or fair value of the unallocated tax credits.~~If the fair market~~

~~value is not determinable, then the reporting entity may only admit the amount calculated in paragraph 18.~~

b. Tax credit investments which allocate tax credits eligible for direct payment ~~are~~ shall admit~~ted~~ up to the lesser of the proportional amortized cost~~,~~ or the estimated proceeds from unallocated tax credits.

~~c. For all other tax credits, if a reporting entity does not expect to fully utilize investment tax credits in the upcoming tax year or for a carryback year, the reporting entity shall perform an assessment to determine the extent it will be able to utilize the tax credits over the life of the investment. If assessment projections identify that the tax credits from investments in tax credit programs will exceed what can be utilized under IRS or state tax provisions (current and other applicable tax periods), the reporting entity shall nonadmit investments as necessary so that investments in scope of this statement (in aggregate) are only admitted to the extent tax credits are expected to be utilized. Additionally, if the assessment indicates that the next three years of investment tax credits cannot be substantially utilized then the entire investment shall be nonadmitted. In making this assessment, the reporting entity is not permitted to assume increased operations (e.g., expanded product sales) beyond actual experience to conclude that additional federal or state tax liability will exist that would allow additional utilization of tax credits. A reporting entity can subsequently admit a previously nonadmitted tax credit investment, based on subsequent assessments in which the reporting entity determines that they will be able to utilize the tax credits.~~

~~19.~~21. For tax credit investments which have an amortization timeframe greater than the tax credit allocation timeframe (as demonstrated in ~~both examples within~~ Exhibit A), the reporting entity would still, if required, perform the prospective utilization assessment ~~same assessment detailed in paragraph 18~~ but on the reporting entity's ability to utilize the remaining stream of anticipated tax benefits.

Future Contributions and Additional Tax Credits

~~20.~~22. Many tax credit investments require future contributions by the investor, that may be contingent on a variety of conditions, such as receiving representations, contract performance, meeting occupancy requirements, etc. A liability shall be recognized for delayed ~~equity~~ contributions which result in additional tax credits that are unconditional and legally binding, and a liability shall also be recognized for ~~equity~~ contributions which result in additional tax credits that are contingent upon a future event when that contingent event becomes probable pursuant to the loss contingency guidance in *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets*. (ASC 323-740-25-3) Liabilities or loss contingencies recognized for future contributions which result in additional tax credits shall be reported as 'Payable for Securities' until remitted or until the obligation is otherwise eliminated.

~~21.~~23. If a commitment to provide future contributions is not required to be recognized pursuant to paragraph 22, the commitment shall be disclosed in the notes to the financial statements with other commitments.

~~22.~~24. Additional contributions that do not result in additional tax credits for the reporting entity investor shall be immediately expensed as a component of net investment income.

~~23.~~25. If additional contributions result in additional tax credits for the reporting entity, the proportional amortization method for the tax credit investment shall be adjusted, on a prospective basis, to reflect the increased cost with the revised expected ~~income~~ tax credits and ~~income~~ other tax benefits.

26. In the event a reporting entity obtains additional tax credits without the reporting entity making additional contributions, the reporting entity shall not adjust the book/adjusted carrying value of the tax credit investment. (The proportional amortization method shall not be adjusted to reflect the expected additional tax credits.) Rather, the tax credit shall be recognized when allocated pursuant to paragraph 14.

Impairment of Tax Credit Investments

~~24.~~27. Reporting entities with investments in tax credit programs shall complete and document an impairment analysis at each reporting period. For this analysis, the reporting entity shall compare the current book/~~-~~adjusted carrying value to the fair value of the investment. (~~In lieu of~~If fair value is not determinable, an entity can compare book/~~-~~adjusted carrying value to the present value of future tax credits and other tax benefits discounted at a risk-free rate of return.) If book~~-~~/adjusted carrying value is higher, the difference between book/~~-~~adjusted carrying value and fair value shall be recognized as an other-than-temporary impairment (INT 06-07) to the tax credit investment. This will result in a new cost basis and the amount of the write-down shall be accounted for as a realized loss. The new cost basis shall not be changed for subsequent recoveries in fair value~~ (discounted value present value)~~.

~~25.~~28. An other-than-temporary impairment shall also be considered to have occurred if a previously allocated tax credit has been recaptured or if it is probable that future tax credits will not be allocated as expected. If a project no longer qualifies for tax credits, the entire investment, less any residual established at initial recognition, shall be written off as other-than-temporarily impaired. If the reporting entity experiences a tax credit recapture, the reporting entity shall assess whether future tax credits and other benefits will qualify for use by the reporting entity. If future credits will not be generated or will be subject to future recapture, then the reporting entity shall write-off the investment as other-than-temporarily impaired so that the resulting investment value only reflects expected qualifying tax credits and other benefits expected to be allocated. This will result in a new cost basis and the amount of the write-down shall be accounted for as a realized loss. The new cost basis shall not be changed for subsequent recoveries or revision to tax credit expectations.

~~26.~~29. Certain tax credit programs allocate variable amounts of tax credits (for example, clean energy production tax credit programs) which will result in regular differences between actual allocated tax credits and estimated tax credit allocations as calculated upon acquisition of the investment. Variable tax credits allocated in excess of estimates should be accounted for in accordance with paragraph 26. If the allocated variable tax credits are less than estimates by more than 10% or consistently allocate less than the estimated amounts over multiple allocation periods, then the reporting entity must either recognize an other-than-temporary impairment or specifically address within its impairment analysis the reason why consistently diminished tax credit returns do not represent an impairment event. Note that if the company determines it is probable that the total amount of anticipated variable tax credits will not be received, it would still be considered an other-than-temporary impairment in accordance with paragraph 28.

Disclosures

~~27.~~30. A reporting entity shall disclose information that enables users of its financial statements to understand the following information about its ~~tax~~ investments in projects that generate tax credits and other tax benefits from tax programs captured in scope of this statement: (ASC 323-740-50-1)

a. The nature of its investments in projects that generate tax credits and other tax benefits.

b. The effect of the recognition and measurement of its investments in projects that generate tax credits and other tax benefits and the related tax credits on its financial position and results of operations.

~~28.~~31. To meet the objective of paragraph 30, a reporting entity shall disclose the following information about its ~~tax~~ investments in projects that generate tax credits and other tax benefits from a tax credit program in scope of this statement:

a. The amount of tax credits and other tax benefits recognized during the reporting period(s).

b. The balance of the investments recognized in the statement of financial position for the reporting period(s) presented.

c. The amount of investment amortization and non-income tax related activity recognized as a component of net investment income, and other returns allocated that were recognized outside of income tax expense.

d. An aggregate schedule of tax credits expected to be generated each year for the subsequent five years and thereafter, disaggregated by transferable/certificated and non-transferable.

e. Any commitment or contingent commitment (e.g., guarantees or commitments to provide additional capital contributions) including the amount of contributions that are contingent commitments related to tax credit investments and the year(s) that contingent commitments are expected to be paid shall be disclosed.

~~29.~~32. The following disclosures shall be included if applicable to tax credit investments:

a. If the underlying ~~property~~ project is currently subject to any regulatory reviews and the status of such review. (Example: Investigations by the housing authority.)

b. Significant modifications or events that resulted in a change in the nature of the investment or a change in the relationship with the underlying project for investments in scope. (ASC 323-740-50-1A)

~~30.~~33. A reporting entity that recognizes an impairment loss shall disclose the following in the financial statements that include the period of the impairment write-down:

a. A description of the impaired assets and the facts and circumstances leading to the impairment; and

b. The amount of the impairment and how fair value was determined.

34. The following disclosures pertain only to those tax credits allocated from tax credit investments and are unused as of the reporting period(s). For purposes of this disclosure, total unused tax credits represent the entire amount of tax credits available:

a. Carrying value of tax credits, disaggregated by transferable/certificated and non-transferable, gross of any related tax liabilities by jurisdiction and in total.

b. Total unused tax credits by jurisdiction, disaggregated by transferable/certificated and non-transferable.

c. Method of estimating utilization of remaining tax credits or other projected recovery of the current carrying value.

d. Impairment amount recognized in the reporting period(s), if any.

e. Identify tax credits by transferable/certificated and non-transferable classifications and identify the admitted and nonadmitted portions of each classification.

~~31.~~35. Refer to the Preamble for further discussion regarding disclosure requirements.

Relevant Literature

~~32.~~36. This statement adopts with modification *Accounting Standards Update (ASU) 2023-02, Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*. The ASU is modified for the following statutory concepts:

a. This statement is applicable to all federal and state tax credit programs earned through any tax credit investment structure that meets the requirements in paragraph 2. Under the ASU, use of the proportional amortization method is an election and only pertains to income tax equity investment structures in which the reporting entity does not exercise significant influence. With this statement, the U.S. GAAP election to use the proportional amortization method is rejected and use of proportional amortization for investments within the scope of this statement is required. The guidance is expanded for state premium tax credits.

b. Investments that meet the criteria of this statement are required to use a proportional amortization method as prescribed in this statement. This method requires the tax credits and benefits to be recognized in proportion to the percentage of actual tax credits and other tax benefits allocated to the reporting entity in the current period divided by the total estimated tax credits and other tax benefits expected to be allocated by the reporting entity over the life of the investment. This statement requires a gross presentation on the financial statements. Under the ASU, a practical expedient is allowed for the calculation of proportional amortization but has been rejected with this statement.

c. Federal tax credits shall be recognized in the income statement as an offset to federal income taxes in the tax reporting year in which the tax credit is utilized in accordance with SSAP No. 101. State tax credits shall be recognized in the income statement as an offset to state premium tax or state income tax, whichever is applicable, in the tax reporting year in which the credit is utilized.

d. Tax benefits allocated, other than tax credits, shall be accounted for pursuant to SSAP No. 101. Amortization shall be reported as a component of net investment income.

e. Reporting entities shall follow the guidance in paragraphs 22 and 23 regarding the recognition of contingent commitments from SSAP No. 5R to equity contributions.

f. This statement has specific impairment and nonadmittance requirements.

g. For statutory accounting purposes, deferred taxes are not reported as a component of income from continuing operations in the income statement; rather deferred taxes are recognized as a separate component of gains and losses in unassigned funds (surplus).

h. Disclosures should be followed as indicated in the disclosures section in this statement.

~~h.~~i. The examples detailed in Exhibit A were modified to better illustrate the statutory accounting method for tax credit investments.

Effective Date and Transition

~~33.~~37. This statement is effective for reporting periods beginning on or after January 1, 2006. Early adoption is permitted. 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 guidance previously in paragraph 3 of this statement superseded paragraph 1 of SSAP No. 48. In 2011, this guidance was moved to SSAP No. 48 and deleted from this statement. The original guidance included in this standard is retained for historical purposes in Issue Paper No. 125. The guidance from ASU 2014-01 is effective for reporting periods beginning on or after January 1, 2015, with early adoption permitted.

38. In March 2024, new SAP concept revisions, as detailed in Issue Paper No. XXX, were adopted. These revisions, effective January 1, 2025, expanded the scope of SSAP No. 93 to include all federal and state tax credit investment structures and provide new guidance on the accounting, recognition, and reporting of tax credit investment structures. As of the effective date, reporting entities shall prospectively modify the recognition, accounting, and reporting of tax credit investment structures to reflect the guidance in the conceptual revisions. Additionally, all tax credit investment structures which fall within the scope of this statement not currently reported on Schedule BA are to be transferred to Schedule BA as of the effective date.

Glossary

39. The following definitions are provided for the purposes of this statement.

a. Unallocated tax credits – The portion of tax credits expected to be earned and allocated to the reporting entity through the tax credit investment structure.

~~i. Current portion – The tax credits to be allocated within one year of the reporting period.~~

b. Transferable/Certificated – The tax credits are certified for sale (certificated tax credits) or saleable through the execution of a state or federal transfer form (transferable tax credits).

c. More Likely Than Not – Refers to a likelihood of more than 50%.

REFERENCES

Relevant Issue Papers

- Issue Paper No. 125—Accounting for Low-Income Housing Tax Credit Property Investments
- Issue Paper No. XX—XXX

Ref #2022-14a

EXHIBIT A – APPLICATION OF PROPORTIONAL AMORTIZATION METHOD

Example 1:* ~~*Application of Proportional Amortization Method for Qualifying Investment*~~*Qualifying Tax Credit Investment Structure

~~This example is based on paragraph 323-740-55-5 of the Accounting Standards Codification which illustrates the application of a standard project. The amount and timing of amortization in the proportional amortization method is consistent with the statutory modifications; therefore, the table incorporated in this exhibit is based on the proportional amortization table. The statutory income statement requires a gross presentation on the income statement, with proportional amortization of the initial cost of the investment in investment income and the tax credits and benefits included in income tax expense.~~

~~Terms:~~
~~Date of Investment: January 1, 20X1~~
~~Purchase Price of Investment: $100,000~~
On January 1, 20X1, ABC Insurance Company purchases a 5% equity stake in a tax credit investment structure for $100,000. The allocated tax credits are transferable, and ABC anticipates that all tax credits received will be fully utilized prior to expiration of the tax credit carryover period.

Assumptions:

1. All cash flows (except initial investment) occur at the end of each year.
2. Depreciation expense is computed, for book and tax purposes, using the straight-line method with a 27.5 year life (the same method is used for simplicity).
3. The investor made a $100,000 investment for a 5% limited partnership interest in the project at the beginning of the first year of eligibility for the tax credit.
4. The partnership finances the project cost of $4,000,000 with 50% equity and 50% debt.
5. The annual tax credit allocation (equal to 4% of the project's original cost) will be received for a period of 10 years.
6. The investor's tax rate is 40%.
7. For simplicity, the project will operate with break-even pretax cash flows including debt service during the first 15 years of operations.
8. The project's taxable loss will be equal to depreciation expense. The cumulative book loss (and thus the cumulative depreciation expense) recognized by the investor is limited to the $100,000 investment.
9. It is assumed that all requirements are met to retain allocable tax credits so there will be no recapture of tax credits.
10. The investor expects that the estimated residual value of the investment will be zero.

Ref #2022-14a

Proportional Amortization Method with Statutory Modifications

Year	Net Investment (1)	Amortization of Investment (2)	Tax Credits (3)	Net Losses/Tax Depreciation (4)	Other Tax Benefits from Tax Depreciation (5)	Tax Credits and Other Tax Benefits (6)
	100,000					
1	90,909	9,091	8,000	7,273	2,909	10,909
2	81,818	9,091	8,000	7,273	2,909	10,909
3	72,727	9,091	8,000	7,273	2,909	10,909
4	63,636	9,091	8,000	7,273	2,909	10,909
5	54,545	9,091	8,000	7,273	2,909	10,909
6	45,454	9,091	8,000	7,273	2,909	10,909
7	36,363	9,091	8,000	7,273	2,909	10,909
8	27,272	9,091	8,000	7,273	2,909	10,909
9	18,181	9,091	8,000	7,273	2,909	10,909
10	9,090	9,091	8,000	7,273	2,909	10,909
11	6,666	2,424		7,273	2,909	2,909
12	4,242	2,424		7,273	2,909	2,909
13	1,818	2,424		7,273	2,909	2,909
14	0	1,818		5,451	2,183	2,183
15	0					0
Total		100,000	80,000	100,000	40,000	120,000

(1) End-of-year investment for a 5% limited liability interest in the project net of amortization in Column (2).

(2) Initial investment of $100,000 x (total tax benefits allocated during the year in Column (6) / total anticipated tax benefits over the life of the investment of $120,000).

(3) Annual 4% tax credit on $200,000 tax basis of the underlying assets.

(4) Depreciation (on $200,000 tax basis of the underlying assets) using the straight-line method over 27.5 years up to the amount of the initial investment of $100,000.

(5) Column (4) x 40% tax rate.

(6) Column (3) + Column (5).

Initial Year

Tax credit investment	100,000	
Cash		100,000
To record the purchase of tax credit investment		

Years 1-10

Amortization expense	9,091	
Tax credit investment		9,091
Federal tax credits	8,000	

	Income tax expense		8,000
	To record annual receipt of allocated tax credits and proportional amortization of investment.		
	Income taxes payable	8,000	
	Federal tax credits		8,000
	To record annual utilization of allocated tax credits.		
Year 11-13			
	Amortization expense	2,424	
	Tax credit investment		2,424
	To record annual proportional amortization of tax credit investment.		
Year 14			
	Amortization expense	1,818	
	Tax credit investment		1,818
	To record annual proportional amortization of tax credit investment.		

Ref #2022-14a

Example 2: Qualifying Tax ~~Equity~~ Credit Investment~~s~~ Structure with Non-Income Tax Related Benefits

~~This example is based on paragraphs 323-740-55-11 through 323-740-55-14 of the Accounting Standards Codification and illustrates a tax equity investment that generates non-income-tax-related benefits in addition to tax credits and other income tax benefits.~~

~~The amount and timing of amortization in the proportional amortization method is consistent with the statutory modifications; therefore, the table incorporated in this exhibit is based on the proportional amortization table. The statutory income statement requires a gross presentation on the income statement, with proportional amortization of the initial cost of the investment in investment income and the tax credits and benefits included in income tax expense.~~

~~Terms:~~
~~Date of Investment: January 1, 20X1~~
~~Purchase Price of Investment: $100,000~~
On January 1, 20X1, T&A Insurance Company purchased a 5% equity stake in a tax credit investment structure for $100,000. The allocated tax credits are non-transferable, and T&A anticipates that all tax credits received will be fully utilized prior to expiration of the tax credit carryover period.

Assumptions:

1. All cash flows (except initial investment) occur at the end of each year.

2. Depreciation expense is computed, for book and tax purposes, using the straight-line method with a 27.5 year life (the same method is used for simplicity).

3. The investor made a $100,000 investment for a 5% limited partnership interest in the project at the beginning of the first year of eligibility for the tax credit.

4. The partnership will receive production tax credits based on the energy the project produces. The credits will be allocated over a four-year period.

5. The tax equity investor will receive cash proceeds based on 2% of the project's cash generated during the life of the ~~project~~investment.

6. The investor's tax rate is 40%.

7. All requirements are met to retain allocable income tax credits such that there will be no recapture of income tax credits.

~~8. The investor expects that the estimated residual value of the investment will be zero.~~

~~9.~~8. All of the conditions are met to require use of the proportional amortization method.

9. After 10 years, the tax equity investor has a right to require that the project sponsor purchase the tax equity investor's equity interest for a nominal amount. It is assumed that the Put option will be exercised and has a contractually agreed upon residual value of $1,000.

10. In Years 1-3 the investor is able to utilize all allocated tax credits in the same period they were received. In Year 4, the investor is only able to utilize half of that year's allocated tax credit and defers the remainder for utilization in Year 5.

Ref #2022-14a

Proportional Amortization Method with Statutory Modifications

Year	Net Investment (1)	Amortization of Investment (2)	Tax Credits (3)	Net Losses/Tax Depreciation (4)	Other Tax Benefits from Tax Depreciation (5)	Tax Credits and Other Tax Benefits (6)	Non-Tax Related Cash Returns (7)
	100,000						
1	~~79,399~~79,605	20,395~~601~~	20,000	8,300	3,320	23,320	58
2	~~58,799~~59,210	20,395~~601~~	20,000	8,300	3,320	23,320	58
3	~~38,198~~38,815	20,395~~601~~	20,000	8,300	3,320	23,320	58
4	~~17,597~~18,420	20,395~~601~~	20,000	8,300	3,320	23,320	58
5	~~14,664~~15,516	2,904~~33~~		8,300	3,320	3,320	58
6	~~11,731~~12,612	2,904~~33~~		8,300	3,320	3,320	58
7	~~8,799~~9,708	2,904~~33~~		8,300	3,320	3,320	58
8	~~5,866~~6,804	2,904~~33~~		8,300	3,320	3,320	58
9	~~2,933~~3,900	2,904~~33~~		8,300	3,320	3,320	58
10	~~0~~1,000	2,900~~33~~		8,300	3,320	3,320	58
Total	1,000	~~100~~99,000	80,000	83,000	33,200	113,200	580

(1) End-of-year investment for a 5% limited liability interest in the project net of amortization in Column (2).

(2) Initial investment, less residual value of $1,000, of $~~100~~99,000 x (total tax benefits allocated during the year in Column (6) / total anticipated tax benefits over the life of the investment of $113,200).

(3) These tax credits have been generated through the production of electricity, which generates production tax credits. The tax equity investor is not receiving renewable energy credits or carbon offsets.

(4) Depreciation /other tax losses passed on to the investor.

(5) Column (4) x 40% tax rate.

(6) Column (3) + Column (5).

(7) Non-income-tax-related benefits recognized in current-period pre-tax earnings when allocated. This represents the cash proceeds allocated by the tax equity investor based on the cash generated from the project~~.~~

Initial Year

	Tax credit investment	100,000	
	Cash		100,000
	To record the purchase of tax credit investment		

Years 1-3

	Amortization expense	20,395	
	Tax credit investment		20,395

Federal tax credits	20,000	
Income tax expense		20,000
Cash	58	
Investment Income		58

To record annual receipt of allocated tax credits, proportional amortization of investment, and receipt of non-tax cash returns.

Income taxes payable	20,000	
Federal tax credits		20,000

To record annual utilization of allocated tax credits.

Year 4

Amortization expense	20,395	
Tax credit investment		20,395
Federal tax credits	20,000	
Income tax expense		20,000
Cash	58	
Investment Income		58

To record annual receipt of allocated tax credits, proportional amortization of investment, and receipt of non-tax cash returns.

Income taxes payable	10,000	
Federal tax credits		10,000
Income tax expense	10,000	
Deferred tax expense		10,000

To record the portion of allocated tax credits utilized in the current year and defer the remainder. (Federal tax credit account should be mapped to the DTA reporting line as any balance remaining at year-end would be a DTA)

Year 5

Amortization expense	2,904	
Tax credit investment		2,904
Cash	58	
Investment Income		58

To record annual proportional amortization of tax credit investment and receipt of non-tax cash returns.

Income taxes payable	10,000	
Federal tax credits		10,000
Deferred tax expense	10,000	
Income tax expense		10,000

To record utilization of deferred tax credit.

Years 6-9

Amortization expense	2,904	
Tax credit investment		2,904
Cash	58	
Investment Income		58

To record annual proportional amortization of tax credit investment and receipt of non-tax cash returns.

Ref #2022-14a

Year 10		
Amortization expense	2,900	
Tax credit investment		2,900
Cash	58	
Investment Income		58
To record annual proportional amortization of tax credit investment and receipt of non-tax cash returns.		
Cash	1,000	
Tax credit investment		1,000
To record sale of interest in tax credit investment at stated residual value.		

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2024SpringNM/summary and minutes/SAPWG/Att 1F_22-14a - SSAP No 93R - Investments in Tax Credit Structures.docx

Ref # 2022-14b

Spring National Meeting Adoption: *Revisions to SSAP No. 94R made* ***after*** *the exposure on January 31, 2024, have been shown as tracked changes highlighted in grey. This document represents the final adopted version of SSAP No. 94R.*

Statements of Statutory Accounting Principles No. 94 - Revised

~~Transferable and Non-Transferable~~ State and Federal Tax Credits

STATUS

Type of Issue	Common Area
Issued	June 12, 2006; Substantively revised December 7, 2011~~.~~ Conceptually revised - March 16, 2024.
Effective Date	December 31, 2006; Substantive revisions detailed in Issue Paper No. 145 effective December 31, 2011; Conceptual revisions detailed in Issue Paper No. XXX effective XXX.
Affects	No other pronouncements
Affected by	No other pronouncements
Interpreted by	No other pronouncements
Relevant Appendix A Guidance	None

Ref # 2022-14b

SCOPE OF STATEMENT

1. This statement establishes statutory accounting principles for ~~transferable and non-transferable~~ state and federal tax credits that are purchased[1] by the reporting entity ~~without being an investor in the entity from which the tax credit were earned/purchased~~. Tax credits allocated from investments NOT within the scope of *SSAP 93R—Investments in Tax Credit Structures* should refer to this statement for tax credit accounting guidance. ~~Additionally, Tax credits that are consistent with the Statutory Accounting Principles Statement of Concepts and Statutory Hierarchy (Statement of Concepts).~~Tax credits which have been awarded[2] to the reporting entity are not within the scope of this statement and should refer to *SSAP No. 101—Income Taxes*.

2. Tax credits allocated from, and ~~I~~investments in, ~~Low-Income Housing Tt~~tax ~~Credits credits~~ credit structures, ~~s~~ as discussed in SSAP No. 93R ~~SSAP No. 93R—*Low-Income Housing Tax Credit Property Investments**Investments in Tax Credit Structures*,~~ which involve investments in projects or programs that generate general business federal tax credits or state tax credits, are not within the scope of this statement. ~~However, the tax credits received from tax credit investments are within the scope of this statement.~~

3. Investments in a CAPCO (Certified Capital Company), organized as a partnership or an LLC, which is a company, authorized by state statute that borrows from investors ~~(insurance companies)~~, in order to make venture capital investments in "qualified" businesses, are not within the scope of this statement. Although associated with tax credits, the insurance company is paid principal and interest on its investment with the CAPCO. Depending upon the terms of the CAPCO offering, principal and interest payments to the ~~insurance company~~investors will come from the CAPCO and/or the state. The CAPCO will make cash payments directly to the ~~insurance company~~investors while the state will make payments in the form of premium or income tax credits. Investments in a CAPCO shall be accounted for in accordance with *Interpretation (INT) 06-02: Accounting and Reporting for Investments in a Certified Capital Company (CAPCO)* and specific statutory accounting guidance addressing CAPCOs.

SUMMARY CONCLUSION

4. Both state and federal governments have enacted laws that create programs by which tax credits are granted to entities under certain specified conditions. The terms of these tax credits vary based on the issuing jurisdiction and from program to program.~~The criteria in paragraphs 5 and 6 are for transferable state tax credits (i.e., credits which may be sold or assigned). The criteria in paragraphs 7 and 8 are for non-transferable state tax credits (i.e., those which cannot be sold or assigned to other parties).~~

~~5. Some states have enacted laws that create programs by which transferable state tax credits are granted to entities under certain specified conditions (e.g., an entity makes an investment in a particular industry). The terms of these state tax credits vary from state to state and, within a state, from program to program. However, many of these transferable state tax credit programs share the following four characteristics:~~

[1] The process to purchase a tax credit typically involves the acquisition of a tax credit certificate (certificated tax credits) or the execution of a state or federal transfer form (transferable tax credits). Tax credits which have been received through other means are indicative of tax credits allocated from an investment (For example, if the tax credits are received through a schedule K-1) and may be within scope of SSAP No. 93.

[2] For the purposes of this statement, awarded tax credits are tax credits issued to the reporting entity which were neither purchased nor allocated from an investment structure. A common example of an awarded tax credit are Job Creation tax credits which are a type of performance-based tax credit program.

~~a. The tax credit is nonrefundable;~~

~~b. The holder of the transferable state tax credit may sell or otherwise transfer the transferable state tax credit to another entity, which can likewise resell or transfer the credit;~~

~~c. The transferable state tax credit will expire if not used by a predetermined date; and~~

~~d. The transferable state tax credit can be applied against either state income tax or state premium tax.~~

~~6. For purposes of this statement, such programs will be referred to as "transferable state tax credits." The criteria in paragraphs 5.b., 5.c. and 5.d. must be present in order for the transferable state tax credit to receive the accounting treatment described in this statement. When a reporting entity purchases a transferable state tax credit from another entity, the transaction does not result in a continuing investment in a business entity (i.e. limited partnership).~~

~~**Non-Transferable State Tax Credits**~~

~~7. If the original or subsequent holder of the transferable tax credit is not able to transfer the tax credit, then the admissibility criteria in paragraph 8 for non-transferable tax credits apply. These non-transferable state tax credits share the following characteristics:~~

~~a. The tax credit is nonrefundable;~~

~~b. The successive holder of a state tax credit must redeem the credit by April 15 of the subsequent year to the entity's acquisition of the state tax credit and is not permitted to carry-over, carry-back, obtain a refund, sell or assign the credit;~~

~~c. The non-transferable state tax credit will expire if not used by the predetermined date; and~~

~~d. The non-transferable state tax credit can be applied against either state income tax or state premium tax.~~

5. ~~The criteria in paragraphs 7.b., 7.c. and 7.d. must be present in order for the non-transferable state tax credit to receive the accounting treatment described in this statement.~~For the purposes of this statement, "tax credits" must be issued by either a federal or state governmental entity and must be refundable[3] or can be applied against income tax or premium tax in accordance with permitted IRS or state tax provisions. Tax credits which may be sold or otherwise transferred to another entity are referred to as "transferable tax credits" whereas all other tax credits are referred to as "non-transferable."

6. When a reporting entity purchases a transferable or certificated tax credit from another entity, the transaction does not result in a continuing investment in a business entity (i.e., limited partnership)~~.~~. Direct payment elections are non-revocable and supersede the transferability of tax credits, as such, once the election has been made the tax credit would be considered a non-transferable tax credit.

~~**Transferable and non-transferable state tax credits as defined within this SSAP held by reporting entities meet the definition of assets as specified in *SSAP No. 4—Assets and Nonadmitted Assets* and**~~

[3] Direct payment tax credits are synonymous with refundable tax credits, as such the terms are used interchangeably within this statement.

Ref # 2022-14b

~~**are admissible assets to the extent that they comply with the requirements of this statement. If the criteria in paragraphs 6 or 8 are not met, the tax credits are nonadmitted.**~~

~~Acquisition~~Accounting

7. All tax credits within the scope of the statement must be recognized in the period they are allocated to or purchased by the reporting entity for tax purposes and must be recorded at face value upon receipt. ~~Transferable and non-transferable state tax credits are recorded at cost at the date of acquisition.~~Tax credits acquired at a premium or discount to their face value must record the gain/loss as follows:

   a. Tax credits acquired at a discount must defer the gain as a miscellaneous liability upon receipt of the tax credit.

   b. Tax credits acquired at a premium must realize the loss within the income statement upon receipt of the tax credit.

8. Deferred g~~G~~ains on ~~transferable and nontransferable~~ tax credits are deferred until the value of the ~~state~~ tax credits utilized exceeds the initial acquisition cost of the tax credits, or until the ~~state~~ tax credits are transferred to other entities or the direct payment election is utilized and the payment(s) or refund ~~is greater than~~exceed the initial ~~carrying~~ acquisition ~~value~~cost.

~~**Balance Sheet Treatment**~~

9. Tax credits shall be recognized in the period that they are purchased or allocated to the reporting entity for tax purposes:

   a. Federal tax credits that can be utilized in the year allocated or purchased shall be reported in the income statement as an offset to federal taxes in accordance with *SSAP No. 101–Income Taxes*. Federal tax credits that cannot be utilized in the year allocated or purchased and are carried forward to a future tax year shall be reported ~~net of~~as a deferred tax asset (DTA) in accordance with SSAP No. 101.

   b. State tax credits that can be utilized in the year allocated or purchased shall be reported in the income statement as an offset to state premium tax or state income tax, whichever is applicable, in the tax-reporting year in which the credit is utilized. State tax credits that cannot be utilized in the year allocated or purchased and are carried forward to a future tax year shall be reported gross of any related state tax liabilities and reported in the category of other-than-invested-assets (not to be reported net).

10. Use of carried forward tax credits in a future period shall be reflected as an offset to the corresponding income or premium~~s~~ tax in the tax reporting year in which the tax credit is utilized.

~~8. Transferable and non-transferable state tax credits shall be established gross of any related state tax liabilities and reported in the category of other-than-invested assets (not reported net).~~

~~9. As transferable and non-transferable state tax credits are redeemed, the carrying value of the tax credits is reduced dollar for dollar by the amount of state tax credits applied toward the reporting entity's applicable state tax liability.~~

~~Income Statement Treatment~~

~~10. Gains on transferable and non-transferable state tax credits are deferred until the value of the state tax credits utilized exceeds the cost of the state tax credits or until the state tax credits are sold to other entities and the payment received is greater than the book value.~~

~~11. Losses on transferable and non-transferable state tax credits are recognized when known.~~

11. Gains and losses on ~~transferable and non-transferable state~~ tax credits are reflected in other income when realized.

12. A tax credit asset is considered purchased or allocated once the tax credit is received and available for use. If the reporting entity determines a commitment to purchase tax credits has met the definition of a liability, then the asset would be reported in other-than-invested assets as tax credits receivable.

Admittance

13. ~~Transferable and non-transferable t~~Tax credits as defined within this SSAP held by reporting entities meet the definition of assets as specified in *SSAP No. 4—Assets and Nonadmitted Assets* and are admissible assets to the extent that they comply with the requirements of this statement. The admissibility of tax credits ~~are~~is subject to SSAP No. 101.

Impairment

~~12.~~14. An impairment shall be considered to have occurred if it is probable that the reporting entity will be unable to recover the book/-adjusted carrying value ~~amount~~ of the ~~transferable or non-transferable state~~ tax credits. T~~State t~~ax credits should be evaluated for impairment at each reporting date.

~~13.~~15. When there is a decline in the realizability of a ~~transferable or non-transferable state~~ tax credit owned by the reporting entity that is other-~~-~~than-~~-~~temporary(INT 06-07), the asset shall be written down to the expected realizable amount and the amount of the write down shall be accounted for as a realized loss. The expected realizable value is the new cost basis.

~~14.~~16. The new cost basis shall not be changed for subsequent recoveries in realizability.

Disclosures

~~15.~~17. The following disclosures shall be made in the financial statements for the reporting period(s) presented. For purposes of this disclosure, total unused ~~transferable and non-transferable state~~ tax credits represent the entire amount of ~~transferable and non-transferable state~~ tax credits available:

a. Carrying value of ~~transferable and non-transferable state~~ tax credits, disaggregated by transferable/certificated and non-transferable, gross of any related ~~state~~ tax liabilities by ~~state~~ jurisdiction and in total.~~,~~

b. Total unused ~~transferable and non-transferable state~~ tax credits by ~~state~~jurisdiction, disaggregated by transferable/certificated and non-transferable.~~;~~

c. Method of estimating utilization of remaining ~~transferable and non-transferable state~~ tax credits or other projected recovery of the current carrying value.

d. Impairment amount recognized in the reporting period(s), if any.

e. Identify ~~state~~ tax credits by transferable/certificated and non-transferable classifications~~,~~ and identify the admitted and ~~N~~nonadmitted portions of each classification.

~~16.~~18. Any commitment or contingent commitment to purchase tax credits shall be disclosed.

Effective Date and Transition

19. This statement is effective for reporting periods ending on or after December 31, 2006. Early adoption is permitted. 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. Substantive revisions to 1) revising the title; 2) incorporating the criteria for non-transferable state tax credits as described in paragraphs 7 and 8; 3) adding a disclosure; and 4) updating terminology throughout the document as appropriate, are effective for reporting periods ending on or after December 31, 2011.

20. In March 2024, new SAP concept revisions, as detailed in Issue Paper No. XXX, were adopted. These revisions, effective January 1, 2025, with early adoption permitted, expanded the scope of SSAP No. 94R to include all purchased, and certain allocated, state and federal income or premium tax credits and provide new guidance on the accounting, recognition, and reporting for state and federal tax credits within the scope of this statement. As of the effective date, reporting entities shall prospectively modify the recognition, accounting, and reporting of tax credits within the scope of this statement to reflect the guidance in the conceptual revisions. For unutilized tax credits which were carried forward from prior to the effective date:

a. Federal tax credits in other-than-invested assets are to be transferred and reported ~~net of~~as a ~~deferred tax asset (~~DTA~~)~~ in accordance with SSAP No. 101.

~~a.~~b. Tax credits previously recorded at acquisition cost should be adjusted to reflect the face value of the acquired tax credits with the corresponding loss immediately recognized or the gain deferred.

REFERENCES

Relevant Issue Papers

- Issue Paper No. 126—Accounting for Transferable State Tax Credits
- Issue Paper No. 145—Accounting for Transferable and Non-Transferable State Tax Credits
- Issue Paper No. XXX—XXX

Ref # 2022-14b

EXHIBIT A – ACCOUNTING FOR TRANSFERABLE ~~STATE~~ TAX CREDITS

On 1/1/X1 SAM Insurance Company purchased transferable state tax credits for a cost of $100,000. The transferable state tax credits are redeemable for $160,000 and expire at the end of 12/31/X4. SAM initially expects to utilize the tax credits before expiration in their state of domicile in the amount of $40,000 per year. In year X4, SAM sells the remaining $30,000 in transferable state tax credits for $20,000.

1/1/x1	Transferable state tax credits	~~100~~160,000	
	Deferred gains on acquired tax credits		60,000
	Cash		100,000
	To record the purchase of the tax credits		
6/30/x1	Premium tax expense	40,000	
	Premium taxes payable to domiciliary state		40,000
	To record premium tax expense and accrue the liability in Year 1.		
10/1/x1	Premium tax payable	40,000	
	Transferable state tax credits		40,000
	To record the use of tax credits in Year 1. The reporting entity expects to be able to utilize remaining tax credits before expiration.		
6/30/x2	Premium tax expense	60,000	
	Premium taxes payable to domiciliary state		60,000
	To record premium tax expense and accrue the liability in Year 2.		
9/30/x2	Premium tax payable	60,000	
	Transferable state tax credits		60,000
	To record the use of taxes credits in Year 2. The reporting entity expects to be able to utilize remaining tax credits before expiration.		
6/30/x3	Premium tax expense	30,000	
	Premium taxes payable to domiciliary state		30,000
	To record premium tax expense and accrue the liability in Year 3.		
9/30/x3	Premium tax payable	30,000	
	Transferable state tax credits~~Other income~~		30,000
	Deferred gains on acquired tax credits	30,000	
	Other income		30,000
	To record the use of premium tax credits in excess of cost and recognize a gain on premium tax credits in other income. The Company intends to sell the remaining tax credits in year 4.		
6/30/x4	Cash	20,000	
	Other income	10,000	
	Transferable state tax credits		30,000
	Deferred gains on acquired tax credits	30,000	
	Other income		~~20~~30,000
	To record the sale of the remaining tax credits.		

Ref # 2022-14b

EXHIBIT B – ACCOUNTING FOR NON-TRANSFERABLE ~~STATE~~ TAX CREDITS

On 7/1/X1 LJW Insurance Company purchased non-transferable ~~state~~ federal tax credits for a cost of $100,000. The ~~state~~ federal tax credits are redeemable for $110,000~~, are not transferable~~ and expire on, April 15, 20x2. LJW expects to utilize the tax credits before expiration ~~in their state of domicile~~ in the amount of $110,000. Tax credits are utilized pro-rata, approximately $36,666 every quarter, from acquisition date to expiration date. The illustration below assumes that LJW Insurance Company's quarterly income tax liability equals the amount of credits that were purchased.

7/1/x1	~~State~~ Federal tax credits	11~~0~~0,000	
	Deferred gains on acquired tax credits		10,000
	Cash		100,000
	To record the purchase of the tax credits		
9/30/x1	~~Premium~~ Income tax expense	~~200,000~~36,666	
	Income ~~Premium~~ taxes payable ~~to domiciliary state~~		~~200,000~~36,666
	To record quarterly ~~premium tax expense and accrue the~~income tax liability.		
10/1/x1	Income taxes payable	36,666	
	Federal tax credits		36,666
	To record the use of tax credits in the quarter.		
12/31/x1	Income tax expense	36,666	
	Income taxes payable		36,666
	To record quarterly income tax liability.		
1/1/x2	Income taxes payable	36,666	
	Federal tax credits		36,666
	To record the use of tax credits in the quarter.		
3/31/x2	Income tax expense	36,668	
	Income taxes payable		36,668
	To record quarterly income tax liability.		
~~3/15/x2~~	~~Premium tax payable~~	~~110,000~~	
4/1/x2	Income taxes payable	36,668	
	Deferred gains on acquired tax credits	10,000	
	Other Income		10,000
	Federal tax credits		36,668
	~~Other Income~~		~~10,000~~
	~~Federal tax credits~~		~~100110,000~~
	To record the use of ~~premium~~ tax credits in the quarter. ~~in excess of cost and recognize a gain on premium tax credits in other income. (The additional $90,000 of premium taxes payable would still be due.)~~		

Ref #2023-25

Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A

Issue: *ASU 2023-03—Amendments to SEC Paragraphs*

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	☒	☒	☒
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue:
In July of 2023 FASB issued *ASU 2023-03, Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 120, SEC Staff Announcement at the March 24, 2022, EITF Meeting, and Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280—General Revision of Regulation S-X: Income or Loss Applicable to Common Stock*, which amends SEC paragraphs from the Accounting Standards Codification based on the issuance of SEC Staff Accounting Bulletin (SAB) 120, the March 24, 2022 EITF meeting SEC staff announcement, and SAB Topic 6.B "Accounting Series Release No. 280 — General Revision of Regulation S-X: Income or Loss Applicable to Common Stock. This ASU updates various aspects of SEC guidance on stock compensation and equity-based payments.

Existing Authoritative Literature:
Historically, SEC guidance from ASUs have been rejected as not applicable for statutory accounting in Appendix D. Regardless, all ASUs are reviewed for statutory accounting purposes to determine if the guidance should be considered for statutory accounting.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:
None

Convergence with International Financial Reporting Standards (IFRS): None

Staff Recommendation:
NAIC staff recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject *ASU 2023-03, Amendments to SEC Paragraphs* as not applicable to statutory accounting. This item is proposed to be rejected as not applicable as the ASU is specific to amendment of SEC paragraphs, which are not applicable for statutory accounting purposes.

Staff Review Completed by: William Oden – October 2023

Status:
On December 1, 2023, the Statutory Accounting Principles (E) Working Group moved this agenda item to the active listing, categorized as a SAP clarification and exposed revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject *ASU 2023-03—Amendments to SEC Paragraphs* as not applicable for statutory accounting.

Ref #2023-25

On March 16, 2024, the Statutory Accounting Principles (E) Working Group adopted, as final, the exposed revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject *ASU 2023-03, Amendments to SEC Paragraphs* as not applicable to statutory accounting.

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2024SpringNM/summary and minutes/SAPWG/Att 1H_23-25 - ASU 2023-03 - SEC Updates.docx

Ref #2023-27

Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A

Issue: *ASU 2023-04—Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 121*

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	☒	☒	☒
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue:
In August of 2023 FASB issued *ASU 2023-04, Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 121*, which amends SEC paragraphs from the Accounting Standards Codification for the issuance of SEC Staff Accounting Bulletin (SAB) 121 which provides guidance on accounting for obligations to safeguard Crypto-Assets an entity holds for its platform users.

Existing Authoritative Literature:
Historically, SEC guidance from ASUs have been rejected as not applicable for statutory accounting in Appendix D. Regardless, all ASUs are reviewed for statutory accounting purposes to determine if the guidance should be considered for statutory accounting.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups):
In May 2021, the Working Group issued INT 21-01: Accounting for Cryptocurrencies, which provided guidance for the statutory accounting treatment of cryptocurrencies. INT 21-01 establishes that directly held cryptocurrencies have not been identified in the Accounting Practices and Procedures Manual (AP&P Manual) as an admitted asset, and do not meet the definition of any admitted asset that is defined in the AP&P Manual. Accordingly, by default they are a nonadmitted asset per *SSAP No. 4—Assets and Nonadmitted Assets*, paragraph 3, as they are not specifically identified in the Accounting Practices and Procedures Manual as an admitted asset.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:
None

Convergence with International Financial Reporting Standards (IFRS): None

Staff Recommendation:
NAIC staff recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject *ASU 2023-04, Amendments to SEC Paragraphs* as not applicable to statutory accounting. This item is proposed to be rejected as not applicable as the ASU is specific to amendment of SEC paragraphs, which are generally not applicable for statutory accounting purposes.

Staff Review Completed by: Jake Stultz – October 2023

Status:
On December 1, 2023, the Statutory Accounting Principles (E) Working Group moved this agenda item to the active listing, categorized as a SAP clarification and exposed revisions to *Appendix D—Nonapplicable GAAP*

Pronouncements to reject *ASU 2023-04—Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 121* as not applicable for statutory accounting.

On March 16, 2024, the Statutory Accounting Principles (E) Working Group adopted, as final, the exposed revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject *ASU 2023-04, Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 121* as not applicable to statutory accounting.

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2024SpringNM/summary and minutes/SAPWG/Att 1I_23-27 - ASU 2023-04 - SEC Updates - Crypto.docx

Ref #2023-29

Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A

Issue: IMR / AVR Preferred Stock

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	☐	☒	☐
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue: This agenda item has been developed to update guidance for the Interest Maintenance Reserve (IMR) and the Asset Valuation Reserve (AVR) in the Annual Statement (A/S) Instructions for perpetual preferred stock, which includes SVO-Identified Preferred Stock ETFs. The existing IMR/AVR guidance is based on measurement of preferred stock based on NAIC designation. However, statutory accounting revisions effective in 2021 revised the measurement method for perpetual preferred stock to always reflect fair value, not to exceed any currently effective call price, regardless of NAIC designation. Furthermore, with dedicated reporting lines established to separate redeemable and perpetual preferred stock, the reporting of NAIC designations was revised and no longer references an “RP” or “P.” These revisions were incorporated as perpetual preferred stock is more akin to an equity instrument, as it is not required to be redeemed by the issuing entity or at the option of the investor. At the time of this measurement method change, corresponding revisions to the IMR/AVR instructions were not reflected. As such, the existing IMR/AVR guidance directs realized gains/loss treatment for all preferred stock based on the NAIC designation during the holding period and refers to the prior designation classifications.

This agenda item proposes to clarify that realized gains and losses on perpetual preferred stock shall not be added to the IMR, regardless of NAIC designation, and shall follow the same concepts that exist for common stock in reporting realized gains/losses to the AVR. This agenda item does not propose to change the concepts for redeemable preferred stock, which is more akin to a debt instrument, but proposes to clarify the guidance so application based on the type of structure is clear. Separate reporting of perpetual preferred stock and redeemable preferred stock is already included on Schedule D-2-1: Preferred Stock.

For the revisions proposed in this agenda item, the guidance for redeemable preferred stock will not be revised and will continue to classify realized gains/losses between the IMR and AVR based on NAIC designation. This guidance indicates that if the designation was a 4-6 at any time during the holding period, the realized gain or loss would go to AVR as non-interest related gains or losses. This agenda item does not intend to confirm that the allocation approach for redeemable preferred stock is appropriate and is strictly focused on ensuring that the current annual statement instructions for IMR/AVR corresponds with the current accounting and reporting guidance for perpetual preferred stocks. As detailed in the recommendation, discussion on whether use of NAIC designation for redeemable preferred stock is appropriate is proposed to occur as part of the long-term IMR project.

Existing Authoritative Literature:

- **SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve**

SCOPE OF STATEMENT

1. This statement establishes statutory accounting principles for an asset valuation reserve (AVR) and an interest maintenance reserve (IMR) for life and accident and health insurance companies, excluding separate accounts. Separate account AVR/IMR reporting is addressed in *SSAP No. 56—Separate Accounts.*

Ref #2023-29

SUMMARY CONCLUSION

2. Life and accident and health insurance companies shall recognize liabilities for an AVR and an IMR. The AVR is intended to establish a reserve to offset potential credit-related investment losses on all invested asset categories excluding cash, policy loans, premium notes, collateral notes and income receivable. The IMR defers recognition of the realized capital gains and losses resulting from changes in the general level of interest rates. These gains and losses shall be amortized into investment income over the expected remaining life of the investments sold. The IMR also applies to certain liability gains/losses related to changes in interest rates. These gains and losses shall be amortized into investment income over the expected remaining life of the liability released.

3. The IMR and AVR shall be calculated and reported as determined per guidance in the SSAP for the specific type of investment (e.g., SSAP No. 43R for loan-backed and structured securities), or if not specifically stated in the respective SSAP, in accordance with the NAIC *Annual Statement Instructions* for Life and Accident and Health Insurance Companies.

Effective Date and Transition

4. This statement is effective for years beginning January 1, 2001. 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*.

- **A/S Instructions – Life, Accident and Health / Fraternal Companies**

(This reflects 2023 guidance. Agenda item 2023-15 proposes revisions to address specific allocations to the IMR that may not reflect interest-related losses.)

<u>Interest Maintenance Reserve (IMR)</u>

Line 2 – Current Year's Realized Pre-tax Capital Gains (Losses) of $______ Transferred into the Reserve Net of Taxes of $______

Include interest-rate-related realized capital gains (losses), net of capital gains tax thereon. All realized capital gains (losses) transferred to the IMR are net of capital gains taxes thereon. Exclude non-interest-related (default) realized capital gains and (losses), realized capital gains (losses) on equity investments, and unrealized capital gains (losses).

All realized capital gains (losses), due to interest rate changes on fixed income investments, net of related capital gains tax, should be captured in the IMR and amortized into income (Column 2, Lines 1 through 31) according to Table 1 or the seriatim method. Realized capital gains (losses) must be classified as either interest (IMR) or non-interest (AVR) related, not a combination except as specified in *SSAP No. 43R—Loan-Backed and Structured Securities*. Purchase lots with the same CUSIP are treated as individual assets for IMR and Asset Valuation Reserve (AVR) purposes.

Exclude those capital gains and (losses) that, in accordance with contract terms have been used to directly increase or (decrease) contract benefit payments or reserves during the reporting period. The purpose of this exclusion is to avoid the duplicate utilization of such gains and (losses).

Capital gains tax should be determined using the method developed by the company to allocate taxes used for statutory financial reporting purposes. By capturing the realized capital gains (losses) net of tax, the capital gains tax associated with those capital gains (losses) due to an interest rate change is charged or credited to the IMR and amortized in proportion to the before-tax amortization.

Include realized capital gains (losses) on:

Debt securities (excluding loan-backed and structured securities) and preferred stocks whose National Association of Insurance Commissioners (NAIC)/Securities Valuation Office (SVO) designation at the end of the holding period is **NOT** different from its NAIC designation at the beginning of the holding period by more than one NAIC designation. Exclude any such gains (losses) exempt from the IMR.

Exchange Traded Funds (ETFs) as listed on the SVO Identified Bond ETF List (thereafter subject to bond IMR guidelines) and the SVO Identified Preferred Stock ETF List (thereafter subject to preferred stock IMR guidelines). Include any capital gains (losses) realized by the Company, whether from sale of the ETF or capital gains distributions by the ETF. If the ETF is removed from either SVO ETF list, the ETF is reported and treated as common stock, with any capital gains/(losses) excluded from the IMR.

SVO Identified Funds designated for systematic value

Called bonds, tendered bonds, and sinking fund payments.

Mortgage loans where:

- Interest is **NOT** more than 90 days past due, or
- The loan is **NOT** in process of foreclosure, or
- The loan is **NOT** in course of voluntary conveyance, or
- The terms of the loan have **NOT** been restructured during the prior two years.

Additional Provisions for Including/Excluding Gains (Losses) from IMR:

Mortgage loan prepayment penalties are not included in IMR. Treat them as regular investment income.

Interest-related gains (losses) realized on directly held capital and surplus notes reported on Schedule BA should be transferred to the IMR in the same manner as similar gains and (losses) on fixed income assets held on Schedule D. A capital gain (loss) on such a note is classified as an interest rate gain if the note is eligible for amortized-value accounting at both the time of acquisition and the time of disposition.

Determination of IMR gain (loss) on multiple lots of the same securities should follow the underlying accounting treatment in determining the gain (loss). Thus, the designation, on a purchase lot basis, should be compared to the designation at the end of the holding period to determine IMR or AVR gain or (loss).

Realized capital gains (losses) on any debt security (excluding loan-backed and structured securities) that has had an NAIC/SVO designation of 6 at any time during the holding period should be excluded from the IMR and included as a non-interest-related gain (loss) in the AVR.

Realized capital gains (losses) on any preferred stock that had an NAIC/SVO designation of RP4, RP5 or RP6 or P4, P5 or P6 at any time during the holding period should be reported as non-interest-related gains (losses) in the AVR.

The holding period for debt securities (excluding loan-backed and structured securities) and preferred stocks is defined as the period from the date of purchase to the date of sale. For the end of period classification, the most recent available designation should be used. For bonds acquired before Jan. 1, 1991, the holding period is presumed to have begun on

Dec. 31, 1990. For preferred stocks acquired before Jan. 1, 1993, the holding period is presumed to have begun on Dec. 31, 1992. For SVO Identified ETFs, the holding period is defined as one calendar year to expected maturity. For SVO Identified Funds designated for systematic value, the holding period is the weighted-average life of the underlying bonds.

In accordance with *SSAP No. 26R—Bonds*, securities with other-than-temporary impairment losses shall be recorded entirely to either AVR or IMR and not bifurcated between interest and non-interest components.

Asset Valuation Reserve (AVR)

Line 2 – Realized Capital Gains (Losses) Net of Taxes – General Account

Report all realized non-interest-related (default) and equity capital gains (losses), net of capital gains tax, applicable to the assets in each component and sub-component. All realized capital gains (losses) transferred to the AVR are net of capital gains taxes thereon. Exclude all interest rate-related capital gains (losses) from the AVR.

Capital gains tax should be determined using the method developed by the company to allocate taxes used for statutory financial reporting purposes.

Report all realized capital gains (losses), net of capital gains tax, on each debt security (excluding loan-backed and structured securities) whose NAIC/SVO designation at the end of the holding period is different from its NAIC/SVO designation at the beginning of the holding period by more than one NAIC/SVO designation. The holding period is defined as the period from the date of purchase to the date of sale. For end of period classification, the most recent available designation should be used. For bonds acquired before Jan. 1, 1991, the holding period is presumed to have begun on Dec. 31, 1990.

Determination of AVR gain (loss) on multiple lots of the same fixed income securities should follow the underlying accounting treatment in determining gain (loss). Thus, the designation, on a purchase lot basis, should be compared to the designation at the end of the holding period to determine IMR or AVR gain or (loss).

In accordance with *SSAP No. 26R—Bonds*, securities with other-than-temporary impairment losses shall be recorded entirely to either AVR or IMR and not bifurcated between interest and non-interest components.

In accordance with *SSAP No. 43R—Loan-Backed and Structured Securities*, for loan-backed and structured securities only:

- Other-Than-Temporary Impairment – Non-interest-related other-than-temporary impairment losses shall be recorded through the AVR. If the reporting entity wrote the security down to fair value due to the intent to sell or does not have the intent and ability to retain the investment for a period of time sufficient to recover the amortized cost basis, the non-interest-related portion of the other-than-temporary impairment losses shall be recorded through the AVR; the interest related other-than-temporary impairment losses shall be recorded through the IMR. The analysis for bifurcating impairment losses between AVR and IMR shall be completed as of the date when the other-than-temporary impairment is determined.

- Security Sold at a Loss Without Prior OTTI – An entity shall bifurcate the loss into AVR and IMR portions depending on interest- and non-interest-related declines in accordance with the analysis performed as of the date of sale. As such, an entity shall report the loss in separate AVR and IMR components as appropriate.

- Security Sold at a Loss with Prior OTTI – An entity shall bifurcate the current realized loss into AVR and IMR portions depending on interest- and non-interest-related declines in accordance with the analysis performed as of the date of sale. An entity shall not adjust previous allocations to AVR and IMR that resulted from previous recognition of other-than-temporary impairments.

- Security Sold at a Gain with Prior OTTI – An entity shall bifurcate the gain into AVR and IMR portions depending on interest and non-interest factors in accordance with the analysis performed as of the date of sale. The bifurcation between AVR and IMR that occurs as of the date of sale may be different from the AVR and IMR allocation that occurred at the time of previous other-than-temporary impairments. An entity shall not adjust previous allocations to AVR and IMR that resulted from previous recognition of other-than-temporary impairments.

- Security Sold at a Gain Without Prior OTTI – An entity shall bifurcate the gain into AVR and IMR portions depending on interest and non-interest factors in accordance with the analysis performed as of the date of sale.

In addition, all gains (losses), net of capital gains tax, on mortgage loans where:

- Interest is more than 90 days past due, or
- The loan is in the process of foreclosure, or
- The loan is in course of voluntary conveyance, or
- The terms of the loan have been restructured during the prior two years

Would be classified as non-interest-related gains (losses).

The gain (loss), net of capital gains tax, on any debt security (excluding loan-backed and structured securities) that has had an NAIC/SVO designation of "6" at any time during the holding period should be reported as a credit related gain (loss).

All capital gains (losses), net of capital gains tax, from preferred stock that had an NAIC/SVO designation of RP4, RP5 or RP6 or P4, P5 or P6 at any time during the holding period should be reported as on-interest-related gains (losses) in the AVR.

However, for a convertible bond or preferred stock purchased while its conversion value exceeds its par value, any gain (loss) realized from its sale before conversion must be included in the Equity Component of the AVR. Conversion Value is defined to mean the number of shares available currently or at next conversion date multiplied by the stock's current market price.

Report all realized equity capital gains (losses), net of capital gains tax, in the appropriate sub-components.

The following guidance pertains to instruments in Scope of *SSAP No. 86—Derivatives*:

- For derivative instruments used in hedging transactions, the determination of whether the capital gains (losses) are allocable to the IMR or the AVR is based on how the underlying asset is treated. Realized gains (losses), net of capital gains tax, on portfolio or general hedging instruments should be included with the hedged asset. Gains (losses), net of capital gains tax, on hedges used, as specific hedges should be included only if the specific hedged asset is sold or disposed of.

- For income generation derivative transactions, the determination of whether the capital gains (losses) are allocable to the IMR or the AVR is based on how the underlying interest (for a put) or covering asset (for a call, cap or floor) is treated. Realized gains (losses), net of capital gains tax should be included in the same sub-component where the realized gains (losses) of the underlying interest (for a put) or covering asset (for a call, cap or floor) is reported. Refer to *SSAP No. 86—Derivatives* for accounting guidance.

Realized gains (losses), net of capital gains tax, resulting from the sale of U.S. government securities and the direct or guaranteed securities of agencies which are backed by the full faith and credit of the U.S. government are exempt from the AVR. This category is described in the Investment Schedules General Instructions.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups):

- Agenda item 2019-04: SSAP No. 32 – Investment Classification Project, resulted with revisions to update the preferred stock accounting and reporting guidance. These revisions resulted with all perpetual preferred stock being reported at fair value, not to exceed any currently effective call price, with unrealized gains and losses accounted for in accordance *with SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve.*

- Agenda Item 2023-14: *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve* establishes a broad project to capture accounting guidance for AVR and IMR in SSAP No. 7.

- Agenda Item 2023-15: IMR/AVR Specific Allocations considers revisions to the A/S instructions to address guidance that prescribes specific allocation to the IMR. These revisions were exposed in August 2023.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:
None

Convergence with International Financial Reporting Standards (IFRS): N/A

Recommendation:
NAIC staff recommend that the Working Group include this item on their maintenance agenda as a SAP clarification and expose this agenda item with proposed revisions to the A/S instructions to remove the guidance that directs all preferred stock to be allocated between IMR/AVR based on NAIC designation. This agenda item proposes new guidance that corresponds to the accounting and reporting differences for redeemable and perpetual preferred stock, with all perpetual preferred stock being treated as an equity instrument similar to common stock. With this approach, all unrealized gains or losses on perpetual preferred stock will reverse to realized gains or losses in the AVR formula. The revisions also clarify that SVO-Identified Preferred Stock ETFs shall be treated as perpetual preferred stock (equities) as that is consistent with the guidance in *SSAP No. 32R—Preferred Stock*.

(Note: This item is proposed as a SAP Clarification as the revisions to SSAP No. 32R to revise the measurement method for perpetual preferred stock was a new SAP Concept. The revisions proposed in this agenda item simply update the IMR/AVR A/S instructions to correspond to those adopted changes.)

As discussed in the introduction, this agenda item does not propose to alter the current process of using NAIC designations for redeemable preferred stock in determining whether realized gains or losses should be allocated to IMR or AVR. However, it should not be perceived that this agenda item confirms retention of this existing approach. Discussion on the approach to allocate gains/losses incurred from redeemable preferred stock is recommended for review as part of the long-term project on IMR/AVR. Any comments received on this dynamic will be addressed as part of that project. As detailed in the A/S instructions, for preferred stock, the determination for AVR is based on whether the preferred stock was an NAIC 4-6 at any time during the holding period and not based on a change in NAIC designation.

Staff Note: Shaded guidance reflects sections that have proposed revisions that were exposed in agenda item 2023-15: IMR/AVR Specific Allocations. These changes are accepted only for ease of readability and to prevent confusion on the proposed revisions related to this agenda item. Whether the revisions from agenda item 2023-15 are adopted will depend on the discussion and action by the Working Group. With the exception of the added 'redeemable' in the first shaded paragraph, all of the edits proposed in this agenda item are in separate paragraphs from agenda item 2023-15.

Interest Maintenance Reserve (IMR)

Line 2 – Current Year's Realized Pre-tax Capital Gains (Losses) of $______ Transferred into the Reserve Net of Taxes of $______

Include interest-rate-related realized capital gains (losses), net of capital gains tax thereon. All realized capital gains (losses) transferred to the IMR are net of capital gains taxes thereon. Exclude non-interest-related (default) realized capital gains and (losses), realized capital gains (losses) on equity investments, and unrealized capital gains (losses).

All realized capital gains (losses), due to interest rate changes on fixed income investments, net of related capital gains tax, should be captured in the IMR and amortized into income (Column 2, Lines 1 through 31) according to Table 1 or the seriatim method. Realized capital gains (losses) must be classified as either interest (IMR) or non-interest (AVR) related, not a combination except as specified in *SSAP No. 43R—Loan-Backed and Structured Securities*. Purchase lots with the same CUSIP are treated as individual assets for IMR and Asset Valuation Reserve (AVR) purposes.

Exclude those capital gains and (losses) that, in accordance with contract terms have been used to directly increase or (decrease) contract benefit payments or reserves during the reporting period. The purpose of this exclusion is to avoid the duplicate utilization of such gains and (losses).

Capital gains tax should be determined using the method developed by the company to allocate taxes used for statutory financial reporting purposes. By capturing the realized capital gains (losses) net of tax, the capital gains tax associated with those capital gains (losses) due to an interest rate change is charged or credited to the IMR and amortized in proportion to the before-tax amortization.

Include realized capital gains (losses) on:

Debt securities (excluding loan-backed and structured securities) and redeemable preferred stocks where the realized capital gains (losses) more predominantly reflect interest-related changes. By default, debt instruments whose National Association of Insurance Commissioners (NAIC)/Securities Valuation Office (SVO) designation at the end of the holding period, or within a reasonable amount of time after the reporting entity has sold/disposed of the instrument, are different from its NAIC designation at the beginning of the holding period by more than one NAIC designation or NAIC designation category shall not be considered to reflect interest-related changes. Gains (losses) from those debt instruments shall NOT be reported in the IMR and shall be reported in the AVR

Exchange Traded Funds (ETFs) as listed on the SVO Identified Bond ETF List (thereafter subject to bond IMR guidelines) ~~and the SVO Identified Preferred Stock ETF List (thereafter subject to preferred stock IMR guidelines)~~. ~~I~~include any capital gains (losses) realized by the Company, whether from sale of the ETF or capital gains distributions by the ETF. If the ETF is removed from either SVO ETF list, the ETF is reported and treated as common stock, with any capital gains/(losses) excluded from the IMR. (Investments on the SVO-Identified Preferred Stock List are captured as perpetual preferred stock and treated as equity investments, with gains and losses excluded from IMR.)

SVO Identified Funds designated for systematic value

Called bonds, tendered bonds, and sinking fund payments.

Mortgage loans where the realized gains (losses) more predominantly reflect interest-related changes. By default, mortgage loans that meet any of the following criteria shall not be considered to reflect interest-related losses. Realized gains (losses) from mortgage loans with these characteristics shall be reported in the AVR:

- Any mortgage loan sold/disposed with an established valuation allowance under SSAP No. 37, or
- Interest is more than 90 days past due, or
- The loan is in process of foreclosure, or
- The loan is in course of voluntary conveyance, or
- The terms of the loan have been restructured during the prior two years.

Additional Provisions for Including/Excluding Gains (Losses) from IMR:

Mortgage loan prepayment penalties are not included in IMR. Treat them as regular investment income.

Interest-related gains (losses) realized on directly held capital and surplus notes reported on Schedule BA should be transferred to the IMR in the same manner as similar gains and (losses) on fixed income assets held on Schedule D. A capital gain (loss) on such a note is classified as an interest rate gain if the note is eligible for amortized-value accounting at both the time of acquisition and the time of disposition.

Determination of IMR gain (loss) on multiple lots of the same securities should follow the underlying accounting treatment in determining the gain (loss). Thus, the designation, on a purchase lot basis, should be compared to the designation at the end of the holding period to determine IMR or AVR gain or (loss).

Realized capital gains (losses) on any debt security (excluding loan-backed and structured securities) that has had an NAIC/SVO designation of 6 at any time during the holding period should be excluded from the IMR and included as a non-interest-related gain (loss) in the AVR.

Realized capital gains (losses) on ~~any~~ redeemable preferred stock that had an NAIC/SVO designation of 4-6 ~~RP4, RP5 or RP6 or P4, P5 or P6~~ at any time during the holding period should be reported as non-interest-related gains (losses) in the AVR.

The holding period for debt securities (excluding loan-backed and structured securities) and redeemable preferred stocks is defined as the period from the date of purchase to the date of sale. For the end of period classification, the most recent available designation should be used. For bonds acquired before Jan. 1, 1991, the holding period is presumed to have begun on Dec. 31, 1990. For redeemable preferred stocks acquired before Jan. 1, 1993, the holding period is presumed to have begun on Dec. 31, 1992. For SVO Identified Bond ETFs, the holding period is defined as one calendar year to expected maturity. For SVO Identified Bond ETFs ~~Funds~~ designated for systematic value, the holding period is the weighted-average life of the underlying bonds.

In accordance with *SSAP No. 26R—Bonds*, securities with other-than-temporary impairment losses shall be recorded entirely to either AVR or IMR and not bifurcated between interest and non-interest components.

Asset Valuation Reserve (AVR)

Line 2 – Realized Capital Gains (Losses) Net of Taxes – General Account

Report all realized non-interest-related (default) and equity capital gains (losses) (which includes, but is not limited to, common stock, perpetual preferred stock and SVO-Identified Preferred Stock ETFs), net of capital gains tax, applicable to the assets in each component and sub-component. All realized capital gains (losses) transferred to the AVR are net of capital gains taxes thereon. Exclude all interest rate-related capital gains (losses) from the AVR.

Capital gains tax should be determined using the method developed by the company to allocate taxes used for statutory financial reporting purposes.

Report all realized capital gains (losses), net of capital gains tax, on each debt security (excluding loan-backed and structured securities) where the realized capital gains (losses) more predominantly reflect non-interest-related changes. By default, debt instruments whose NAIC/SVO designation at the end of the holding period, or within a reasonable amount of time after the reporting entity has sold/disposed of the instrument, is different from its NAIC/SVO designation at the beginning of the holding period by more than one NAIC designation or NAIC designation category shall be considered to reflect non-interest-related changes. Gains (losses) from those debt instruments shall be reported in the AVR.

Determination of AVR gain (loss) on multiple lots of the same fixed income securities should follow the underlying accounting treatment in determining gain (loss). Thus, the designation, on a purchase lot basis, should be compared to the designation at the end of the holding period to determine IMR or AVR gain or (loss).

In accordance with *SSAP No. 26R—Bonds*, securities with other-than-temporary impairment losses shall be recorded entirely to either AVR or IMR and not bifurcated between interest and non-interest components.

In accordance with *SSAP No. 43R—Loan-Backed and Structured Securities*, for loan-backed and structured securities only:

- Other-Than-Temporary Impairment – Non-interest-related other-than-temporary impairment losses shall be recorded through the AVR. If the reporting entity wrote the security down to fair value due to the intent to sell or does not have the intent and ability to retain the investment for a period of time sufficient to recover the amortized cost basis, the non-interest-related portion of the other-than-temporary impairment losses shall be recorded through the AVR; the interest related other-than-temporary impairment losses shall be recorded through the IMR. The analysis for bifurcating impairment losses between AVR and IMR shall be completed as of the date when the other-than-temporary impairment is determined.

- Security Sold at a Loss Without Prior OTTI – An entity shall bifurcate the loss into AVR and IMR portions depending on interest- and non-interest-related declines in accordance with the analysis performed as of the date of sale. As such, an entity shall report the loss in separate AVR and IMR components as appropriate.

- Security Sold at a Loss with Prior OTTI – An entity shall bifurcate the current realized loss into AVR and IMR portions depending on interest- and non-interest-related declines in accordance with the analysis performed as of the date of sale. An entity shall not adjust previous allocations to AVR and IMR that resulted from previous recognition of other-than-temporary impairments.

- Security Sold at a Gain with Prior OTTI – An entity shall bifurcate the gain into AVR and IMR portions depending on interest and non-interest factors in accordance with the analysis performed as of the date of sale. The bifurcation between AVR and IMR that occurs as of the date of sale may be different from the AVR and IMR allocation that occurred at the time of previous other-than-temporary impairments. An entity shall not adjust previous allocations to AVR and IMR that resulted from previous recognition of other-than-temporary impairments.

- Security Sold at a Gain Without Prior OTTI – An entity shall bifurcate the gain into AVR and IMR portions depending on interest and non-interest factors in accordance with the analysis performed as of the date of sale.

In addition, all gains (losses), net of capital gains tax, on mortgage loans where the realized gains (losses) more predominantly reflect non-interest-related changes. By default, mortgage loans that meet any of the following criteria shall be considered to reflect non-interest-related changes and realized gains (losses) from mortgage loans with these characteristics shall be reported in the AVR:

- Any mortgage loan sold/disposed with an established valuation allowance under SSAP No. 37, or
- Interest is more than 90 days past due, or
- The loan is in the process of foreclosure, or
- The loan is in course of voluntary conveyance, or
- The terms of the loan have been restructured during the prior two years

The gain (loss), net of capital gains tax, on any debt security (excluding loan-backed and structured securities) that has had an NAIC/SVO designation of “6” at any time during the holding period should be reported as a credit related gain (loss).

All capital gains (losses), net of capital gains tax, from redeemable preferred stock that had an NAIC/SVO designation of 4-6 ~~RP4, RP5 or RP6 or P4, P5 or P6~~ at any time during the holding period should be reported as non-interest-related gains (losses) in the AVR.

However, for a convertible bond or redeemable preferred stock purchased while its conversion value exceeds its par value, any gain (loss) realized from its sale before conversion must be included in the Equity Component of the AVR. Conversion Value is defined to mean the number of shares available currently or at next conversion date multiplied by the stock's current market price.

Report all realized equity capital gains (losses), net of capital gains tax, in the appropriate sub-components.

The following guidance pertains to instruments in Scope of *SSAP No. 86—Derivatives*:

- For derivative instruments used in hedging transactions, the determination of whether the capital gains (losses) are allocable to the IMR or the AVR is based on how the underlying asset is treated. Realized gains (losses), net of capital gains tax, on portfolio or general hedging instruments should be included with the hedged asset. Gains (losses), net of capital gains tax, on hedges used, as specific hedges should be included only if the specific hedged asset is sold or disposed of.

- For income generation derivative transactions, the determination of whether the capital gains (losses) are allocable to the IMR or the AVR is based on how the underlying interest (for a put) or covering asset (for a call, cap or floor) is treated. Realized gains (losses), net of capital gains tax should be included in the same sub-component where the realized gains (losses) of the underlying interest (for a put) or covering asset (for a call, cap or floor) is reported. Refer to *SSAP No. 86—Derivatives* for accounting guidance.

Realized gains (losses), net of capital gains tax, resulting from the sale of U.S. government securities and the direct or guaranteed securities of agencies which are backed by the full faith and credit of the U.S. government are exempt from the AVR. This category is described in the Investment Schedules General Instructions.

Staff Review Completed by: Julie Gann - NAIC Staff, September 2023

Status:
On December 1, 2023, the Statutory Accounting Principles (E) Working Group moved this agenda item to the active listing, categorized as a SAP clarification and exposed revisions, as illustrated above, to the annual statement instructions to remove the guidance that directs all preferred stock to be allocated between IMR/AVR based on NAIC designation, and clarify that perpetual preferred stock, which includes SVO-Identified Preferred Stock ETFs shall reported as equities through AVR.

On March 16, 2024, the Statutory Accounting Principles (E) Working Group adopted, as final, the proposed revisions to the annual statement instructions to remove the guidance that directs all preferred stock to be allocated between IMR/AVR based on NAIC designation, and clarify that perpetual preferred stock, which includes SVO-Identified Preferred Stock ETFs, as well as all mandatorily convertible preferred stock (regardless of redeemable or perpetual) shall reported through the AVR. The adopted revisions are shown below. (Revisions from the exposure pertain to inclusion of guidance for mandatorily convertible preferred stock.) The proposed revisions will be considered by the Blanks (E) Working Group for year-end 2024. This agenda item did not result in SAP revisions.

Adopted Revisions:

Staff Note: Shaded guidance reflects sections with revisions discussed under agenda item 2023-15: IMR/AVR Specific Allocations. Agenda item 2023-15 should be reviewed for the adopted revisions to those sections. With the exception of the added 'redeemable' in the first shaded paragraph, all of the edits in this agenda item are in separate paragraphs from agenda item 2023-15.

Interest Maintenance Reserve (IMR)

Line 2 – Current Year's Realized Pre-tax Capital Gains (Losses) of $______ Transferred into the Reserve Net of Taxes of $______

Include interest-rate-related realized capital gains (losses), net of capital gains tax thereon. All realized capital gains (losses) transferred to the IMR are net of capital gains taxes thereon. Exclude non-interest-related (default) realized capital gains and (losses), realized capital gains (losses) on equity investments, and unrealized capital gains (losses).

All realized capital gains (losses), due to interest rate changes on fixed income investments, net of related capital gains tax, should be captured in the IMR and amortized into income (Column 2, Lines 1 through 31) according to Table 1 or the seriatim method. Realized capital gains (losses) must be classified as either interest (IMR) or non-interest (AVR) related, not a combination except as specified in *SSAP No. 43R—Loan-Backed and Structured Securities*. Purchase lots with the same CUSIP are treated as individual assets for IMR and Asset Valuation Reserve (AVR) purposes.

Exclude those capital gains and (losses) that, in accordance with contract terms have been used to directly increase or (decrease) contract benefit payments or reserves during the reporting period. The purpose of this exclusion is to avoid the duplicate utilization of such gains and (losses).

Capital gains tax should be determined using the method developed by the company to allocate taxes used for statutory financial reporting purposes. By capturing the realized capital gains (losses) net of tax, the capital gains tax associated with those capital gains (losses) due to an interest rate change is charged or credited to the IMR and amortized in proportion to the before-tax amortization.

Include realized capital gains (losses) on:

Debt securities (excluding loan-backed and structured securities) and redeemable preferred stocks where the realized capital gains (losses) more predominantly reflect interest-related changes. By default, debt instruments whose National Association of Insurance Commissioners (NAIC)/Securities Valuation Office (SVO) designation at the end of the holding period, or within a reasonable amount of time after the reporting entity has sold/disposed of the instrument, are different from its NAIC designation at the beginning of the holding period by more than one NAIC designation or NAIC designation category shall not be considered to reflect interest-related changes. Gains (losses) from those debt instruments shall NOT be reported in the IMR and shall be reported in the AVR

Exchange Traded Funds (ETFs) as listed on the SVO Identified Bond ETF List (thereafter subject to bond IMR guidelines) ~~and the SVO Identified Preferred Stock ETF List (thereafter subject to preferred stock IMR guidelines)~~. ~~I~~include any capital gains (losses) realized by the Company, whether from sale of the ETF or capital gains distributions by the ETF. If the

ETF is removed from either SVO ETF list, the ETF is reported and treated as common stock, with any capital gains/(losses) excluded from the IMR. (Mandatory convertible preferred stocks (regardless of if redeemable or perpetual) and investments on the SVO-Identified Preferred Stock List are captured as perpetual preferred stock and treated as equity investments, with gains and losses excluded from IMR.)

SVO Identified Funds designated for systematic value

Called bonds, tendered bonds, and sinking fund payments.

Mortgage loans where the realized gains (losses) more predominantly reflect interest-related changes. By default, mortgage loans that meet any of the following criteria shall not be considered to reflect interest-related losses. Realized gains (losses) from mortgage loans with these characteristics shall be reported in the AVR:

- Any mortgage loan sold/disposed with an established valuation allowance under SSAP No. 37, or

- Interest is more than 90 days past due, or

- The loan is in process of foreclosure, or

- The loan is in course of voluntary conveyance, or

- The terms of the loan have been restructured during the prior two years.

Additional Provisions for Including/Excluding Gains (Losses) from IMR:

Mortgage loan prepayment penalties are not included in IMR. Treat them as regular investment income.

Interest-related gains (losses) realized on directly held capital and surplus notes reported on Schedule BA should be transferred to the IMR in the same manner as similar gains and (losses) on fixed income assets held on Schedule D. A capital gain (loss) on such a note is classified as an interest rate gain if the note is eligible for amortized-value accounting at both the time of acquisition and the time of disposition.

Determination of IMR gain (loss) on multiple lots of the same securities should follow the underlying accounting treatment in determining the gain (loss). Thus, the designation, on a purchase lot basis, should be compared to the designation at the end of the holding period to determine IMR or AVR gain or (loss).

Realized capital gains (losses) on any debt security (excluding loan-backed and structured securities) that has had an NAIC/SVO designation of 6 at any time during the holding period should be excluded from the IMR and included as a non-interest-related gain (loss) in the AVR.

Realized capital gains (losses) on ~~any~~ redeemable preferred stock that had an NAIC/SVO designation of 4-6 ~~RP4, RP5 or RP6 or P4, P5 or P6~~ at any time during the holding period should be reported as non-interest-related gains (losses) in the AVR.

The holding period for debt securities (excluding loan-backed and structured securities) and redeemable preferred stocks is defined as the period from the date of purchase to the date of sale. For the end of period classification, the most recent available designation should be used. For bonds acquired before Jan. 1, 1991, the holding period is presumed to have begun on Dec. 31, 1990. For redeemable preferred stocks acquired before Jan. 1, 1993, the holding period is presumed to have begun on Dec. 31, 1992. For SVO Identified Bond ETFs, the holding period is defined as one calendar year to expected maturity. For SVO Identified Bond ETFs ~~Funds~~ designated for systematic value, the holding period is the weighted-average life of the underlying bonds.

In accordance with *SSAP No. 26R—Bonds*, securities with other-than-temporary impairment losses shall be recorded entirely to either AVR or IMR and not bifurcated between interest and non-interest components.

Asset Valuation Reserve (AVR)

Line 2 – Realized Capital Gains (Losses) Net of Taxes – General Account

Report all realized non-interest-related (default) and equity capital gains (losses) (which includes, but is not limited to, common stock, perpetual preferred stock, mandatory convertible preferred stocks (regardless of if redeemable or perpetual) and SVO-Identified Preferred Stock ETFs), net of capital gains tax, applicable to the assets in each component and sub-component. All realized capital gains (losses) transferred to the AVR are net of capital gains taxes thereon. Exclude all interest rate-related capital gains (losses) from the AVR.

Capital gains tax should be determined using the method developed by the company to allocate taxes used for statutory financial reporting purposes.

Report all realized capital gains (losses), net of capital gains tax, on each debt security (excluding loan-backed and structured securities) where the realized capital gains (losses) more predominantly reflect non-interest-related changes. By default, debt instruments whose NAIC/SVO designation at the end of the holding period, or within a reasonable amount of time after the reporting entity has sold/disposed of the instrument, is different from its NAIC/SVO designation at the beginning of the holding period by more than one NAIC designation or NAIC designation category shall be considered to reflect non-interest-related changes. Gains (losses) from those debt instruments shall be reported in the AVR.

Determination of AVR gain (loss) on multiple lots of the same fixed income securities should follow the underlying accounting treatment in determining gain (loss). Thus, the designation, on a purchase lot basis, should be compared to the designation at the end of the holding period to determine IMR or AVR gain or (loss).

In accordance with *SSAP No. 26R—Bonds*, securities with other-than-temporary impairment losses shall be recorded entirely to either AVR or IMR and not bifurcated between interest and non-interest components.

In accordance with *SSAP No. 43R—Loan-Backed and Structured Securities*, for loan-backed and structured securities only:

- Other-Than-Temporary Impairment – Non-interest-related other-than-temporary impairment losses shall be recorded through the AVR. If the reporting entity wrote the security down to fair value due to the intent to sell or does not have the intent and ability to retain the investment for a period of time sufficient to recover the amortized cost basis, the non-interest-related portion of the other-than-temporary impairment losses shall be recorded through the AVR; the interest related other-than-temporary impairment losses shall be recorded through the IMR. The analysis for bifurcating impairment losses between

AVR and IMR shall be completed as of the date when the other-than-temporary impairment is determined.

- Security Sold at a Loss Without Prior OTTI – An entity shall bifurcate the loss into AVR and IMR portions depending on interest- and non-interest-related declines in accordance with the analysis performed as of the date of sale. As such, an entity shall report the loss in separate AVR and IMR components as appropriate.

- Security Sold at a Loss with Prior OTTI – An entity shall bifurcate the current realized loss into AVR and IMR portions depending on interest- and non-interest-related declines in accordance with the analysis performed as of the date of sale. An entity shall not adjust previous allocations to AVR and IMR that resulted from previous recognition of other-than-temporary impairments.

- Security Sold at a Gain with Prior OTTI – An entity shall bifurcate the gain into AVR and IMR portions depending on interest and non-interest factors in accordance with the analysis performed as of the date of sale. The bifurcation between AVR and IMR that occurs as of the date of sale may be different from the AVR and IMR allocation that occurred at the time of previous other-than-temporary impairments. An entity shall not adjust previous allocations to AVR and IMR that resulted from previous recognition of other-than-temporary impairments.

- Security Sold at a Gain Without Prior OTTI – An entity shall bifurcate the gain into AVR and IMR portions depending on interest and non-interest factors in accordance with the analysis performed as of the date of sale.

In addition, all gains (losses), net of capital gains tax, on mortgage loans where the realized gains (losses) more predominantly reflect non-interest-related changes. By default, mortgage loans that meet any of the following criteria shall be considered to reflect non-interest-related changes and realized gains (losses) from mortgage loans with these characteristics shall be reported in the AVR:

- Any mortgage loan sold/disposed with an established valuation allowance under SSAP No. 37, or
- Interest is more than 90 days past due, or
- The loan is in the process of foreclosure, or
- The loan is in course of voluntary conveyance, or
- The terms of the loan have been restructured during the prior two years

The gain (loss), net of capital gains tax, on any debt security (excluding loan-backed and structured securities) that has had an NAIC/SVO designation of “6” at any time during the holding period should be reported as a credit related gain (loss).

All capital gains (losses), net of capital gains tax, from redeemable preferred stock that had an NAIC/SVO designation of 4-6 ~~RP4, RP5 or RP6 or P4, P5 or P6~~ at any time during the holding period should be reported as non-interest-related gains (losses) in the AVR.

However, for a convertible bond or redeemable preferred stock purchased while its conversion value exceeds its par value, any gain (loss) realized from its sale before conversion must be included in the Equity Component of the AVR. Conversion Value is defined to mean the number of shares available currently or at next conversion date multiplied by the stock’s current market price.

Report all realized equity capital gains (losses), net of capital gains tax, in the appropriate sub-components.

The following guidance pertains to instruments in Scope of *SSAP No. 86—Derivatives*:

- For derivative instruments used in hedging transactions, the determination of whether the capital gains (losses) are allocable to the IMR or the AVR is based on how the underlying asset is treated. Realized gains (losses), net of capital gains tax, on portfolio or general hedging instruments should be included with the hedged asset. Gains (losses), net of capital gains tax, on hedges used, as specific hedges should be included only if the specific hedged asset is sold or disposed of.

- For income generation derivative transactions, the determination of whether the capital gains (losses) are allocable to the IMR or the AVR is based on how the underlying interest (for a put) or covering asset (for a call, cap or floor) is treated. Realized gains (losses), net of capital gains tax should be included in the same sub-component where the realized gains (losses) of the underlying interest (for a put) or covering asset (for a call, cap or floor) is reported. Refer to *SSAP No. 86—Derivatives* for accounting guidance.

Realized gains (losses), net of capital gains tax, resulting from the sale of U.S. government securities and the direct or guaranteed securities of agencies which are backed by the full faith and credit of the U.S. government are exempt from the AVR. This category is described in the Investment Schedules General Instructions.

Ref #2023-30

Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A

Issue: Admissibility Requirements of Investments in Downstream Holding Companies

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	☒	☒	☒
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue: This agenda item is the result of regulator comments received on the existing guidance in *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*, paragraph 24, and is intended to update the language in paragraph 24 on audits and admissibility to better align with guidance in paragraphs 26 and 27 on the look-through methodology. The current SSAP No. 97, paragraph 24 guidance states "if the downstream noninsurance holding company does not meet the requirements of paragraph 26, **audited GAAP financial statements, as described in paragraph 23, are required for the downstream noninsurance holding company and its SCA and non-SCA investments** in order for the investment in the downstream noninsurance holding company to be classified as an admitted asset."

The issue with the existing paragraph 24 guidance is that as it summarizes other guidance it could be perceived as contradicting guidance provided in paragraph 27 related to the "look through" process. This process allows admitting audited investments in entities owned by an **unaudited downstream noninsurance holding company** SCA entity.

Existing Authoritative Literature:

SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities **(bolding added for emphasis)**

Admissibility Requirements of Investments in Downstream Holding Companies

23. To meet the admissibility requirements of this statement, unless the limited exception to the audited financial statements requirement discussed in paragraphs 26 and 27 applies, an annual audit of the financial statements of SCA entities, including the downstream holding company valued under paragraphs 8.b.i through 8.b.iv. must be obtained. The requirement for audited financial statements may be met by utilizing any one of the following methods:

a. Audited US GAAP financial statements of the downstream SCA holding company. (Consolidated or combined financial statements are allowed encompassing one or more downstream holding companies, including such holding companies that directly own U.S. insurance entities, provided that the statutory financial statements of such U.S. insurance entities are audited. Annual consolidated or combined audits are allowed for insurance entities if completed in accordance with the Model Regulation Requiring Annual Audited Reports as adopted by the SCA's domiciliary state.) The audited financial statements of the downstream holding company shall include as other financial information, consolidating or combining balance sheet schedule(s) showing the equity of all relevant SCA entities and non-SCA SSAP No. 48 entities, and any required intercompany eliminations. The consolidating or combining balance sheet schedule shall separately present those entities owned directly by the downstream holding company. The consolidating or combining balance sheet shall then be adjusted for GAAP to SAP differences for paragraph 8.b.i., 8.b.ii. and 8.b.iv. entities owned directly or indirectly by the downstream holding company. The adjusted amount would then be the reported value of the investment in the downstream holding company at the higher-level reporting entity; or

b. Audited foreign GAAP-basis financial statements of the downstream SCA holding company. (Consolidated or combined financial statements are allowed encompassing one or more downstream holding companies, including such holding companies that directly own U.S. insurance entities, provided that the statutory financial statements of such U.S. insurance entities are audited. Annual consolidated or combined audits are allowed for insurance entities if completed in accordance with the Model Regulation Requiring Annual Audited Reports as adopted by the SCA's domiciliary state.) The audited foreign GAAP basis financial statements shall include an audited footnote disclosure within the financial statements that reconciles each consolidated entity's net income and equity on a foreign basis of accounting to a U.S. GAAP basis. The audited financial statements of the downstream holding company shall include as other financial information, consolidating or combining balance sheet schedule(s) showing the equity of all relevant SCA entities non-SCA SSAP No. 48 entities, and any required intercompany eliminations. The consolidating or combining balance sheet schedule shall separately present those entities owned directly by the downstream holding company. The consolidating or combining balance sheet shall then be adjusted for GAAP to SAP differences of the insurance entities and paragraph 8.b.ii. and paragraph 8.b.iv. entities owned directly or indirectly by the downstream holding company. The adjusted amount would then be the reported value of the investment in the downstream holding company at the higher-level reporting entity; or

c. Individual audits of the downstream holding company and the downstream holding company's investments in individual SCA entities.

24. If the downstream noninsurance holding company does not meet the requirements of paragraph 26, audited GAAP financial statements, as described in paragraph 23, are required for the downstream noninsurance holding company and its SCA and non-SCA investments in order for the investment in the downstream noninsurance holding company to be classified as an admitted asset.

25. A purchased downstream holding company is valued in accordance with the provisions of paragraphs 22-25 and the provisions of SSAP No. 68.

Limited Exceptions to the Audit Requirements for Downstream Noninsurance Holding Companies

26. This statement requires that investments in SCA entities be recorded using one of the valuation methods described in paragraph 8 in order to be admitted assets. Each of the paragraph 8.b. valuation methods require the financial statements of SCA entities, including downstream noninsurance holding companies, to be audited in order for the investments in SCA entities to be admitted assets. Likewise, SSAP No. 48 requires the financial statements of joint ventures, partnerships, and/or limited liability companies in which the downstream noninsurance holding company has a minor ownership interest or otherwise lacks control, i.e., ownership interest is less than 10% to be audited (U.S. GAAP) in order to be admitted assets. **There is a limited exception to the requirement to have audited financial statements of a downstream noninsurance holding company, provided that the entities owned by the downstream noninsurance holding company (paragraph 8.b.iii. entity) have audited financial statements as described in paragraphs 26 and 27.**

27. The process of admitting audited investments in entities owned by an unaudited downstream noninsurance holding company SCA entity will be known as a "look through." In order to admit the investments in audited SCAs or the audited non-SCA SSAP No. 48 entities owned by an unaudited

downstream noninsurance holding company, a reporting entity may apply the look through approach, provided all of the following conditions are met:

a. The downstream noninsurance holding company is an 8.b.iii entity, and

b. The downstream noninsurance holding company does not own any other assets which are material to the downstream holding company other than the audited SCA entities and/or audited non-SCA SSAP No. 48 entities, and

d. The downstream noninsurance holding company is not subject to liabilities, commitments, contingencies, guarantees or obligations which are material to the downstream noninsurance holding company.

If an investment in a downstream noninsurance holding company meets the requirements set forth above, the reporting entity can admit the individual audited SCA entities and/or audited non-SCA SSAP No. 48 entities; however, unaudited immaterial assets of the downstream noninsurance holding company are to be carried at the lesser of the paragraph 8 valuation or nonadmitted (e.g. some equity method investments are required to be carried at a negative value due to either statutory adjustments or to parental obligations to keep funding the subsidiary). If a holding company structure has more than one downstream non-insurance holding company, each downstream non-insurance holding company may be looked through, provided each downstream non-insurance holding company meets all of the conditions in paragraph 27.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group: None

Convergence with International Financial Reporting Standards (IFRS): N/A

Staff Recommendation: NAIC staff recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to *SSAP No. 97—Subsidiary, Controlled and Affiliated Entities* to revise paragraph 24 language to better align it with the existing guidance provided in paragraphs 26 and 27.

Proposed edits to SSAP No. 97:

24. If the downstream noninsurance holding company does not meet the requirements of paragraph 26, audited GAAP financial statements, as described in paragraph 23, are required~~. for the downstream noninsurance holding company and its SCA and non-SCA investments~~ in order for the investment in the downstream noninsurance holding company or individual SCAs to be classified as an admitted asset.

Staff Review Completed by: Jason Farr– NAIC Staff, November 2023

Status:
On December 1, 2023, the Statutory Accounting Principles (E) Working Group moved this agenda item to the active listing, categorized as a SAP clarification, and exposed consistency revisions to *SSAP No. 97—Subsidiary, Controlled and Affiliated Entities* to revise paragraph 24 language to better align it with the existing guidance provided in paragraphs 26 and 27.

On March 16, 2024, the Statutory Accounting Principles (E) Working Group adopted, as final, the exposed revisions to SSAP No. 97, paragraph 24 with modification to remove the previously exposed revision "or individual SCAs" language as suggested by interested parties as not necessary. The adopted revisions better align it with the existing guidance provided in paragraphs 26 and 27.

Adopted edits to SSAP No. 97:

24. If the downstream noninsurance holding company does not meet the requirements of paragraph 26, audited GAAP financial statements, as described in paragraph 23, are required~~. for the downstream noninsurance holding company and its SCA and non-SCA investments~~ in order for the investment in the downstream noninsurance holding company to be classified as an admitted asset.

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2024SpringNM/summary and minutes/SAPWG/
Att 1K_23-30 - SSAP 97 Admissibility Requirements.docx

Draft: 3/4/24

Blanks (E) Working Group
Virtual Meeting
February 21, 2024

The Blanks (E) Working Group of the Accounting Practices and Procedures (E) Task Force met Feb. 21, 2024. The following Working Group members participated: Pat Gosselin, Chair (NH); Steve Drutz, Vice-Chair (WA); David Phifer (AK); Kim Hudson (CA); Michael Shanahan (CT); Sam Merlo (DC); Tom Hudson (DE); Carolyn Morgan (FL); Kevin Clark and Carrie Mears (IA); Amanda Denton (IN); Kristin Hynes and Jason Tippett (MI); Debbie Doggett and Danielle Smith (MO); Lindsay Crawford (NE); John Sirovetz (NJ); Dale Bruggeman and Tracy Snow (OH); Diane Carter (OK); Diana Sherman (PA); Miriam Fisk and Shawn Frederick (TX); Jake Garn (UT); Adrian Jaramillo and Amy Malm (WI); and Mary Jo Lewis (WV).

1. Adopted its Nov. 7, 2023, Minutes

Gosselin referenced the Working Group's Nov. 7 minutes. During this meeting, the Working Group took the following action: 1) re-exposed two proposals for additional discussion: 2023-05BWG—cybersecurity supplement changes and 2023-12BWG—changes to Schedule BA. These proposals are up for adoption during this meeting; 2) adopted the bond project proposal, 2023-06BWG, and the proposal deleting the legal entity identifier (LEI), 2023-07BWG; and 3) exposed three new proposals for public comment.

Hudson made a motion, seconded by Drutz, to adopt the Working Group's Nov. 7, 2023, minutes (*see NAIC Proceedings – Fall 2023, Accounting Practices and Procedures (E) Task Force, Attachment Two*). The motion passed unanimously.

2. Adopted Proposals

   A. Agenda Item 2023-05BWG

Sara Robben (NAIC) stated that this proposal revises the cybersecurity supplement. She said that NAIC staff worked for several weeks with industry, state insurance regulators, and actuaries to come up with the final product. The changes are intended to strengthen the instructions to make it easier for insurers to fill out. She indicated that there were some discrepancies in the way the industry defined certain terms as opposed to the terminology used by actuaries which this proposal addresses. The proposal removes the references to claims made and occurrence, as most cybersecurity policies have both in one policy. For Part 5, state insurance regulators indicated they wanted to see the breakout of stand-alone and packaged and not combined into "primary" as in the other parts of the supplement.

Doggett made a motion, seconded by Crawford, to adopt the modifications to the proposal. The motion passed unanimously. Doggett made a motion, seconded by Shanahan, to adopt the modified proposal (Attachment Two-A). The motion passed unanimously.

   B. Agenda Item 2023-13BWG

Bruggeman stated that this item proposes to data-capture the narrative interest maintenance reserve (IMR) disclosures required in *Interpretation* (*INT) 23-01: Net Negative (Disallowed) Interest Maintenance Reserve*. This interpretation permits admittance of negative IMR up to 10% of adjusted capital and surplus. Companies admitting negative IMR under the statutory INT are required to provide detail on the IMR balances, the calculation of adjusted capital and surplus, as well as information on the impact to IMR from derivatives. As detailed in the proposal, the comments from interested parties are minor and improve the clarity of the disclosure.

Bruggeman made a motion, seconded by Drutz, to adopt the modifications to the proposal. The motion passed unanimously. Bruggeman made a motion, seconded by Sirovetz, to adopt the modified proposal (Attachment Two-B). The motion passed unanimously.

C. Agenda Item 2023-14BWG

Drutz stated that this proposal revises the health test language and general interrogatory. He stated that the Health Risk-Based Capital (E) Working Group established the Health Test Ad Hoc Group in 2018, which was tasked to review the language within the annual statement instructions as it pertained to all lines of business. The changes referenced in this proposal are intended to clarify and create greater transparency in the calculation of both the numerator and denominator for premiums and reserves. The amounts used in the calculation for both the numerator and denominator will pull from the same annual statement schedule rather than as in the past pulling from separate schedules. Drutz stated that the proposal adds clarifying language regarding the timing as to when a company would need to move to the health blank after passing the test. Interested parties provided some suggested modifications which were incorporated into the modified proposal.

Drutz made a motion, seconded by Doggett, to adopt the modifications to the proposal. The motion passed unanimously. Drutz made a motion, seconded by Doggett, to adopt the modified proposal (Attachment Two-C). The motion passed unanimously.

D. Agenda Item 2023-15BWG

Ryan Fleming (Northwestern Mutual) stated that he was representing the American Academy of Actuaries (Academy) Life Mortality Working Group. He stated that the purpose of this proposal is to create an annual statement source within the life blank General Interrogatories Part 2 providing information for completing the C-2 mortality risk in the life risk-based capital (RBC) filing rather than relying on company records for the information. Interested parties referenced a minor word addition for clarity, which has been incorporated into the proposal.

Bruggeman made a motion, seconded by Drutz, to adopt the proposal with the minor word modification (Attachment Two-D). The motion passed unanimously.

E. Agenda Item 2023-16BWG

Mary Caswell (NAIC) stated that this proposal changes Schedule P in the property/casualty (P/C) blank to show 10 years of data and a "prior" row for all lines of business beginning in 2024. This modifies the requirements for seven lines of business that currently only show two years of data and a prior row. Caswell stated that NAIC staff support for the Property and Casualty Risk-Based Capital (E) Working Group indicated that the members would not oppose this change and were in favor of the expansion.

Drutz made a motion, seconded by Hudson, to adopt the modifications to the proposal. The motion passed unanimously. Drutz made a motion, seconded by Snow, to adopt the proposal with the minor word modification (Attachment Two-E). The motion passed unanimously.

3. Re-Exposed Items

A. Agenda Item 2023-12BWG

Bruggeman stated that this item proposes revisions to Schedule BA primarily in response to the bond project. Specifically, it incorporates new reporting lines to capture the non-bond debt securities. These reporting lines intend to capture the debt securities that fail the bond definition because of the lack of a creditor relationship, lack of substantive credit enhancement, or lack of meaningful cashflows.

In addition to the specific reporting lines for the bond project, revisions were also proposed to improve the reporting on Schedule BA. This included the reordering of some reporting lines, as well as the elimination or movement of reporting lines. One of the more notable proposed edits was to eliminate the "non-registered private equity fund" reporting category and encompass those investments within the "joint venture, partnership, or LLC" reporting category. This revision was proposed as non-registered private equity funds and should also be captured in the scope of *Statement of Statutory Accounting Principles (SSAP) No. 48—Joint Ventures, Partnerships and Limited Liability Companies*, and it is not known how a company would classify a fund within that category and not as a joint venture. From the original interested parties' comments, there was opposition to this deletion as it was identified that investments other than non-registered private equity funds were being captured in that reporting line. From the information obtained, it appears that most of these investments would be more appropriately captured in the collateral loan category. After considering these comments, the blanks proposal continues to eliminate the non-registered private fund category and directs that those investments shall be captured within the joint venture, partnership, and LLC reporting category.

Bruggeman stated that concurrent with the exposure of this blanks proposal, the Statutory Accounting Principle (E) Working Group also had an exposure to incorporate improved descriptions to the underlying reporting lines of the joint venture, partnership, and LLC reporting category. Items captured within that category are reported in lower-level reporting lines based on the underlying characteristics of the investment—as fixed income, common stocks, real estate, mortgage loans, and other. The description revisions were proposed to improve consistency in reporting across companies. Interested parties provided comments on the blanks proposal to the Blanks (E) Working Group and on the description changes to the Statutory Accounting Principles (E) Working Group. In order to have a collective review, the Statutory Accounting Principles (E) Working Group considered all of the comments at its meeting on Feb. 20. Although most of the interested parties' comments are reflected, additional revisions have been proposed to ensure clarity and consistent reporting. These additional revisions reflect the key points: 1) a statement that all investments shall be reported in the dedicated reporting line category that represents the investment. Investments that do not fit within any specific reporting line shall be captured as an "Any Other Class of Asset"; 2) investments captured within the joint venture, partnership, or LLC reporting category shall be in scope of SSAP No. 48. One exception is permitted for structured settlement payment rights in the scope of *SSAP No. 21R—Other Admitted Assets* that have a Securities Valuation Office (SVO)-assigned designation; 3) the blanks instructions for the residual reporting lines have been updated to refer to SSAP No. 21R for the residual definition. (Under the Statutory Accounting Principles [E] Working Group, consistency revisions are expected to move the residual guidance to SSAP No. 21R with an effective date of Jan. 1, 2025.)

Bruggeman made a motion, seconded by Hudson, to re-expose the modified proposal. The motion passed unanimously.

4. Exposed New Items

A. Agenda Item 2024-01BWG

Bruggeman stated that this proposal clarifies that in-substance residual interests, despite in the legal form of common or preferred stock, shall be reported on Schedule BA in the dedicated residual reporting lines. This clarification was adopted by the Statutory Accounting Principles (E) Working Group for year-end 2023 and a memorandum was posted on the Blank (E) Working Group web page. This proposal just solidifies this guidance with explicit instruction changes. With the revisions adopted to residuals, it should be clear that all in-substance residual interests should be reported on the dedicated reporting lines for residuals regardless of legal form.

Hearing no objection, Gosselin stated that the proposal would be considered exposed for a 60-day public comment period ending April 23.

B. Agenda Item 2024-02BWG

Bruggeman stated that this proposal incorporates changes to reflect the adopted Statutory Accounting Principles (E) Working Group guidance that further restricts what is permitted to be reported as a cash equivalent or short-term investment. The annual statement instructions have been expanded to detail what is not permitted to be reported as cash equivalent or short-term and reporting lines have been eliminated or clarified for what is permitted.

Hearing no objection, Gosselin stated that the proposal would be considered exposed for a 60-day public comment period ending April 23.

C. Agenda Item 2024-03BWG

Charles Therriault (NAIC) stated that this proposal updates the General Interrogatory Part 1, No. 35, for private letter rating security reporting to clarify what should be included and that the insurer certifies that they are in compliance with the requirements set out in the SVO's *Purposes and Procedures Manual*. He indicated that there was inconsistent reporting for this interrogatory, and the new instructions should help identify what needs to be reported.

Hearing no objection, Gosselin stated that the proposal would be considered exposed for a 60-day public comment period ending April 23.

D. Agenda Item 2024-04BWG

Jennifer Fraiser (NAIC) stated that this proposal adds clarifying language to VM-20, Requirements for Principle-Based Reserves for Life Products, reserve supplement in the life blank to include separate accounts where applicable. The purpose is to reduce inconsistent reporting and to allow for reconciliation with other filings.

Hearing no objection, Gosselin stated that the proposal would be considered exposed for a 60-day public comment period ending April 23.

E. Agenda Item 2024-05BWG

Malm stated that this proposal adds clarifying language to Annual General Interrogatories Part 1, No. 29.05, (Quarterly General Interrogatory 17.5) to clarify that all investment advisors with discretion to make investment decisions, including sub-advisors, should be disclosed through the interrogatory.

Hearing no objection, Gosselin stated that the proposal would be considered exposed for a 60-day public comment period ending April 23.

F. Agenda Item 2024-06BWG

Fisk stated that this proposal makes changes to the Property/Casualty and Title Actuarial Opinions. The P/C blank changes would limit the requirement to send qualification documentation to the board of directors only at the initial appointment and not annually thereafter. The title blank changes would update the title instructions so they are more similar to P/C instructions.

Hearing no objection, Gosselin stated that the proposal would be considered exposed for a 60-day public comment period ending April 23.

5. Adopted the Editorial Listing

Hudson made a motion, seconded by Snow, to adopt the editorial listing (Attachment Two-F). The motion passed unanimously.

Having no further business, the Blanks (E) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Committees/E Committee/APPTF/2024 Spring NM/Minutes/BWG/02 21 2024 blanks.docx

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

DATE: 02/01/2023	**FOR NAIC USE ONLY**
CONTACT PERSON: Sara Robben	Agenda Item # 2023-05BWG MOD
TELEPHONE: 816-783-8230	Year 2024
EMAIL ADDRESS: srobben@naic.org	Changes to Existing Reporting [X]
ON BEHALF OF:	New Reporting Requirement [ ]
NAME: Alan McClain	**REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT**
TITLE: Chair P/C Insurance (C) Committee	No Impact [X]
AFFILIATION: Arkansas Insurance Department	Modifies Required Disclosure [ ]
ADDRESS: 1 Commerce Way	Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No]
Little Rock, AR 72202	****If Yes, complete question below****
	DISPOSITION
	[ ] Rejected For Public Comment
	[ ] Referred To Another NAIC Group
	[ ] Received For Public Comment
	[X] Adopted Date 02/21/2024
	[ ] Rejected Date
	[ ] Deferred Date
	[ ] Other (Specify)

BLANK(S) TO WHICH PROPOSAL APPLIES

[X] **ANNUAL STATEMENT**	[X] **INSTRUCTIONS**	[ ] **CROSSCHECKS**
[ ] **QUARTERLY STATEMENT**	[X] **BLANK**	
[ ] Life, Accident & Health/Fraternal	[ ] Separate Accounts	[ ] Title
[X] Property/Casualty	[ ] Protected Cell	[ ] Other
[ ] Health	[ ] Health (Life Supplement)	

Anticipated Effective Date: Annual 2024

IDENTIFICATION OF ITEM(S) TO CHANGE

See Next Page

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

See Next Page

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:

Other Comments:

** **This section must be completed on all forms.** **Revised 11/17/2022**

IDENTIFICATION OF ITEM(S) TO CHANGE

Remove the reference to Identity Theft Insurance from the General Instructions. Remove the interrogatory questions from Part 1 that pertain to Identity Theft Insurance. Remove the column for Identity Theft Insurance from Parts 2 and 3.

Remove claims-made and occurrence breakdown~~, as well as first-party and third-party breakdown~~ from data collection. A cybersecurity insurance policy is generally written on a claims-made basis for the liability sections of the policy; therefore the breakdown is unnecessary. ~~Additionally, most cybersecurity policies include both first-party and third-party coverage, so the breakdown does not provide significant data, as it is not an either/or situation.~~

Remove the question in the interrogatories regarding tail policies. This has provided no meaningful information, due to the way cybersecurity insurance policies are written.

Create state level transparency.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE

Changes to this blank are being proposed to aid in the collection of better data. ~~Cyber insurance, as it is currently written, generally covers first- and third-party claims in one policy. This means there is either double-counting from reporting claims in both categories, or not truly reflecting whether the claims are first- or third-party, and therefore not providing a correct claim count number.~~

Currently we collect claims information for standalone and package policies. Package policies are meant to be where policies with endorsements are reported, so there is business reported as packaged that should be reported as stand-alone. There has been some confusion regarding which category the information should be reported. Currently cyber insurance policies are written as primary, excess, or an endorsement. Changing the supplement to reflect this information will provide more accurate information.

State regulators have a need to identify how entities are selling cybersecurity insurance coverage.

Currently we collect data for Identity Theft Insurance. Many entities in the Identity Theft market are not insurers. This portion of the supplement does not provide meaningful data, so it is recommended that we eliminate this reporting requirement.

ANNUAL STATEMENT INSTRUCTIONS - PROPERTY

CYBERSECURITY ~~AND IDENTITY THEFT~~ INSURANCE COVERAGE SUPPLEMENT
GENERAL INSTRUCTIONS

This supplement should be completed by those reporting entities including surplus line insurers and Risk Retention Groups that provide cybersecurity insurance in a ~~stand-alone~~primary policy, an excess policy, or an endorsement on a policy. ~~and identity theft insurance in a stand-alone policy or as part of a package policyin a primary policy, an endorsement on a policy, or an excess policy.~~ If the reporting entity's answer to Questions 1, 2~~, 4~~ and ~~5~~ 3 of Part 1 would be "no," the reporting entity should not complete the supplement. If the reporting entity answers "yes" to any of those questions, the supplement should be completed. The supplement should be reported on a direct basis (before assumed and ceded reinsurance).

This supplement should be completed on a calendar year basis.

Cybersecurity Insurance

For the purposes of this reporting form, cybersecurity insurance applies to commercial insurance through a single policy or multi-peril coverage part solely intended to assist in helping manage risks associated with exposures arising out of network intrusions and improper handling of electronic data, including data such as personally identifiable information and other sensitive information in electronic form. The risks covered may include one or more of the following:

- ~~Identity theft as a result of privacy violations and security breaches where sensitive information is stolen by an unauthorized person or inadvertently disclosed and includes identity restoration costs.~~
- Business interruption and extra expense from an unauthorized person preventing access to the Internet, the policyholder's website or other parts of the policyholder's network.
- Costs associated with restoring data from electronic or paper records that have been damaged by an unauthorized person.
- Costs related to a data breach such as data restoration, forensic investigations, legal ~~advice~~expenses, public relations, breach notification and regulatory expenses.
- Exposure arising out of theft or loss of client's or customer's digital assets.
- Introduction of malware~~, worms~~ and other malicious computer code to third parties.
- Cyber extortion against the policyholder.
- Liability and damages resulting from network failures.

The following descriptions are to be used to complete the Cybersecurity Insurance Coverage Supplement:

~~Stand-Alone~~Primary Policy/Coverage Form:

Cybersecurity insurance with its own premium and limits that responds first to an insured loss, either on a first-dollar basis, or after allowing for a deductible. This can be sold on either a ~~stand-alone~~monoline policy or as part of a package policy with other types of coverages (e.g., E&O, D&O, EPL, etc.). These Cyber coverage forms typically contain a combination of first and third-party insuring agreements.

If a rider, endorsement, or floater acts like a separate policy with separate premium, deductible, and limit, then it is to be recorded as if it were a ~~stand-alone~~primary or excess policy regardless of whether it is referred to as a rider, endorsement, or floater.

Excess Policy/Coverage Form:

Cybersecurity insurance that provides additional financial limits above those covered by an underlying insurance policy(ies). This can be sold on either an ~~stand-alone excess policy or as part of an excess package~~ excess policy with other types of coverages (e.g., E&O, D&O, EPL, etc.). These Cyber coverage forms typically contain a combination of first and third-party insuring agreements.

Endorsement:

Cybersecurity insurance sold as an endorsement to or embedded in a broader coverage policy (e.g., Property/GL or Professional E&O policy). If there is no additional premium and separate deductible or limit, the rider, endorsement, or floater should be reported in this endorsement section.

~~**Endorsement:**~~ ~~Cybersecurity insurance sold as an endorsement to another policy. If a rider, endorsement, or floater acts like a separate policy with separate premium, deductible, and limit, then it is to be recorded on the same annual statement line as if it were a primary policy regardless of whether it is referred to as a rider, endorsement, or floater. If there is no additional premium, separate deductible or limit, the rider, endorsement, or floater should be reported on the same annual statement line as the base policy.~~

~~**Primary policy:**~~ ~~Cybersecurity insurance that responds first to an insured loss, either on a first-dollar basis, or after allowing for a deductible.~~

~~**Excess policy:**~~ ~~Cybersecurity insurance that provides additional financial limits above those covered by the primary insurance policy.~~

~~**Identity Theft Insurance**~~

~~For the purposes of this reporting form, identity theft insurance applies to personal lines insurance through a single policy or as part of another personal lines coverage that covers only identity theft and identity theft restoration~~

CYBERSECURITY ~~AND IDENTITY THEFT~~ INSURANCE COVERAGE SUPPLEMENT
PART 2 – ~~STAND-ALONE~~PRIMARY CYBERSECURITY ~~POLICIES~~POLICY/COVERAGE FORM
POLICY AND CLAIMS DATA

If the reporting entity answers "yes" to ~~either~~ Question 1 ~~or Question 4~~ of Part 1, then Part 2 should be completed. Part 2 should be reported on a direct basis (before assumed and ceded reinsurance).

Column 1 – Cybersecurity Insurance

This column only applies to commercial lines.

~~Column 2 – Identity Theft Insurance~~

~~This column only applies to personal lines.~~

Line 7 – Number of Policies in Force ~~– Claims-Made~~

~~For Column 1, Cybersecurity Insurance, provide~~ Provide the number of ~~claims-made~~all policies in force as of December 31.

Line 8 – Number of ~~Policies in Force – Occurrence~~Claims Reported – First-Party

~~For Column 1, Cybersecurity Insurance, provide~~ Provide the number of ~~occurrence policies in force~~first-party claims reported by incident.

Line 9 – Number of Claims Reported – Third-Party

Provide the number of third-party claims reported by incident.

Line 10 – Number of Claims Reported – Total

Line 10 should equal Line 8 plus Line 9.

Line ~~9~~11 – Number of ~~Policies in Force – Total~~Claims Open – First-Party

~~Line 9 should equal Line 7 plus Line 8 for Column 1, Cybersecurity Insurance.~~

Provide the ~~total number of policies in force for Column 2, Identity Theft Insurance.~~number of first-party claims open by incident. ~~These claims should have reserves or payouts greater than zero.~~

Line 12 – Number of Claims Open – Third-Party

Provide the number of third-party claims open by incident.

Line 13 – Number of Claims Open – Total

Line 13 should equal Line 11 plus Line 12.

Line 14~~0~~ – Number of Claims ~~Reported – First-Party~~Closed With Payment – First-Party

~~For Column 1, Cybersecurity Insurance, provide the number of first-party claims reported by incident.~~Provide the number of first-party claims closed with payment ~~greater than zero~~ by incident.

Line 15 – Number of Claims Closed With Payment – Third-Party

Provide the number of third-party claims closed with payment by incident.

Line 16 – Number of Claims Closed With Payment – Total

Line 16 should equal Line 14 plus Line 15.

Line 17~~1~~ – Number of Claims ~~Reported – Third-Party~~Closed Without Payment – First-Party

~~For Column 1, Cybersecurity Insurance, provide~~ Provide the number of ~~third-party claims reported by incident.~~ first-party claims closed without payment by incident.

Line 18 – Number of Claims Closed Without Payment – Third-Party

Provide the number of third-party claims closed without payment by incident.

Line 19 – Number of Claims Closed Without Payment – Total

Line 19 should equal Line 17 plus Line 18.

~~Line 12 – Number of Claims Reported – Total~~

~~Line 12 should equal Line 10 plus Line 11 for Column 1, Cybersecurity Insurance.~~

~~Provide the total number of claims reported for Column 2, Identity Theft Insurance.~~

~~Line 13 – Number of Claims Open – First-Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of first-party claims open by incident.~~

~~Line 14 – Number of Claims Open – Third-Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of third-party claims open by incident.~~

~~Line 15 – Number of Claims Open – Total~~

~~Line 15 should equal Line 13 plus Line 14 for Column 1, Cybersecurity Insurance.~~

~~Provide the total number of claims open for Column 2, Identity Theft Insurance.~~

~~Line 16 – Number of Claims Closed with Payment – First-Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of first-party claims closed with payment by incident.~~

~~Line 17 – Number of Claims Closed with Payment – Third-Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of third-party claims closed with payment by incident.~~

~~Line 18 – Number of Claims Closed with Payment – Total~~

~~Line 18 should equal Line 16 plus Line 17 for Column 1, Cybersecurity Insurance.~~

~~Provide the total number of claims closed with payment for Column 2, Identity Theft Insurance.~~

~~Line 19 – Number of Claims Closed Without Payment – First-Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of first-party claims closed without payment by incident.~~

~~Line 20 Number of Claims Closed Without Payment – Third-Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of third-party claims closed without payment by incident.~~

~~Line 21 Number of Claims Closed Without Payment – Total~~

~~Line 21 should equal Line 19 plus Line 20 for Column 1, Cybersecurity Insurance.~~

~~Provide the total number of claims closed without payment for Column 2, Identity Theft Insurance.~~

CYBERSECURITY ~~AND IDENTITY THEFT~~ INSURANCE COVERAGE SUPPLEMENT
PART 3 – EXCESS CYBERSECURITY POLICY/COVERAGE FORM~~PART OF A PACKAGE POLICY~~~~CYBERSECURITY COVERAGE AS AN ENDORSEMENT~~
POLICY AND CLAIMS DATA

If the reporting entity answers "yes" to ~~either~~ Question 2 ~~or Question 5~~ of Part 1, then Part 3 should be completed. Part 3 should be reported on a direct basis (before assumed and ceded reinsurance), including quantified and estimated premiums. ~~If premium is part of the policy and a separate premium is not charged for cybersecurity, estimate the premium for cyber security coverage and report in the estimated lines.~~

Column 1 – Cybersecurity Insurance

This column only applies to commercial lines.

~~Column 2 – Identity Theft Insurance~~

~~This column only applies to personal lines.~~

Line ~~9~~7 – Number of Policies in Force~~ – Claims-Made~~

~~For Column 1, Cybersecurity Insurance, provide~~ Provide the number of ~~claims-made~~ policies in force as of December 31.

Line ~~10~~8 – Number of ~~Policies in Force – Occurrence~~Claims Reported – First-Party

~~For Column 1, Cybersecurity Insurance, provide~~ Provide the number ~~occurrence policies in force.~~of first-party claims reported by incident.

Line 9 – Number of Claims Reported – Third-Party

Provide the number of third-party claims reported by incident.

Line 10 – Number of Claims Reported – Total

Line 10 should equal Line 8 plus Line 9.

Line 11 – Number of ~~Policies in Force – Total~~Claims Open – First-Party

~~Line 11 should equal Line 9 plus Line 10 for Column 1, Cybersecurity Insurance.~~

Provide the ~~total number of policies in force for Column 2, Identity Theft Insurance.~~number of first-party claims open by incident.

Line 12 – Number of Claims Open – Third-Party

Provide the number of third-party claims open by incident.

Line 13 – Number of Claims Open – Total

Line 13 should equal Line 11 plus Line 12.

Line ~~12~~14 – Number of Claims ~~Reported – First-Party~~Closed With Payment – First-Party

~~For Column 1, Cybersecurity Insurance, provide~~ Provide the number of ~~first-party claims reported by incident.~~first-party claims closed with payment by incident.

Line 15 – Number of Claims Closed With Payment – Third-Party

Provide the number of third-party claims closed with payment by incident.

Line 16 – Number of Claims Closed With Payment – Total

Line 16 should equal Line 14 plus Line 15.

Line ~~13~~17 – Number of Claims ~~Reported – Third-Party~~Closed Without Payment – First-Party

~~For Column 1, Cybersecurity Insurance, provide~~ Provide the number of ~~third-party claims reported by incident.~~ first-party claims closed without payment by incident.

Line 18 – Number of Claims Closed Without Payment – Third-Party

Provide the number of third-party claims closed without payment by incident.

Line 19 – Number of Claims Closed Without Payment – Total

Line 19 should equal 17 plus line 18.

~~Line 14 – Number of Claims Reported – Total~~

~~Line 14 should equal Line 12 plus Line 13 for Column 1, Cybersecurity Insurance.~~

~~Provide the total number of claims reported for Column 2, Identity Theft Insurance.~~

~~Line 15 – Number of Claims Open – First-Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of first-party claims open by incident.~~

~~Line 16 – Number of Claims Open – Third-Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of third-party claims open by incident.~~

~~Line 17 – Number of Claims Open – Total~~

~~Line 17 should equal Line 15 plus Line 16 for Column 1, Cybersecurity Insurance.~~

~~Provide the total number of claims open for Column 2, Identity Theft Insurance.~~

~~Line 18 – Number of Claims Closed with Payment – First-Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of first-party claims closed with payment by incident.~~

~~Line 19 – Number of Claims Closed with Payment – Third-Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of third-party claims closed with payment by incident.~~

~~Line 20 – Number of Claims Closed with Payment – Total~~

~~Line 20 should equal Line 18 plus Line 19 for Column 1, Cybersecurity Insurance.~~

~~Provide the total number of claims closed with payment for Column 2, Identity Theft Insurance.~~

~~Line 21~~ ~~Number of Claims Closed Without Payment – First-Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of first-party claims closed without payment by incident.~~

~~Line 22~~ ~~Number of Claims Closed Without Payment – Third-Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of third-party claims closed without payment by incident.~~

~~Line 23~~ ~~Number of Claims Closed Without Payment – Total~~

~~Line 23 should equal Line 21 plus Line 22 for Column 1, Cybersecurity Insurance.~~

~~Provide the total number of claims closed without payment for Column 2, Identity Theft Insurance.~~

CYBERSECURITY INSURANCE COVERAGE SUPPLEMENT
PART 4 – CYBERSECURITY COVERAGE AS AN ENDORSEMENT~~EXCESS CYBERSECURITY POLICIES~~ POLICY AND CLAIMS DATA

If the reporting entity answers "yes" to Question ~~1~~3 of Part 1, then Part 4 should be completed. Part 4 should be reported on a direct basis (before assumed and ceded reinsurance), including estimated premiums. If premium is part of the policy and a separate premium is not charged for cybersecurity, estimate the premium for cyber security coverage and report in the estimated lines.

Column 1 – Cybersecurity Insurance

This column only applies to commercial lines.

Line 7 – Number of Policies in Force

Provide the number of all policies in force as of December 31.

Line 8 – Number of Claims Reported – First-Party

Provide the number of first-party claims reported per incident.

Line 9 – Number of Claims Reported – Third-Party

Provide the number of third-party claims reported per incident.

Line 10 – Number of Claims Reported – Total

Line 10 should equal Line 8 plus Line 9.

Line ~~9~~11 – Number of Claims Open – First-Party

Provide the number of first-party claims open by incident. ~~These claims should have reserves or payouts greater than zero.~~

Line 12 – Number of Claims Open – Third-Party

Provide the number of third-party claims open by incident.

Line 13 – Number of Claims Open – Total

Line 13 should equal Line 11 plus Line 12.

Line ~~10~~14 – Number of Claims Closed With Payment – First-Party

Provide the number of first-party claims closed with payment ~~greater than zero~~ by incident.

Line 15 – Number of Claims Closed With Payment – Third-Party

Provide the number of third-party claims closed with payment by incident.

Line 16 – Number of Claims Closed With Payment – Total

Line 16 should equal Line 14 plus Line 15.

Line ~~13~~17 – Number of Claims Closed Without Payment – First-Party

Provide the number of first-party claims closed without payment by incident.

Line 18 – Number of Claims Closed Without Payment – Third-Party

Provide the number of third-party claims closed without payment by incident.

Line 19 – Number of Claims Closed Without Payment – Total

Line 19 should equal Line 17 plus Line 18.

CYBERSECURITY INSURANCE COVERAGE SUPPLEMENT
PART 5 – CYBERSECURITY COVERAGE BY STATE

If the reporting entity answers "yes" to Question 4, then Part 5 should be completed. Part 5 should report which state(s) cybersecurity coverage have direct written premium as reported in Parts 2, 3, and 4. No field should be left blank in the table. (Note: Column 1 – Stand-alone and Column 2 – Packaged are considered Primary but on Part 5 they are listed separately to see what type of policies are being written.)

Column 1 – Stand-alone

If Part 2 is completed, indicate "Yes" in each state's row that has direct written premium reported in Part 2 from cybersecurity coverage issued as a stand-alone policy without additional coverage types (e.g., monoline, non-packed). Otherwise, indicate "No" for each state. Or, if all Part 2 direct written premiums are Packaged (column 2 below), indicate "NA" for each state.

Column 2 – Packaged

If Part 2 is completed, indicate "Yes" in each state's row that has direct written premium reported in Part 2 from cybersecurity coverage issued as a packaged policy issued with additional coverage (e.g., multi-peril or modular packaging). Otherwise, indicate "No" for each state. Or, if all Part 2 direct written premiums are Stand-alone (column 1 above), indicate "NA" for each state.

Column 3 – Excess

If Part 3 is completed, indicate "Yes" in each state's row that has direct written premium reported in Part 3. Otherwise, indicate "No" for each state.

If Part 3 is not completed, indicate "NA" for each state.

Column 4 – Endorsement

If Part 4 is completed, indicate "Yes" in each state's row that has direct written premium reported in Part 4. Otherwise, indicate "No" for each state.

If Part 4 is not completed, indicate "NA" for each state.

ANNUAL STATEMENT BLANK - PROPERTY

CYBERSECURITY ~~AND IDENTITY THEFT~~ INSURANCE COVERAGE SUPPLEMENT

For The Year Ended December 31, 20__
(To Be Filed by April 1)

NAIC Group Code .... NAIC Company Code ....

Company Name ....

PART 1 – INTERROGATORIES

Cybersecurity Insurance Coverage:

1. Does the reporting entity write any ~~stand-alone~~primary cybersecurity insurance coverage? Yes [ ] No [ ]

   If yes, complete ~~Column 1 for~~ Part 2.

2. Does the reporting entity write any cybersecurity insurance coverage provided as ~~part of a package policy~~an excess policy~~endorsement~~? Yes [ ] No [ ]

   If yes, complete ~~Column 1 for~~ Part 3.

3. ~~If the liability portion of a cybersecurity insurance policy is a claims-made policy, is an extended reporting endorsement (tail coverage) offered~~Does the reporting entity write any cybersecurity insurance coverage provided as an endorsement~~excess policy~~? Yes [ ] No [ ] ~~N/A [ ]~~

   If yes, complete Part 4.

4. Does the reporting entity answer “yes” to questions 1, 2, or 3? Yes [ ] No [ ]

   If yes, complete Part 5.

~~**Identity Theft Insurance Coverage:**~~

~~4. Does the reporting entity write any stand-alone identity theft insurance coverage?~~ ~~Yes [ ] No [ ]~~

~~If yes, complete Column 2 for Part 2.~~

~~5. Does the reporting entity write any identity theft insurance coverage provided as part of a package policy?~~ ~~Yes [ ] No [ ]~~

~~If yes, complete Column 2 for Part 3.~~

CYBERSECURITY ~~AND IDENTITY THEFT~~ INSURANCE COVERAGE SUPPLEMENT

PART 2 – ~~STAND-ALONE~~PRIMARY CYBERSECURITY ~~POLICIES~~POLICY/COVERAGE FORM
POLICY AND CLAIMS DATA

	1 Cybersecurity Insurance	~~2~~ ~~Identity Theft Insurance~~
Direct Premiums		
1. Written	....	~~........~~
2. Earned	....	~~........~~
Direct Losses		
3. Paid	....	~~........~~
4. Incurred	....	~~........~~
Direct Defense and Cost Containment		
5. Paid	....	~~........~~
6. Incurred	....	~~........~~
Number of Policies in Force		
7. ~~Claims-Made~~Number of Policies in Force	....	~~XXX~~
Number of Claims Reported~~Claims~~		
~~10~~8. First-Party~~Number of Claims Reported~~	....	~~XXX~~
~~11~~9. Third-Party~~Number of Claims Open~~	....	~~XXX~~
~~12~~10. Total (8 + 9)~~Number of Claims Closed with Payment~~	....	~~........~~
~~11. Number of Claims Closed without Payment~~	~~........~~	
Number of Claims Open		
~~13~~11. First Party	....	~~XXX~~
~~14~~12. Third Party	....	~~XXX~~
~~15~~13. Total (~~13~~ 11 + ~~14~~12)	....	~~........~~
Number of Claims Closed with Payment		
~~16~~14. First Party	....	~~XXX~~
~~17~~15. Third Party	....	~~XXX~~
~~18~~16. Total (~~16~~ 14 + ~~17~~15)	....	~~........~~
Number of Claims Closed without Payment		
~~19~~17. First Party	....	~~XXX~~
~~20~~18. Third Party	....	~~XXX~~
~~21~~19. Total (~~19~~ 17 + ~~20~~18)		

CYBERSECURITY ~~AND IDENTITY THEFT~~ INSURANCE COVERAGE SUPPLEMENT

PART 3 – EXCESS CYBERSECURITY POLICY/COVERAGE FORM~~PART OF A PACKAGE POLICYCYBERSECURITY COVERAGE AS AN ENDORSEMENT~~

POLICY AND CLAIMS DATA

	1 Cybersecurity Insurance	~~2~~ ~~Identity Theft Insurance~~
Direct Premiums ~~Quantified~~		
1. Written	....	~~........~~
2. Earned	....	~~........~~
~~Direct Premiums Estimated Using Reasonable Assumptions~~		
~~3. Written~~	~~........~~	~~........~~
~~4. Earned~~	~~........~~	~~........~~
Direct Losses		
~~5~~3. Paid	....	~~........~~
~~6~~4. ~~Case Reserves~~Incurred	....	~~........~~
Direct Defense and Cost Containment		
~~7~~5. Paid	....	~~........~~
~~8~~6. ~~Case Reserves~~Incurred	....	~~........~~
Number of Policies in Force		
~~9~~7. ~~Claims-Made~~Number of Policies in Force	....	~~XXX~~
~~10. Occurrence~~	~~........~~	~~XXX~~
~~11. Total (9 + 10)~~	~~........~~	~~........~~
Number of Claims Reported		
~~12~~8. First-Party~~Number of Claims Reported~~	....	~~XXX~~
~~13~~9. Third-Party~~Number of Claims Open~~	....	~~XXX~~
~~14~~10. Total (8 + 9)~~Number of Claims Closed with Payment~~	....	~~........~~
~~13. Number of Claims Closed without Payment~~	~~........~~	
Number of Claims Open		
~~15~~11. First Party	....	~~XXX~~
~~16~~12. Third Party	....	~~XXX~~
~~17~~13. Total (~~15~~ 11 + ~~16~~12)	....	~~........~~
Number of Claims Closed with Payment		
~~18~~14. First Party	....	~~XXX~~
~~19~~15. Third Party	....	~~XXX~~
~~20~~16. Total (~~18~~ 14 + ~~19~~15)	....	~~........~~
Number of Claims Closed without Payment		
~~21~~17. First Party	....	~~XXX~~
~~22~~18. Third Party	....	~~XXX~~
~~23~~19. Total (~~21~~ 17 + ~~22~~18)		

CYBERSECURITY INSURANCE COVERAGE SUPPLEMENT

PART 4 – CYBERSECURITY COVERAGE AS AN ENDORSEMENT~~EXCESS CYBERSECURITY POLICIES~~
POLICY AND CLAIMS DATA

	1 Cybersecurity Insurance
Direct Premiums Estimated Using Reasonable Assumptions	
1. Written	
2. Earned	
Direct Losses	
3. Paid	
4. Incurred	
Direct Defense and Cost Containment	
5. Paid	
6. Incurred	
Number of Policies in Force	
7. Number of Policies in Force	
Number of Claims Reported	
8. First-Party~~Number of Claims Reported~~	
9. Third-Party~~Number of Claims Open~~	
10. Total (8 + 9)~~Number of Claims Closed with Payment~~	
~~11. Number of Claims Closed without Payment~~	
Number of Claims Open	
11. First-Party	
12. Third-Party	
13. Total (11 + 12)	
Number of Claims Closed with Payment	
14. First-Party	
15. Third-Party	
16. Total (14 + 15)	
Number of Claims Closed without Payment	
17. First-Party	
18. Third-Party	
19. Total (17 + 18)	

CYBERSECURITY INSURANCE COVERAGE SUPPLEMENT

PART 5 – CYBERSECURITY COVERAGE BY STATE

STATE	1 STAND-ALONE	2 PACKAGED	3 EXCESS	4 ENDORSEMENT
Alabama				
Alaska				
Arizona				
Arkansas				
California				
Colorado				
Connecticut				
Delaware				
District of Columbia				
Florida				
Georgia				
Hawaii				
Idaho				
Illinois				
Indiana				
Iowa				
Kansas				
Kentucky				
Louisiana				
Maine				
Maryland				
Massachusetts				
Michigan				
Minnesota				
Mississippi				
Missouri				
Montana				
Nebraska				
Nevada				
New Hampshire				
New Jersey				
New Mexico				
New York				
North Carolina				
North Dakota				
Ohio				
Oklahoma				
Oregon				
Pennsylvania				
Rhode Island				
South Carolina				
South Dakota				
Tennessee				
Texas				
Utah				
Vermont				
Virginia				
Washington				
West Virginia				
Wisconsin				
Wyoming				
American Samoa				
Guam				
Puerto Rico				
U.S. Virgin Islands				
Northern Mariana Islands				
Canada				
Aggregate Other Alien				

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

DATE: 09/26/2023	**FOR NAIC USE ONLY**
CONTACT PERSON:	Agenda Item # 2023-13BWG MOD
TELEPHONE:	Year 2024
EMAIL ADDRESS:	Changes to Existing Reporting [ ]
ON BEHALF OF:	New Reporting Requirement [X]
NAME: **Dale Bruggeman**	**REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT**
TITLE: **Chair SAPWG**	No Impact [X] Modifies Required Disclosure [ ]
AFFILIATION: **Ohio Department of Insurance**	Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No] ****If Yes, complete question below****
ADDRESS: **50W. Town St., 3rd Fl., Ste. 300**	**DISPOSITION**
Columbus, OH 43215	[ ] Rejected For Public Comment [ ] Referred To Another NAIC Group [ ] Received For Public Comment [X] Adopted Date 02/21/2024 [ ] Rejected Date [ ] Deferred Date [ ] Other (Specify)

BLANK(S) TO WHICH PROPOSAL APPLIES

[X] **ANNUAL STATEMENT**	[X] **INSTRUCTIONS**	[ ] **CROSSCHECKS**
[X] **QUARTERLY STATEMENT**	[ ] **BLANK**	
[X] Life, Accident & Health/Fraternal	[ ] Separate Accounts	[X] Title
[X] Property/Casualty	[ ] Protected Cell	[ ] Other
[X] Health	[ ] Health (Life Supplement)	[ ] Life (Health Supplement)

Anticipated Effective Date: Annual 2024

IDENTIFICATION OF ITEM(S) TO CHANGE

Add new instruction and illustration under Note 5 – Investments for Net Negative (Disallowed) Interest Maintenance Reserve (IMR)and a new general interrogatory for a company attestation.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

This proposal updates Notes to Financial Statement and General Interrogatories for the Statutory Accounting Principles Working Group's disclosure on Net Negative (Disallowed) Interest Maintenance Reserve (INT 23-01)

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:

Other Comments:

** **This section must be completed on all forms.** **Revised 11/17/2022**

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

NOTES TO FINANCIAL STATEMENTS

5. Investments

Instruction:

Detail Eliminated To Conserve Space

R. The financial statements shall disclose the reporting entity's share of the cash pool by asset type (cash, cash equivalents, or short-term investments).

This note shall only be completed in the event the reporting entity has a reported balance in a qualified cash pool (Line 8409999999 in Schedule E, Part 2). As an example, if a reporting entity has a $1M cash balance in a qualified cash pool, and the cash pool report indicated their $1M position represented $700K in cash, $200k in cash equivalents and $100k in short-term investments, the disclosure would indicate cash at 70%, cash equivalents at 20% and short-term investments at 10%. The summation of investment makeup percentages must equal 100%.

S. Reporting entities admitting net negative (disallowed) IMR are required to complete the following disclosures in the quarterly and annual financial statements. (*Note 5S only applies to Life/Fraternal companies*).

(1) Net negative (disallowed) IMR in aggregate and allocated between the general account, insulated separate account and non-insulated account.

(2) Amounts of negative IMR admitted in the general account and reported as an asset in the insulated separate account and non-insulated blank. (Note: If a company completes this Note, consideration should be given to updating Note 13I (Reasons for Changes in Balance of Special Surplus Funds from Prior Period).)

(3) The calculated adjusted capital and surplus.

(4) Percentage of adjusted capital and surplus for which the admitted net negative (disallowed) IMR represents (including what is admitted in the general account and what is recognized as an asset in the separate account).

(5) Reporting entities that have allocated gains/losses to IMR from derivatives that were reported at fair value prior to the termination of the derivative shall disclose the unamortized balances in IMR from these allocations separately between gains and losses.

Detail Eliminated To Conserve Space

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.

S. Reporting Net Negative (Disallowed) Interest Maintenance Reserve (IMR)

(1) Net negative (disallowed) IMR

Total	General Account	Insulated Separate Account	Non-Insulated Separate Account
$	$	$	$ ....

(2) Negative (disallowed) IMR admitted

Total	General Account	Insulated Separate Account	Non-Insulated Separate Account
$	$	$	$ ....

(3) Calculated adjusted capital and surplus

	Total
Prior Period General Account Capital & Surplus From Prior Period SAP Financials	$ ....
Net Positive Goodwill (admitted)	$ ....
EDP Equipment & Operating System Software (admitted)	$ ....
Net DTAs (admitted)	$ ....
Net Negative (disallowed) IMR (admitted)	$ ....
Adjusted Capital & Surplus	$ ....

(4) Percentage of adjusted capital and surplus

	Total
Percentage of Total Net Negative (disallowed) IMR admitted in General Account or recognized in Separate Account to adjusted capital and surplus	%

(5) Allocated gains/losses to IMR from derivatives

	Gains	Losses
Unamortized Fair Value Derivative Gains & Losses Realized to IMR – Prior Period	$	$ ....
Fair Value Derivative Gains & Losses Realized to IMR – Added in Current Period	$	$ ....
Fair Value Derivative Gains & Losses Amortized Over Current Period	$	$ ....
Unamortized Fair Value Derivative Gains & Losses Realized to IMR – Current Period Total	$	$ ....

******Drafting Note – The new interrogatory is moving to Life/Fraternal Part 2 Interrogatories******

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

INVESTMENT

Detail Eliminated To Conserve Space

~~38 Answer "YES" if the company is admitting net negative (disallowed) interest maintenance reserve (IMR). Life/Fraternal companies should answer "YES" or "NO". Property/Casualty, Health, and Title companies should answer "N/A"~~

38~~39~~.1 Answer "YES" if the company directly owns cryptocurrencies. Answer "NO" if the company does not directly own cryptocurrencies or only holds cryptocurrencies indirectly through funds (ETFs, Mutual Funds, etc.) *INT 21-01: Accounting for Cryptocurrencies* established that directly held cryptocurrencies do not meet the definition of cash or an admitted asset and are therefore considered to be a nonadmitted asset for statutory accounting.

38~~39~~.2 If the answer to 38.1 is "YES", specify on which schedule they are reported. (e.g., Schedule BA, etc.)

39~~40~~.2 If the answer to 39.1 is "YES", indicate if it is the policy of the reporting entity to directly hold cryptocurrency accepted as payment for premiums or immediately convert to U.S. dollars. Select "YES" for both questions if some cryptocurrencies are held directly and others are immediately converted to U.S. dollars.

39~~40~~.21 Answer "YES" if it is the policy of the reporting entity to directly hold cryptocurrency that was accepted as payment for premiums.

39~~40~~.22 Answer "YES" if it is the policy of the reporting entity to immediately convert cryptocurrency accepted as payment for premiums to U.S. dollars.

39~~40~~.3 If the answer to 38.1 or 39.1 is "YES", complete Columns 1 through 3 for each cryptocurrency accepted for payments of premiums or held directly.

Name of Cryptocurrency:

Provide the name of each cryptocurrency accepted for payments of premiums or held directly.

Immediately Converted to USD, Directly Held, or Both:

For each cryptocurrency listed, provide one of the following responses:

- Immediately converted to USD
- Directly held,
- Both.

Accepted for Payment of Premiums:

If the cryptocurrencies are accepted for the payment of premiums provide the response of "YES" in the column otherwise the response in the column should be "NO".

OTHER

40~~41~~. The purpose of this General Interrogatory is to capture information about payments to any trade association, service organization, and statistical or rating bureau. A "service organization" is defined as every person, partnership, association or corporation that formulates rules, establishes standards, or assists in the making of rates or standards for the information or benefit of insurers or rating organizations.

41~~42~~. The purpose of this General Interrogatory is to capture information about legal expenses paid during the year. These expenses include all fees or retainers for legal services or expenses, including those in connection with matters before administrative or legislative bodies. It excludes salaries and expenses of company personnel, legal expenses in connection with investigation, litigation and settlement of policy claims, and legal fees associated with real estate transactions, including mortgage loans on real estate. Do not include amounts reported in General Interrogatories No. 40 and No. 42.

42~~43~~. The purpose of this General Interrogatory is to capture information about expenditures in connection with matters before legislative bodies, officers or departments of government paid during the year. These expenses are related to general legislative lobbying and direct lobbying of pending and proposed statutes or regulations before legislative bodies and/or officers or departments of government. Do not include amounts reported in General Interrogatories No. 40 and No. 41.

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL

GENERAL INTERROGATORIES

PART 2 – LIFE ACCIDENT HEALTH COMPANIES/FRATERNAL BENEFIT SOCIETIES INTERROGATORIES

Life and Accident Health Companies/Fraternal Benefit Societies:

Detail Eliminated To Conserve Space

8. A "YES" answer indicates the reporting entity is a multistate company based on the information reported in Schedule T – Exhibit of Premiums Written.

   If the sum of codes L, R, E and Q provided in Column 1 of Schedule T is greater than 1, the answer to Question 8 should be "YES."

8.1 A "YES" answer indicates that while the reporting entity does not meet the criteria shown on Schedule T to be considered a multistate insurer, the reporting entity's assumption of business that covers risks in at least two states will qualify the entity as multistate.

9. Answer "YES" if the company is admitting net negative (disallowed) interest maintenance reserve (IMR). Life/Fraternal companies should answer "YES" or "NO". Property/Casualty, Health, and Title companies should answer "N/A"

Life Accident and Health Companies Only:

~~9~~10.1 The response is "YES" if subsidiaries or affiliates use or provide personnel or facilities. Third-party expenditures should be excluded.

~~9~~10.2 Report the amount of expense paid this year by this company for services received in the paid line. Report the amount received by this company for services it provided in the received line.

~~13~~14.1 Worker's compensation carve-out business is defined as reinsurance (including retrocessional reinsurance) assumed by life and health insurers of medical, wage loss and death benefits of the occupational illness and accident exposures, but not the employer's liability exposures, of business originally written as workers compensation insurance.

Fraternal Benefit Societies Only:

~~32~~33.2 N/A is an acceptable response only if Interrogatory 32.1 was answered NO.

~~33~~34.2 N/A is an acceptable response only if Interrogatory 33.1 was answered NO.

~~35~~36.2 If there are multiple liens, they should be listed individually.

******Drafting Note – The new interrogatory is moving to Life/Fraternal Part 2 Interrogatories******

ANNUAL STATEMENT BLANK – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

INVESTMENT

Detail Eliminated To Conserve Space

~~38. Reporting entities admitting net negative (disallowed) interest maintenance reserve (IMR) attest to the following:~~

~~a. Fixed income investments generating IMR losses comply with the reporting entity's documented investment or liability management policies.~~

~~b. IMR losses for fixed income related derivatives are all in accordance with prudent and documented risk management procedures, in accordance with a reporting entity's derivative use plans and reflect symmetry with historical treatment in which unrealized derivative gains were reversed to IMR and amortized in lieu of being recognized as realized gains upon derivative termination.~~

~~c. Any deviation to (a) was either because of a temporary and transitory timing issue or related to a specific event, such as a reinsurance transaction, that mechanically made the cause of IMR losses not reflective of reinvestment activities.~~

~~d. Asset sales that were generating admitted negative IMR were not compelled by liquidity pressures (e.g., to fund significant cash outflows including, but not limited to excess withdrawals and collateral calls).~~

~~Is the reporting entity admitting net negative (disallowed) IMR in accordance with these criteria?~~ ~~Yes [ ] No [ ] N/A [ ]~~

38~~39~~.1 Does the reporting entity directly hold cryptocurrencies? Yes [ ] No [ ]
38~~39~~.2 If the response to 38.1 is yes, on what schedule are they reported?
39~~40~~.1 Does the reporting entity directly or indirectly accept cryptocurrencies as payments for premiums on policies? Yes [ ] No [ ]
39~~40~~.2 If the response to 39.1 is yes, are the cryptocurrencies held directly or are they immediately converted to U.S. dollars?
39.21 Held directly Yes [ ] No [ ]
39.22 Immediately converted to U.S. dollars Yes [ ] No [ ]
39~~40~~.3 If the response to 38.1 or 39.1 is yes, list all cryptocurrencies accepted for payments of premiums or that are held directly.

1 Name of Cryptocurrency	2 Immediately Converted to USD, Directly Held, or Both	3 Accepted for Payment of Premiums

OTHER

40~~41~~.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $ ____________
40~~41~~.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations, and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
	$
	$
	$
	$

41~~42~~.1 Amount of payments for legal expenses, if any? $ ____________

41~~42~~.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
	$
	$
	$
	$

42~~43~~.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers, or departments of government, if any? $ ____________

42~~43~~.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers, or departments of government during the period covered by this statement.

ANNUAL STATEMENT BLANK – LIFE/FRATERNAL

GENERAL INTERROGATORIES

PART 2 –LIFE, ACCIDENT AND HEALTH COMPANIES/FRATERNAL BENEFIT SOCIETIES INTERROGATORIES

Detail Eliminated To Conserve Space

8. Is the reporting entity licensed or chartered, registered, qualified, eligible or writing business in at least two states? Yes [ ] No [ ]

8.1 If no, does the reporting entity assume reinsurance business that covers risks residing in at least one state other than the state of domicile of the reporting entity? Yes [ ] No [ ]

9. Reporting entities admitting net negative (disallowed) interest maintenance reserve (IMR) attest to the following:

a. Fixed income investments generating IMR losses comply with the reporting entity's documented investment or liability management policies.

b. IMR losses for fixed income related derivatives are all in accordance with prudent and documented risk management procedures, in accordance with a reporting entity's derivative use plans and reflect symmetry with historical treatment in which unrealized derivative gains were reversed to IMR and amortized in lieu of being recognized as realized gains upon derivative termination.

c. Any deviation to (a) was either because of a temporary and transitory timing issue or related to a specific event, such as a reinsurance transaction, that mechanically made the cause of IMR losses not reflective of reinvestment activities.

d. Asset sales that were generating admitted negative IMR were not compelled by liquidity pressures (e.g., to fund significant cash outflows including, but not limited to excess withdrawals and collateral calls).

Is the reporting entity admitting net negative (disallowed) IMR in accordance with these criteria? Yes[ ] No [ ] N/A [ ]

Life, Accident and Health Companies Only:

~~9~~10.1 Are personnel or facilities of this reporting entity used by another entity or entities or are personnel or facilities of another entity or entities used by this reporting entity (except for activities such as administration of jointly underwritten group contracts and joint mortality or morbidity studies)"? Yes [ ] No [ ]

~~9~~10.2 Net reimbursement of such expenses between reporting entities:

~~9~~10.21 Paid $ ______

~~9~~10.22 Received $ ______

~~10~~11.1 Does the reporting entity write any guaranteed interest contracts? Yes [ ] No [ ]

~~10~~11.2 If yes, what amount pertaining to these items is included in:

~~10~~11.21 Page 3, Line 1 $ ______

~~10~~11.22 Page 4, Line 1 $ ______

~~11~~12. For stock reporting entities only:

~~11~~12.1 Total amount paid in by stockholders as surplus funds since organization of the reporting entity: $ ______

~~12~~13. Total dividends paid stockholders since organization of the reporting entity:

~~12~~13.11 Cash $ ______

~~12~~13.12 Stock $ ______

~~13~~14.1 Does the reporting entity reinsure any Workers' Compensation Carve-Out business defined as: Yes [ ] No [ ]

Reinsurance (including retrocessional reinsurance) assumed by life and health insurers of medical, wage loss and death benefits of the occupational illness and accident exposures, but not the employer's liability exposures, of business originally written as workers' compensation insurance.

~~13~~14.2 If yes, has the reporting entity completed the Workers' Compensation Carve-Out Supplement to the Annual Statement? Yes [ ] No [ ]

~~13~~14.3 If ~~13~~14.1 is Yes, the amounts of earned premiums and claims incurred in this statement are:

		1 Reinsurance Assumed	2 Reinsurance Ceded	3 Net Retained
~~13~~14.31	Earned premium	....	....	....
~~13~~14.32	Paid claims	....	....	....
~~13~~14.33	Claim liability and reserve (beginning of year)	....	....	....
~~13~~14.34	Claim liability and reserve (end of year)	....	....	....
~~13~~14.35	Incurred claims	....	....	....

GENERAL INTERROGATORIES

PART 2 –LIFE, ACCIDENT AND HEALTH COMPANIES/FRATERNAL BENEFIT SOCIETIES INTERROGATORIES

~~13~~14.4 If reinsurance assumed included amounts with attachment points below $1,000,000, the distribution of the amounts reported in Lines ~~13~~14.31 and ~~13~~14.34 for Column (1) are:

	Attachment Point	1 Earned Premium	2 Claim Liability and Reserve
~~13~~14.41	<$25,000		
~~13~~14.42	$25,000 — 99,999		
~~13~~14.43	$100,000 — 249,999		
~~13~~14.44	$250,000 — 999,999		
~~13~~14.45	$1,000,000 or more		

~~13~~14.5 What portion of earned premium reported in ~~13~~14.31, Column 1 was assumed from pools? $ ____________

Fraternal Benefit Societies Only:

~~14~~15. Is the reporting entity organized and conducted on the lodge system, with ritualistic form of work and representative form of government? Yes [ ] No [ ]

~~15~~16. How often are meetings of the subordinate branches required to be held?

~~16~~17. How are the subordinate branches represented in the supreme or governing body?

~~17~~18. What is the basis of representation in the governing body?

~~18~~19.1 How often are regular meetings of the governing body held?

~~18~~19.2 When was the last regular meeting of the governing body held? ____________

~~18~~19.3 When and where will the next regular or special meeting of the governing body be held?

~~18~~19.4 How many members of the governing body attended the last regular meeting? ____________

~~18~~19.5 How many of the same were delegates of the subordinate branches? ____________

~~19~~20. How are the expenses of the governing body defrayed?

~~20~~21. When and by whom are the officers and directors elected?

~~21~~22. What are the qualifications for membership?

~~22~~23. What are the limiting ages for admission?

~~23~~24. What is the minimum and maximum insurance that may be issued on any one life?

~~24~~25. Is a medical examination required before issuing a benefit certificate to applicants? Yes [ ] No [ ]

~~25~~26. Are applicants admitted to membership without filing an application with and becoming a member of a local branch by ballot and initiation? Yes [ ] No [ ]

~~26~~27.1 Are notices of the payments required sent to the members? Yes [ ] No [ ] N/A [ ]

~~26~~27.2 If yes, do the notices state the purpose for which the money is to be used? Yes [ ] No [ ]

~~27~~28. What proportion of first and subsequent year's payments may be used for management expenses?

~~27~~28.11 First Year ____________ %

~~27~~28.12 Subsequent Years ____________ %

~~28~~29.1 Is any part of the mortuary, disability, emergency or reserve fund, or the accretions from or payments for the same, used for expenses? Yes [ ] No [ ]

~~28~~29.2 If so, what amount and for what purpose?

~~29~~30.1 Does the reporting entity pay an old age disability benefit? Yes [ ] No [ ]

~~29~~30.2 If yes, at what age does the benefit commence? ____________

~~30~~31.1 Has the constitution or have the laws of the reporting entity been amended during the year? Yes [ ] No [ ]

~~30~~31.2 If yes, when?

~~31~~32. Have you filed with this Department all forms of benefit certificates issued, a copy of the constitution and all of the laws, rules and regulations in force at the present time? Yes [ ] No [ ]

~~32~~33.1 State whether all or a portion of the regular insurance contributions were waived during the current year under premium-paying certificates on account of meeting attained age or membership requirements. Yes [ ] No [ ]

~~32~~33.2 If so, was an additional reserve included in Exhibit 5? Yes [ ] No [ ] N/A [ ]

~~32~~33.3 If yes, explain

~~33~~34.1 Has the reporting entity reinsured, amalgamated with, or absorbed any company, order, society, or association during the year? Yes [ ] No [ ]

~~33~~34.2 If yes, was there any contract agreement, or understanding, written or oral, expressed or implied, by means of which any officer, director, trustee, or any other person, or firm, corporation, society or association, received or is to receive any fee, commission, emolument, or compensation of any nature whatsoever in connection with, on an account of such reinsurance, amalgamation, absorption, or transfer of membership or funds? Yes [ ] No [ ] N/A [ ]

~~34~~35. Has any present or former officer, director, trustee, incorporator, or any other persons, or any firm, corporation, society or association, any claims of any nature whatsoever against this reporting entity, which is not included in the liabilities on Page 3 of this statement? Yes [ ] No [ ]

~~35~~36.1 Does the reporting entity have outstanding assessments in the form of liens against policy benefits that have increased surplus? Yes [ ] No [ ]

~~35~~36.2 If yes, what is the date of the original lien and the total outstanding balance of liens that remain in surplus?

Date	Outstanding Lien Amount
	$
	$
	$

https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2024springnm/summary and minutes/bwg/att 2b_2023-13bwg_modified.docx

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

	DATE:	**09/25/2023**
CONTACT PERSON:	**Crystal Brown**	
TELEPHONE:	**816-783-8146**	
EMAIL ADDRESS:	**cbrown@naic.org**	
ON BEHALF OF:	**Health Risk-Based Capital (E) Working Group**	
NAME:	**Steve Drutz**	
TITLE:	**Chair**	
AFFILIATION:	**WA Office of Insurance Commissioner**	
ADDRESS:		

FOR NAIC USE ONLY

Agenda Item # 2023-14BWG MOD
Year 2024
Changes to Existing Reporting [X]
New Reporting Requirement [ ]

REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT

No Impact [X]
Modifies Required Disclosure [ ]

Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No]
****If Yes, complete question below****

DISPOSITION

[ ] Rejected For Public Comment
[ ] Referred To Another NAIC Group
[ ] Received For Public Comment
[X] Adopted Date 02/21/2024
[ ] Rejected Date ________
[ ] Deferred Date ________
[ ] Other (Specify) ________

BLANK(S) TO WHICH PROPOSAL APPLIES

[X] **ANNUAL STATEMENT**	[X] **INSTRUCTIONS**	[ ] **CROSSCHECKS**
[ ] **QUARTERLY STATEMENT**	[ ] **BLANK**	
[X] Life, Accident & Health/Fraternal	[ ] Separate Accounts	[ ] Title
[X] Property/Casualty	[ ] Protected Cell	[ ] Other ________
[X] Health	[ ] Health (Life Supplement)	[ ] Life (Health Supplement)

Anticipated Effective Date: Annual 2024

IDENTIFICATION OF ITEM(S) TO CHANGE

Revise the Health Test Language and General Interrogatories.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The purpose of this change is to clarify and create better transparency in the calculation of the premium and reserve ratios in the health test.

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:________

Other Comments:

** **This section must be completed on all forms.** **Revised 11/17/2022**

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL

GENERAL

The annual statement is to be completed in accordance with the *Annual Statement Instructions* and *Accounting Practices and Procedures Manual* except to the extent that state law, rules or regulations are in conflict with these publications. In cases of conflict, the life, accident and health annual statement will be filed pursuant to such state's filing requirements. The domiciliary state's insurance regulatory authority shall maintain full discretion in determining which NAIC annual statement blank must be filed. The annual statement blank filed with the domiciliary state shall be the blank submitted to, and maintained by, the NAIC, and barring conflict as described above, should be filed with all jurisdictions in which the reporting entity is licensed.

1. **Health Statement Test:**

If a reporting entity is licensed as a life and health insurer and completes the life, accident and health annual statement for the reporting year, the reporting entity must complete the Health Statement Test. However, a reporting entity that is required to also file the Separate Accounts Statement is not subject to the results of the Health Statement Test, and should continue to complete the life, accident and health/fraternal blank.

The Health Statement Test is designed to determine whether a reporting entity reports predominantly health lines of business. Health lines include hospital or medical policies or certificates, comprehensive major medical expense insurance and managed care contracts and exclude other health coverage such as credit insurance, disability income coverage, automobile medical coverage, workers' compensation, accidental death and dismemberment policies and long-term care policies.

Passing the Test:

A reporting entity is deemed to have passed the Health Statement Test if:

The values for the premium and reserve ratios in the Health Statement Test equal or exceed 95% for both the reporting and prior year.

If a reporting entity is a) licensed as a life and health insurer; b) completes the Life, Accident and Health annual statement for the reporting year; and c) passes the Health Statement Test (as described above), the reporting entity must complete the health statement beginning with the first quarter's statement for the second year following the reporting year in which the reporting entity passes the Health Statement Test and must also file the corresponding risk-based capital report and the life supplements for that year-end. For example, if the reporting entity reports premium and reserve ratios of 95% or greater in 20X1 and again reports premium and reserve ratios of 95% or greater in 20X2, the reporting entity is deemed to have passed the Health Statement Test as of 20X2. Therefore, the reporting entity would begin completing the health statement in the first quarter of 20X4.

	20X1	20X2	20X3	20X4
Premium Ratio	95% or greater	95% or greater	Work with domestic regulator to move effective Quarter 1 20X4	Move to Orange Blank Quarter 1
Reserve Ratio	95% or greater	95% or greater		

As noted above, the domiciliary state regulator maintains full discretion in determining which annual statement blank must be filed and when the reporting entity is to move.

Variances from following these instructions:

If a reporting entity's domestic regulator requires the reporting entity to complete an annual statement form and risk-based capital report that differs from these instructions, the domestic regulator shall notify the reporting entity in writing by June 1 of the year following the reporting year in which a Health Statement Test is submitted.

PART 2 – LIFE ACCIDENT HEALTH COMPANIES/FRATERNAL BENEFIT SOCIETIES INTERROGATORIES

Life and Accident Health Companies/Fraternal Benefit Societies:

Detail Eliminated To Conserve Space

2. This General Interrogatory is designed to determine whether a reporting entity reports predominantly health lines of business. Health lines include hospital or medical policies or certificates, comprehensive major medical expense insurance and managed care contracts and exclude other health coverage such as credit insurance, disability income coverage, automobile medical coverage, workers compensation, accidental death and dismemberment policies and long-term care policies.

   All reporting entities should file the test; however, a reporting entity that is required to also file the Separate Accounts Statement is not subject to the results of the Health Statement Test, and should continue to complete the life, accident and health/fraternal blank.

   Premium and reserve information is obtained from the annual statement sources referenced on the form ~~or from the related risk-based capital report for the corresponding premium descriptions~~ relating to the current and prior reporting periods. The premium and reserve ratios are calculated on the net basis reporting.

Item	Description	Reporting Year Annual Statement Data	Prior Year Annual Statement Data
2.1	Premium Numerator	Health Premium values listed in the Analysis of Operations by Lines of Business – Accident and Health: The sum of Line 1, Columns 2-9 (Column 9 Medicaid should include Medicaid Pass-Through Payments Reported as Premium) plus Line 1, Column 13 in part (~~include only Medicare Part D and Stop Loss and Minimum Premium~~exclude automobile medical coverage, workers' compensation, accidental death and dismemberment policies) of the reporting year's annual statement.	Health Premium values listed in the Analysis of Operations by Lines of Business – Accident and Health: The sum of Line 1, Columns 2-9 (Column 9 Medicaid should include Medicaid Pass-Through Payments Reported as Premium) plus Line 1, Column 13 in part (~~include only Medicare Part D and Stop Loss and Minimum Premium~~exclude automobile medical coverage, workers' compensation, accidental death and dismemberment policies) of the prior year's annual statement.
2.2	Premium Denominator	~~Premium and Annuity Considerations (Page 4, Line 1) of the reporting year's annual statement~~Analysis of Operations by Lines of Business – Summary, Column 1, Line 1 of the reporting year's annual statement.	~~Premium and Annuity Considerations (Page 4, Line 1)~~Analysis of Operations by Lines of Business – Summary, Column 1, Line 1 of the prior year's annual statement
2.3	Premium Ratio	**2.1/2.2**	**2.1/2.2**
2.4(a)	Reserve Numerator	Net A&H Policy and Contract Claims without Credit Health (Exhibit 8, Part 1, Line 4.4, Column 6 (excluding Dread Disease, Disability Income and Long-Term Care)) plus Aggregate Reserves for A&H Policies without Credit Health (Exhibit 6, Column 1 less Columns 10, 11, 12 and Dread Disease included in Column 13) for ~~Unearned Premiums~~Total (Net) (Line 17) ~~and Future Contingent Benefits (Line 4)~~or the reporting year's annual statement.	Net A&H Policy and Contract Claims without Credit Health (Exhibit 8, Part 1, Line 4.4, Columns 6 (excluding Dread Disease, Disability Income and Long-Term Care)) plus Aggregate Reserves for A&H Policies without Credit Health (Exhibit 6, Column 1 less Columns 10, 11, 12 and Dread Disease included in Column 13) for ~~Unearned Premiums~~Total (Net) (Line 17) ~~and Future Contingent Benefits (Line 4)~~of the prior year's annual statement.

2.5	Reserve Denominator	Aggregate Reserve (~~Page 3, Column 1, Lines 1+2+4.1+4.2~~Exhibit 5, Column 2, Line 9999999 plus Exhibit 6, Column 1, Line 17 plus Exhibit 8, Part 1, Column 1, Line 4.4) ~~minus additional actuarial reserves (Exhibit 6, Column 1, Lines 3+11 plus Exhibit 5, Misc. Reserves Section, Line 0799999)~~of the reporting year's annual statement.	Aggregate Reserve (~~Page 3, Column 1, Lines 1+2+4.1+4.2~~Exhibit 5, Column 2, Line 9999999 plus Exhibit 6, Column 1, Line 17 plus Exhibit 8, Part 1, Column 1, Line 4.4 of the prior year's annual statement.) ~~minus additional actuarial reserves (Exhibit 6, Column 1, Lines 3+11 plus Exhibit 5, Misc. Reserves Section, Line 0799999)~~
2.6	Reserve Ratio	**2.4/2.5**	**2.4/2.5**

(a) Alternative Reserve Numerator – Company records may be used to adjust the reserve numerator to provide consistency between the values reported in the reserve numerator (2.4) and the premium numerator (2.1).

ANNUAL STATEMENT INSTRUCTIONS – HEALTH

GENERAL

The annual statement is to be completed in accordance with the *Annual Statement Instructions* and *Accounting Practices and Procedures Manual* except to the extent that state law, rules or regulations are in conflict with these publications. In cases of conflict, the health annual statement will be filed pursuant to such state's filing requirements. The domiciliary state's insurance regulatory authority shall maintain full discretion in determining which NAIC annual statement blank must be filed. The annual statement blank filed with the domiciliary state shall be the blank submitted to, and maintained by, the NAIC, and barring conflict as described above, should be filed with all jurisdictions in which the reporting entity is licensed.

1. **Health Statement Test:**

If a reporting entity completes the health annual statement for the reporting year, the reporting entity must complete the Health Statement Test.

The Health Statement Test is designed to determine whether a reporting entity reports predominantly health lines of business. Health lines include hospital or medical policies or certificates, comprehensive major medical expense insurance and managed care contracts and exclude other health coverage such as credit insurance, disability income coverage, automobile medical coverage, workers' compensation, accidental death and dismemberment policies and long-term care policies.

Passing the Test:

A reporting entity is deemed to have passed the Health Statement Test if the values for the premium and reserve ratios in the Health Statement Test equal or exceed 95% for both the reporting and prior year and will continue to report on the Health Statement

Failing the Test:

If a reporting entity, licensed as a life, accident and health or property and casualty insurer in its domiciliary state, is required to file the health annual statement for the reporting year and does not pass the Health Statement Test in the reporting year, it will revert to the annual statement form and risk-based capital report associated with the type of license held in its domestic state in the first quarter of the second year following the reporting year. For example, if the reporting entity reports a premium or reserve ratio below 95% in 20X1, the reporting entity is deemed to have not passed the Health Statement Test. Therefore, the reporting entity would revert to the annual statement form and risk-based capital report associated with the type of license held in its domestic state in the first quarter of 20X3. However, if the reporting entity reports premium and reserve ratios of 95% or greater in 20X2, it should work with its domiciliary regulator to determine the appropriate blank to file on to avoid movement back and forth between blanks. (As noted above, the domiciliary state regulator maintains full discretion in determining which annual statement blank must be filed and when the reporting entity is to move.)

If a reporting entity, licensed as a health insurer in its domiciliary state, is required to file the health annual statement for the reporting year and does not pass the Health Statement Test in the reporting year, it should continue to file the health annual statement.

PART 2 – HEALTH INTERROGATORIES

Detail Eliminated To Conserve Space

2. This General Interrogatory is designed to determine whether a reporting entity reports predominantly health lines of business. Health lines include hospital or medical policies or certificates, comprehensive major medical expense insurance and managed care contracts and exclude other health coverage such as credit insurance, disability income coverage, automobile medical coverage, workers' compensation, accidental death and dismemberment policies and long-term care policies.

All reporting entities should file the test.

Premium and reserve information is obtained from the annual statement sources referenced on the form ~~or from the related risk-based capital report for the corresponding premium descriptions~~ relating to the current and prior reporting periods. The premium and reserve ratios are calculated on the net basis reporting.

Item	Description	Reporting Year Annual Statement Data	Prior Year Annual Statement Data
2.1	Premium Numerator	Health Premium values listed in the Analysis of Operations by Lines of Business, Line 1 plus Line 2, Column 2 through Column 9 plus Line 1 plus Line 2, Column 13 in part (excluding dread disease coverage) of the reporting year's annual statement.	Health Premium values listed in the Analysis of Operations by Line of Business, Line 1 plus Line 2, Column 2 through Column 9 plus Line 1 plus Line 2, Column 13 ~~(~~in part ~~for~~ (excluding dread disease coverage) of the prior year's annual statement.
2.2	Premium Denominator	~~Net Premium Income (Page 4, Line 2, Column 2)~~Analysis of Operations by Lines of Business Column 1, Line 1 plus Line 2 of the reporting year's annual statement.	~~Net Premium Income (Page 4, Line 2, Column 2)~~Analysis of Operations by Lines of Business, Column 1, Line 1 plus Line 2 of the prior year's annual statement.
2.3	Premium Ratio	**2.1/2.2**	**2.1/2.2**
2.4 (a)	Reserve Numerator	Health Reserve – Underwriting and Investment Exhibit, Part 2B ((Column 3 + 4, Line 13) minus ~~Line 11) exclude Line 10 health care receivables, dread disease coverage, and credit A&H~~(Lines 9, 10, 11 and any dread disease coverage reported in Line 12) plus Line 16) + Part 2D ((Line 8 + 14, Column 1) minus (Columns ~~9) include stand-alone health care related plans only (i.e. stand-alone prescription drug plans, etc.), exclude dread disease coverage, credit A&H, LTC, Disability Income, etc.~~10, 11, 12 and any dread disease coverage reported in Column 13)) of the reporting year's annual statement.	Health Reserve – Underwriting and Investment Exhibit, Part 2B (Column 3 + 4, Line 13 minus ~~Line 11) exclude Line 10 health care receivables, dread disease coverage, and credit A&H~~ (Lines 9, 10, 11 and any dread disease coverage reported in Line 12) plus Line 16) + Part 2D (Line 8+14, Column 1 minus Columns ~~9) include stand-alone health care related plans only (i.e. stand-alone prescription drug plans, etc.), exclude dread disease coverage, credit A&H, LTC, Disability Income, etc.~~ 10, 11, 12 and any dread disease coverage reported in Column 13) of the ~~reporting~~ prior year's annual statement.
2.5	Reserve Denominator	~~Claims Unpaid and Aggregate Reserves (Page 3, Column 3, Lines 1 + 2 + 4 + 7)~~Underwriting and Investment Exhibit, Part 2A, Column 1, Line 4.4 plus Underwriting and Investment Exhibit, Part 2, Column 1, Line 5 plus Underwriting and Investment Exhibit Part 2D, Column 1, Lines 8 + 14 plus Page 3, Column 3, Lines 5 + 6 of the reporting year's annual statement.	~~Claims Unpaid and Aggregate Reserves (Page 3, Column 3, Lines 1 + 2 + 4 + 7)~~Underwriting and Investment Exhibit, Part 2A, Column 1, Line 4.4 plus Underwriting and Investment Exhibit, Part 2, Column 1, Line 5 plus Underwriting and Investment Exhibit, Part 2D, Column 1, Lines 8 + 14 plus Page 3, Column 3, Lines 5 + 6 of the prior year's annual statement.
2.6	Reserve Ratio	**2.4/2.5**	**2.4/2.5**

(a) Alternative Reserve Numerator – Alternative Reserve Numerator – Company records may be used to adjust the reserve numerator to provide consistency between the values reported in the reserve numerator (2.4) and the premium numerator (2.1).

ANNUAL STATEMENT INSTRUCTIONS – PROPERTY & CASUALTY

GENERAL

The annual statement is to be completed in accordance with the *Annual Statement Instructions* and *Accounting Practices and Procedures Manual* except to the extent that state law, rules or regulations are in conflict with these publications. In cases of conflict, the property and casualty annual statement will be filed pursuant to such state's filing requirements. The domiciliary state's insurance regulatory authority shall maintain full discretion in determining which NAIC annual statement blank must be filed. The annual statement blank filed with the domiciliary state shall be the blank submitted to, and maintained by, the NAIC, and barring conflict as described above, should be filed with all jurisdictions in which the reporting entity is licensed.

1. **Health Statement Test:**

If a reporting entity is licensed as a property and casualty insurer and completes the property and casualty annual statement for the reporting year, the reporting entity must complete the Health Statement Test. However, a reporting entity that is required to also file the Protected Cell Statement is not subject to the results of the Health Statement Test and should continue to complete the property blank.

The Health Statement Test is designed to determine whether a reporting entity reports predominantly health lines of business. Health lines include hospital or medical policies or certificates, comprehensive major medical expense insurance and managed care contracts and exclude other health coverage such as credit insurance, disability income coverage, automobile medical coverage, workers' compensation, accidental death and dismemberment policies and long-term care policies.

Passing the Test:

A reporting entity is deemed to have passed the Health Statement Test if:

The values for the premium and reserve ratios in the Health Statement Test equal or exceed 95% for both the reporting and prior year.

If a reporting entity is a) licensed as a property and casualty insurer; b) completes the property and casualty annual statement for the reporting year; and c) passes the Health Statement Test (as described above), the reporting entity must complete the health statement beginning with the first quarter's statement for the second year following the reporting year in which the reporting entity passes the Health Statement Test and must also file the corresponding risk-based capital report. For example, if the reporting entity reports premium and reserve ratios of 95% or greater in 20X1 and again reports premium and reserve ratios of 95% or greater in 20X2, the reporting entity is deemed to have passed the Health Statement Test as of 20X2. Therefore, the reporting entity would begin completing the health statement in the first quarter 20X4.

	20X1	20X2	20X3	20X4
Premium Ratio	95% or greater	95% or greater	Work with domestic regulator to move effective Quarter 1 20X4	Move to Orange Blank Quarter 1
Reserve Ratio	95% or greater	95% or greater		

As noted above, the domiciliary state regulator maintains full discretion in determining which annual statement blank must be filed and when the reporting entity is to move.

Variances from following these instructions:

If a reporting entity's domestic regulator requires the reporting entity to complete an annual statement form and risk-based capital report that differs from these instructions, the domestic regulator shall notify the reporting entity in writing by June 1 of the year following the reporting year in which a Health Statement Test is submitted.

PART 2 – PROPERTY AND CASUALTY INTERROGATORIES

Detail Eliminated To Conserve Space

2. This General Interrogatory is designed to determine whether a reporting entity reports predominantly health lines of business. Health lines include hospital or medical policies or certificates, comprehensive major medical expense insurance and managed care contracts and exclude other health coverage such as credit insurance, disability income coverage, automobile medical coverage, workers compensation, accidental death and dismemberment policies and long-term care policies.

All reporting entities should file the test; however, a reporting entity that is required to also file the Protected Cell Statement is not subject to the results of the Health Statement Test and should continue to complete the property blank.

Premium and reserve information is obtained from the annual statement sources referenced on the form ~~or from the related risk-based capital report for the corresponding premium descriptions~~ relating to the current and prior reporting periods. The premium and reserve ratios are calculated on the net basis reporting.

Item	Description	Reporting Year Annual Statement Data	Prior Year Annual Statement Data
2.1	Premium Numerator	**Health Premium** values listed in the ~~Net~~ Premiums Earned During Year column (Column 4) of the reporting year's U&I Part 1: Lines 13.1 and 13.2 Lines 15.1, 15.2, 15.4, 15.6, and 15.8 Line 15.5 (should include Medicare Pass-Through Payments Reported as Premium) Line 15.9 in part (~~include only Medicare Part D and Stop Loss and Minimum Premium~~exclude automobile medical coverage, workers' compensation, accidental death and dismemberment policies)	**Health Premium** values listed in the ~~Net~~ Premiums Earned During Year column (Column ~~6~~4) of the reporting year's U&I Part 1~~B~~: Lines 13.1 and 13.2 Lines 15.1, 15.2, 15.4, 15.6, and 15.8 Line 15.5 (should include Medicare Pass-Through Payments Reported as Premium) Line 15.9 in part (~~include only Medicare Part D and Stop Loss and Minimum Premium~~exclude automobile medical coverage, workers' compensation, accidental death and dismemberment policies)
2.2	Premium Denominator	~~Premiums Earned (Page 4, Line 1) of the reporting year's annual statement~~Underwriting and Investment Exhibit, Part 1, Column 4, Line 35	~~Premium Earned (Page 4, Line 1) of the prior year's annual statement~~Underwriting and Investment Exhibit, Part 1, Column 4, Line 35
2.3	Premium Ratio	**2.1/2.2**	**2.1/2.2**
2.4(a)	Reserve Numerator	Part 2A, Unpaid Losses and Loss Adjustment Expenses (Columns 8+9, Lines 13+15 (excluding Line 15.3 Disability Income, Line 15.7 Long-Term Care), Line 15.9 in part (~~include only Medicare Part D and Stop Loss and Minimum Premium~~exclude automobile medical coverage, workers' compensation, accidental death and dismemberment policies)) plus Part 1A, Recapitulation of all Premiums (Columns 1+2, Lines 13+15 (excluding Line 15.3 Disability Income,	Part 2A, Unpaid Losses and Loss Adjustment Expenses (Columns 8+9, Lines 13+15 (excluding Line 15.3 Disability Income, Line 15.7 Long-Term Care), Line 15.9 in part (~~include only Medicare Part D and Stop Loss and Minimum Premium~~exclude automobile medical coverage, workers' compensation, accidental death and dismemberment policies)) plus Part 1A, Recapitulation of all Premiums (Columns 1+2, Lines 13+15 (excluding Line 15.3 Disability Income,

		Line 15.7 Long-Term Care~~)~~, Line 15.9 in part (~~include only Medicare Part D and Stop Loss and Minimum Premium~~exclude automobile medical coverage, workers' compensation, accidental death and dismemberment policies)) of the reporting year's annual statement.	Line 15.7 Long-Term Care~~)~~, Line 15.9 in part (~~include only Medicare Part D and Stop Loss and Minimum Premium~~exclude automobile medical coverage, workers' compensation, accidental death and dismemberment policies)) of the reporting year's annual statement.
2.5	Reserve Denominator	~~Unpaid Loss and LAE (Page 3, Column 1, Lines 1+2+3)~~Part 2A, Unpaid Losses and Loss Adjustment Expenses, (Line 35, Columns 8 + 9) plus Part 1A, Recapitulation of all Premiums (Line 35, Columns 1+2) of the reporting year's annual statement.	~~Unpaid Loss and LAE (Page 3, Column 1, Lines 1+2+3)~~Part 2A, Unpaid Losses and Loss Adjustment Expenses, (Line 35, Columns 8 + 9) plus Part 1A, Recapitulation of all Premiums (Line 35, Columns 1+2) of the prior year's annual statement.
2.6	Reserve Ratio	**2.4/2.5**	**2.4/2.5**

(a) Alternative Reserve Numerator – Company records may be used to adjust the reserve numerator to provide consistency between the values reported in the reserve numerator (2.4) and the premium numerator (2.1).

https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2024springnm/summary and minutes/bwg/att 2c_2023-14bwg_modified.docx

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

DATE: 10/13/2023	**FOR NAIC USE ONLY**
CONTACT PERSON: Ryan Fleming (Vice Chair American Academy of Actuaries & Dale Bruggeman (Chair SAPWG)	Agenda Item # 2023-15BWG MOD Year 2024 Changes to Existing Reporting [ ] New Reporting Requirement [X]
TELEPHONE: Ryan (414) 665-5020	**REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT**
EMAIL ADDRESS: ryanfleming@northwesternmutual.com	No Impact [X] Modifies Required Disclosure [ ]
ON BEHALF OF: Joint submission by (i) AAA C-2 Mortality Working Group and (ii) Statutory Accounting Principles Working Group	Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No] ****If Yes, complete question below****
NAME: Ryan Fleming (Vice Chair American Academy of Actuaries and Dale Bruggeman (Chair SAPWG)	**DISPOSITION** [ ] Rejected For Public Comment [ ] Referred To Another NAIC Group [ ] Received For Public Comment [X] Adopted Date 02/21/2024 [ ] Rejected Date ________ [ ] Deferred Date ________ [ ] Other (Specify) ________

BLANK(S) TO WHICH PROPOSAL APPLIES

[X] **ANNUAL STATEMENT**	[X] **INSTRUCTIONS**	[X] **CROSSCHECKS**
[ ] **QUARTERLY STATEMENT**	[X] **BLANK**	
[X] Life, Accident & Health/Fraternal	[ ] Separate Accounts	[ ] Title
[ ] Property/Casualty	[ ] Protected Cell	[ ] Other ________
[ ] Health	[ ] Health (Life Supplement)	

Anticipated Effective Date: Annual 2024

IDENTIFICATION OF ITEM(S) TO CHANGE

Add a new General Interrogatory to provide needed information for completing the C-2 mortality risk in the Life Risk-Based Capital (RBC).

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The new General Interrogatory will provide net amounts at risk in some of the categories used in the Life/Fraternal RBC C-2 mortality risk. The amounts for the reporting categories used are not available elsewhere in the annual statement. The addition will allow for direct pulls of information between the annual statement and the RBC formula. All subsequent interrogatories within General Interrogatories – Part 2 will be renumbered.

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:________

Other Comments:

** **This section must be completed on all forms.** **Revised 11/17/2022**

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL

PART 2 – LIFE ACCIDENT HEALTH COMPANIES/FRATERNAL BENEFIT SOCIETIES INTERROGATORIES

Life and Accident Health Companies/Fraternal Benefit Societies:

Detail Eliminated To Conserve Space

8. Disclose information for completing the C-2 mortality risk in the Life Risk-Based Capital (RBC). This disclosure provides information by certain product characteristics not found elsewhere in the Life/Fraternal Annual Statement but used in the Life/Fraternal Risk-Based Capital (RBC). The amounts are used to calculate the net (direct plus assumed minus ceded) amount at risk for life insurance by product characteristics for the RBC C-2 risk.

NOTE: Life/Fraternal entities are not required to complete this general interrogatory if they are not required to generate an RBC because of certain state statutes.

Definitions for the lines of business can be found in the Appendix of the Life, Accident and Health Annual Statement Instructions.

Pricing flexibility is defined as the ability to materially adjust rates on inforce contracts through changing premiums and/or non-guaranteed elements as of the valuation date and withing the next five policy years and reflecting typical business practices.

Modified coinsurance life reserves are the portion of modified coinsurance life reserves which relates to policy reserves that, if written on a direct basis, would be included in Exhibit 5.

In force amounts originate in the Exhibit of Life Insurance but need to be reported by the individual policy characteristic. Life reserves are part of Exhibit 5 reporting in the General Account statement and/or Exhibit 3 in the Separate Accounts statement. Modified coinsurance assumed is included in Schedule S, Part 1, Section 1, Column 12, while modified coinsurance ceded is included in Schedule S, Part 3, Section 1, Column 14.

****Note: This new interrogatory will be inserted as interrogatory #8 as it applies to both Life and Fraternal companies. The remaining interrogatories will need to be renumbered****

ANNUAL STATEMENT BLANK – LIFE/FRATERNAL

GENERAL INTERROGATORIES

PART 2 –LIFE, ACCIDENT AND HEALTH COMPANIES/FRATERNAL BENEFIT SOCIETIES INTERROGATORIES

Life, Accident and Health Companies/Fraternal Benefit Societies:

Detail Eliminated To Conserve Space

8. Provide the current-year amounts at risk for the following categories.

Individual and Industrial Life	Amount at Risk
8.01 Modified Coinsurance Assumed Reserves	$
8.02 Modified Coinsurance Ceded Reserves	$

Individual and Industrial Life Policies With Pricing Flexibility	Amount of Risk
8.03 Net Amount (Direct + Assumed – Ceded) in Force	$
8.04 Exhibit 5 Life Reserves (Direct + Assumed – Ceded)	$
8.05 Separate Account Exhibit 3 Life Reserves (Direct + Assumed – Ceded)	$
8.06 Net Modified Coinsurance Reserves (Assumed – Ceded)	$
8.07 Life Reserves (8.04 + 8.05 + 8.06)	$
8.08 Life Net Amount at Risk (8.03 – 8.07)	$

Individual and Industrial Term Life Policies Without Pricing Flexibility	Amount of Risk
8.09 Net Amount (Direct + Assumed – Ceded) in Force	$
8.10 Exhibit 5 Life Reserves (Direct + Assumed – Ceded)	$
8.11 Separate Account Exhibit 3 Life Reserves (Direct + Assumed – Ceded)	$
8.12 Net Modified Coinsurance Reserves (Assumed – Ceded)	$
8.13 Life Reserves (8.10 + 8.11 + 8.12)	$
8.14 Life Net Amount at Risk (8.09 – 8.13)	$

Group and Credit Life (Excluding FEGLI/SGLI)	Amount at Risk
8.15 Modified Coinsurance Assumed Reserves	$
8.16 Modified Coinsurance Ceded Reserves	$

Group and Credit Term Life (Excluding FEGLI/SGLI) with Remaining Rate Terms 36 Months and Under

	Amount of Risk
8.17 Net Amount (Direct + Assumed – Ceded) in Force	$
8.18 Exhibit 5 Life Reserves (Direct + Assumed – Ceded)	$
8.19 Separate Account Exhibit 3 Life Reserves (Direct + Assumed – Ceded)	$
8.20 Net Modified Coinsurance Reserves (Assumed – Ceded)	$
8.21 Life Reserves (8.18 + 8.19 + 8.20)	$
8.22 Life Net Amount at Risk (8.17 – 8.21)	$

Group and Credit Term Life (Excluding FEGLI/SGLI) with Remaining Rate Terms Over 36 Months

	Amount of Risk
8.23 Net Amount (Direct + Assumed – Ceded) in Force	$
8.24 Exhibit 5 Life Reserves (Direct + Assumed – Ceded)	$
8.25 Separate Account Exhibit 3 Life Reserves (Direct + Assumed – Ceded)	$
8.26 Net Modified Coinsurance Reserves (Assumed – Ceded)	$
8.27 Life Reserves (8.24 + 8.25 + 8.26)	$
8.28 Life Net Amount at Risk (8.23 – 8.27)	$

Group and Credit Permanent Life (Excluding FEGLI/SGLI) with Pricing Flexibility

	Amount of Risk
8.29 Net Amount (Direct + Assumed – Ceded) in Force	$
8.30 Exhibit 5 Life Reserves (Direct + Assumed – Ceded)	$
8.31 Separate Account Exhibit 3 Life Reserves (Direct + Assumed – Ceded)	$
8.32 Net Modified Coinsurance Reserves (Assumed – Ceded)	$
8.33 Life Reserves (8.30 + 8.31 + 8.32)	$
8.34 Life Net Amount at Risk (8.29 – 8.33)	$

******Note: This new interrogatory will be inserted as interrogatory #8 as it applies to both Life and Fraternal companies. The remaining interrogatories will need to be renumbered****

INFORMATIONAL ONLY – Not part of the changes for proposal 2023-15BWG
NOTE: The below is NOT part of the BWG proposal but is an FYI page only showing how the annual statement information, including the new general interrogatory, would pull into LRBC Page LR025 for the C-2 mortality risk.

Legend

Green	Items that can be pulled directly from annual statement pages other than the new general interrogatory
Blue	Calculated fields within the RBC
Yellow	Items pulled from the new general interrogatory

		Annual Statement Source
	Individual & Industrial Life	
(1)	Total Individual & Industrial Life Net Amount at Risk	(EOLI, Columns 2 + 4, Line 23 x 1000) – [(Exhibit 5, Columns 3 + 4, Line 0199999) + (Separate Accounts, Exhibit 3, Column 3, Line 0199999) + (Gen Interrogatory Part 2, Column 1, Line 8A1) – (Gen Interrogatory Part 2, Column 1, Line 8A2)]
(2)	Total Individual & Industrial Life Policies with Pricing Flexibility Net Amount at Risk	Gen Interrogatory Part 2, Column 1, Line 8B6
(3)	Total Individual & Industrial Term Life Policies without Pricing Flexibility Net Amount at Risk	Gen Interrogatory Part 2, Column 1, Line 8C6
(4)	Total Individual & Industrial Permanent Life Policies without Pricing Flexibility Net Amount at Risk	Lines (1) – (2) – (3)
(5)	Total Individual & Life Insurance	Lines (2) + (3) + (4)
	Group & Credit Life	
(6)	Total Group & Credit Life (Excluding FEGLI/SGLI) Net Amount At Risk	(EOLI, Columns 6 + 9, Line 23 x 1000) – (EOLI, Columns 2 + 4, Line 43 x 1000) – (EOLI, Columns 2 + 4, Line 44 x 1000) – [(Exhibit 5, Columns 5 + 6, Line 0199999) + (Separate Accounts, Exhibit 3, Column 4, Line 0199999) + (Gen Interrogatory Part 2, Column 1, Line 8D1) – (Gen Interrogatory Part 2, Column 1, Line 8D2)]
(7)	Group & Credit Term Life with Remaining Rate Terms 36 Months and Under Net Amount At Risk	(Gen Interrogatory Part 2, Column 1, Line 8E6)
(8)	Group & Credit Term Life with Remaining Rate Terms Over 36 Months Net Amount At Risk	(Gen Interrogatory Part 2, Column 1, Line 8F6)
(9)	Group & Credit Permanent Life with Pricing Flexibility Net Amount At Risk	(Gen Interrogatory Part 2, Column 1, Line 8G6)
(10)	Group & Credit Permanent Life without Pricing Flexibility Net Amount At Risk	Lines (6) – (7) – (8) – (9)
(11)	FEGLI/SGLI Life Insurance in Force	EOLI, Columns 2 + 4, Lines 43 + 44 x 1000
(12)	Total Group & Credit Life	Lines (7) + (8) + (9) + (10) + (11)
(13)	Total Life	Lines (5) + (12)

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

DATE: 11/15/2023	**FOR NAIC USE ONLY**
CONTACT PERSON: Kris DeFrain	Agenda Item # 2023-16BWG MOD
TELEPHONE: 816-783-8229	Year 2024
EMAIL ADDRESS: kdefrain@naic.org	Changes to Existing Reporting [X]
ON BEHALF OF: Casualty Actuarial and Statistical (C) Task Force	New Reporting Requirement [ ]
NAME: Christian Citarella	**REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT**
TITLE: Chair of CASTF	No Impact [X] Modifies Required Disclosure [ ]
AFFILIATION: New Hampshire Insurance Department	Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No] ****If Yes, complete question below****
ADDRESS:	**DISPOSITION**
	[ ] Rejected For Public Comment [ ] Referred To Another NAIC Group [ ] Received For Public Comment [X] Adopted Date 02/21/2024 [ ] Rejected Date [ ] Deferred Date [ ] Other (Specify)

BLANK(S) TO WHICH PROPOSAL APPLIES

[X] **ANNUAL STATEMENT**	[X] **INSTRUCTIONS**	[X] **CROSSCHECKS**
[ ] **QUARTERLY STATEMENT**	[X] **BLANK**	
[ ] Life, Accident & Health/Fraternal	[ ] Separate Accounts	[ ] Title
[X] Property/Casualty	[ ] Protected Cell	[ ] Other
[ ] Health	[ ] Health (Life Supplement)	[ ] Life (Health Supplement)

Anticipated Effective Date: Annual 2024

IDENTIFICATION OF ITEM(S) TO CHANGE

Change Schedule P to show 10 years of data and a “prior” row for all lines of business beginning in 2024. This modifies requirements for seven lines of business that currently only show 2 years of data and a “prior” row.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

See Next Page

IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL

Not available elsewhere

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:

Other Comments:

** This section must be completed on all forms. Revised 11/17/2022

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

While all 10 years of accident-year data are required for every line of business to produce summary data and comply with risk-based capital (RBC) requirements, only 2 years of accident-year data is required to be shown in the Schedule P exhibits for seven lines of business: the property lines of business, pet insurance plans, and financial guaranty/mortgage guaranty business. Some of the current 2-year lines of business are experiencing significant loss development after 2 years. A review of industry aggregate Schedule P—Part 2 results across these 2-year lines shows the prior line regularly has 25% or more of the reported one-year loss development. The information for more accident years will aid regulatory review of reserves for these lines.

P/C companies currently maintain 10 years of data for the current “short-tailed” lines to prepare the Schedule P Summaries and report for Risk-Based Capital (RBC). There are multiple reasons for the proposed change: 1) The 2-year reporting requires unneeded calculations that can easily result in errors on the “prior row.” 2) With all lines having 10 years of data, Schedule P will be easier to understand because one would be able to reconcile the summary data and line of business data. 3) Given current technology, there seems to be no material time, printing or cost savings derived by only showing two years of data for six lines of business.

We recommend this change from two to ten years of data be completed in one step, because the data for ten years has been collected and stepwise progression would be prone to issues akin to those in the 2-year lines.

ANNUAL STATEMENT INSTRUCTIONS – PROPERTY/CASUALTY

SCHEDULE P

There are seven parts and the interrogatories within Schedule P. Part 1 provides detailed information on losses and loss expenses. Part 2 provides a history of incurred losses and defense & cost containment expenses. Part 3 provides a history of loss and defense & cost containment payments. Part 4 provides a history of bulk and incurred but not reported (IBNR) reserves. Part 5 provides a history of claims. Part 6 provides a history of premiums earned. Part 7 provides a history of loss sensitive contracts. Schedule P Interrogatories provides for additional calculation and explanation of various amounts.

Schedule P is intended to display ~~a summary containing~~ ten years of historical data for all lines of business. ~~The casualty lines of business will display ten years of historical data in their respective sections of Schedule P. Within each part, the property lines of business, and financial guaranty/mortgage guaranty business, will display two-year development (Sections I through L, S and T). Since the Summary of each part contains ten years of historical data, the information from the "Prior" line in the Property Lines, Sections I through L, S and T, must be supplemented for the eight accident years preceding the two most recent years.~~

Detail Eliminated To Conserve Space

~~**Preparation Tips for Schedule P – Parts 1 and 2**~~

~~In order to ensure the proper alignment of Schedule P data for all parts, the following simple concepts should be helpful.~~

~~The data for each Summary are gathered uniquely, like any other part of Schedule P. The crosschecks should be referenced and all errors corrected or properly explained prior to submission to the NAIC or state regulators.~~

~~The required data for all lines are calculated in the same manner. In gathering the data, there should be no procedural difference between the long-tailed and short-tailed lines. The vendor software financial reporting package used by the Company will configure the Schedule P data identically for all lines and line groupings.~~

~~In creating the data for Schedule P, Part 1, all lines and data elements should be considered to be long tailed. Under this methodology, the sum of all lines will equal the Summary. After converting the data to the published format, the short-tailed lines have a unique data configuration required to populate the "Prior" Accident Year. This configuration of "Prior" reflects the current year activity for the eight oldest years. Each company's software vendor provides for this "Prior" data configuration on the individual page specifications. It is important to remember that in the background of all this data, that all lines and years are treated as long tailed and feed into the Summary.~~

~~In calculating the One-Year and Two-Year developments (columns 11 and 12) for Schedule P, Part 2, the same theory holds true. All lines must be treated as long tailed and the Summary as just another line. If this is done properly, the individual parts will add to the Summary as intended. From this point, either the short-tailed One-Year and Two Year "Prior" data can be calculated, or the software vendor package will automatically calculate the data.~~

~~While in theory this approach sounds like more work, as you are treating all lines as long tailed and the Summary as a unique and completely separate part; in reality, it provides two benefits:~~

~~Ensures the integrity of the published data, and~~
~~Saves time in the data verification and crosscheck reconciliation process.~~

~~The accompanying exhibit displays proper completion of the One-Year and Two-Year developments for Schedule P, Part 2 for a fictitious company. All software vendors provide the user with the capability to populate all lines of business as long-tailed lines, including the short-tailed "Prior" data bucket. If these fields are correctly populated for each accident year, the dilemma of the parts "adding through" is eliminated.~~

~~ABC Insurance Company~~

~~Schedule P – Part 2~~

~~One Year development treating all lines as long tailed~~

~~Part~~	~~2A~~	~~2B~~	~~2C~~	~~2D~~	~~2E~~	~~2F~~	~~2G~~	~~2H1~~	~~2H2~~	~~2I~~
~~PRIOR~~	~~4,237~~	~~75,079~~	~~320~~	~~10,044~~	~~6,139~~	~~(9,459)~~	~~419~~	~~9,475~~		~~4,012~~
~~2014~~	~~(770)~~	~~2,465~~	~~(304)~~	~~(2,210)~~	~~260~~		~~28~~	~~(1,585)~~		~~(14,266)~~
~~2015~~	~~(1,018)~~	~~(11,985)~~	~~(591)~~	~~(816)~~	~~(1,586)~~		~~99~~	~~(433)~~		~~525~~
~~2016~~	~~7,432~~	~~(39,345)~~	~~(906)~~	~~(4,303)~~	~~576~~		~~719~~	~~(2,366)~~		~~45~~
~~2017~~	~~1,691~~	~~(65,543)~~	~~(534)~~	~~(97)~~	~~(7)~~		~~667~~	~~(3,893)~~		~~22,247~~
~~2018~~	~~(1,728)~~	~~(98,433)~~	~~(995)~~	~~(715)~~	~~(499)~~		~~1,064~~	~~(3,824)~~		~~(485)~~
~~2019~~	~~(6,570)~~	~~(64,722)~~	~~(4,382)~~	~~(789)~~	~~(10,180)~~		~~104~~	~~783~~		~~(498)~~
~~2020~~	~~(26,472)~~	~~(37,855)~~	~~(1,335)~~	~~(3,555)~~	~~(1,136)~~		~~(10)~~	~~(1,124)~~	4	~~20~~
~~2021~~	~~(6,835)~~	~~(36,610)~~	~~5,440~~	~~(6,432)~~	~~(1,381)~~		~~(23)~~	~~(6,318)~~		~~226~~
~~Short Tailed Lines "Prior" to 2021~~										~~*11,826~~
~~2022~~	~~(57,706)~~	~~97,108~~	~~8,941~~	~~(11,336)~~	~~(9,928)~~		~~(291)~~	~~(4,773)~~	~~56~~	~~*(5,402)~~
~~2023~~										~~*~~
	~~(87,739)~~	~~(179,841)~~	~~5,654~~	~~(20,209)~~	~~(17,742)~~	~~(9,459)~~	~~2,776~~	~~(14,058)~~	~~60~~	~~6,424~~

~~Part~~	~~2J~~	~~2K~~	~~2L~~	~~2N~~	~~2O~~	~~2P~~	~~2R~~	~~2S~~	~~Calculated~~	~~Published On Summary~~
~~PRIOR~~	~~(879)~~	~~951~~	~~(4)~~	~~(508)~~	~~410~~	~~(188)~~	~~(1,357)~~	~~550~~	~~99,241~~	~~99,241~~
~~2014~~	~~(37)~~	~~(24)~~	~~-~~	~~(21)~~	~~641~~	~~(46)~~	~~3~~		~~(15,866)~~	~~(15,866)~~
~~2015~~	~~482~~	~~106~~	~~-~~	~~(3)~~	~~19~~	~~(792)~~	~~(219)~~		~~(16,212)~~	~~(16,212)~~
~~2016~~	~~3,933~~	~~155~~	~~-~~	~~(40)~~	~~2,061~~	~~2,694~~	~~(289)~~		~~(29,634)~~	~~(29,634)~~
~~2017~~	~~81~~	~~134~~	~~-~~	~~(178)~~	~~740~~	~~1,195~~	~~304~~		~~(43,193)~~	~~(43,193)~~
~~2018~~	~~(483)~~	~~475~~	~~-~~	~~(198)~~	~~1,257~~	~~(102)~~	~~53~~		~~(104,613)~~	~~(104,613)~~
~~2019~~	~~(3,825)~~	~~1,990~~	~~-~~	~~(184)~~	~~2,880~~	~~(1,506)~~	~~(210)~~		~~(87,109)~~	~~(87,109)~~
~~2020~~	~~(10,397)~~		~~-~~		~~(3,270)~~	~~75~~	~~(734)~~		~~(85,789)~~	~~(85,789)~~
~~2021~~	~~(11,850)~~	~~(3)~~	~~-~~		~~(89)~~		~~459~~	~~0~~	~~(63,416)~~	~~(63,416)~~
	~~*(22,975)~~	~~*3,784~~	~~*(4)~~					~~*550~~	~~(6,819)~~	
	~~*(47,592)~~	~~*(301)~~	~~*(1,410)~~	~~(133)~~			~~267~~	~~*~~	~~(32,500)~~	~~(32,500)~~
~~2022~~	~~*~~	~~*~~	~~*~~					~~*~~		
~~2023~~	~~(70,567)~~	~~3,483~~	~~(1,414)~~	~~(1,265)~~	~~4,649~~	~~1,330~~	~~(1,723)~~	~~550~~	~~(379,091)~~	~~(379,091)~~

~~*"Short Tailed" Lines data as published in the Annual Statement~~

~~Two-year development treating all lines as long-tailed~~

PART	2A	2B	2C	2D	2E	2F	2G	2H 1	2H 2	2I
PRIOR	(2,741)	55,142	246	(336)	3,451	(10,477)	(2,014)	(51,123)		3,605
2014	(4,255)	(11,532)	(1,719)	(3,278)	(1,046)		(977)	(705)		38
2015	(605)	(15,319)	(2,030)	(618)	(3,040)		(1,078)	2,361		62
2016	245	(55,250)	(5,311)	(2,325)	1,038		(1,967)	(1,467)		1,213
2017	(10,508)	(131,635)	(4,864)	(400)	(4,017)		(5,532)	(1,702)		22,090
2018	(10,642)	(220,598)	(7,900)	(27)	(2,645)		(2,432)	(3,937)		(1,557)
2019	(22,885)	(187,676)	(2,481)	(861)	(50,205)		(277)	16,911	22	(5,193)
2020	(79,471)	(113,694)	3,918	(3,745)	(978)		(106)	784		517
2021	(5,901)	(9,675)	4,163	(6,737)	3,452		(130)	(4,142)		4,965
Two Year Short Tailed Lines "Prior" to 2022										25,740
2022										
2023										
	(136,763)	(690,237)	(15,978)	(18,327)	(53,990)	(10,477)	(14,513)	(43,020)	22	25,740

PART	2J	2K	2L	2N	2O	2P	2R	2S	CALC'D	Published On Summary
PRIOR	(2,484)	(1,177)	29						(897)	(897)
2014	63	(35)	(2)	1,773	(9,406)	(40)	281,605	603	251,087	251,087
2015	358	280		(18)	(497)	(107)	(336)		(20,587)	(20,587)
2016	3,707	645		270	(322)	(2,405)	1		(61,928)	(61,928)
2017	(702)	684		(14)	426	4,554	(151)		(128,367)	(128,367)
2018	(1,345)	2,900		38	(514)	1,476	531		(246,652)	(246,652)
2019	(7,127)	5,214		(31)	(785)	72	372		(254,930)	(254,930)
2020	(47,435)			28	1,682	(2,204)	83		(240,621)	(240,621)
2021	(181,609)	8,307	(2,380)	(1)	(3,552)	175	754		(145,884)	(145,884)
Two Year Short Tailed Lines "Prior" to 2022								603	(149,339)	
2022										
2023									-	
	(181,609)	8,307	(2,380)	2,045	(12,968)	1,521	282,859	603	(848,761)	(848,761)

~~2023 TWO YEAR DEVELOPMENT FOR SHORT TAILED LINES~~

PART I

	CALENDAR YEAR 2023 Col 28	Col 21 & 22	Col 8 & 9	Net Inc		CALENDAR YEAR 2021	Col 28	Col 21 & 22	Col 8 & 9	Net Inc	CAL YR 2023 2 YEAR DEVELOPMENT
PRIOR				3,605	*	PRIOR					3,605
2014	262,784	3	16,571	246,210		2014	262,722	34	16,516	246,172	38
2015	424,677	24	18,417	406,236		2015	424,607	49	18,384	406,174	62
2016	267,960	1	20,508	247,451		2016	266,767	69	20,460	246,238	1,213
2017	2,087,411	11,084	155,378	1,920,949		2017	2,021,162	11,255	111,048	1,898,859	22,090
2018	303,062	41	25,257	277,764		2018	304,811	308	25,182	279,321	(1,557)
2019	258,586	39	26,577	231,970		2019	263,995	572	26,260	237,163	(5,193)
2020	170,688	87	25,161	145,440		2020	170,401	675	24,803	144,923	517
2021	175,590	117	25,243	150,230		2021	170,077	2,483	22,329	145,265	4,965
2022	187,953	357	22,460	165,136		2022				-	
2023	192,529	2,530	23,229	166,770		2023				-	
	4,331,240	14,283	358,801	3,961,761			3,884,542	15,445	264,982	3,604,115	25,740

PART J

	Col 28	Col 21 & 22	Col 8 & 9	Net Inc			Col 28	Col 21 & 22	Col 8 & 9	Net Inc	
PRIOR				(2,484)	*	PRIOR					(2,484)
2014	2,560,120	15	226,625	2,333,480		2014	2,559,975	45	226,520	2,333,410	70
2015	2,778,945	30	263,524	2,515,391		2015	2,778,616	93	263,492	2,515,031	360
2016	2,750,99	163	262,104	2,488,732		2016	2,747,108	276	261,811	2,485,021	3,711
2017	2,942,931	22	296,979	2,645,930		2017	2,943,639	263	296,745	2,646,631	(701)
2018	3,348,506	13	321,499	3,026,994		2018	3,350,284	683	321,256	3,028,345	(1,351)
2019	3,717,939	140	386,290	3,331,509		2019	3,725,637	1,944	385,071	3,338,622	(7,113)
2020	3,664,910	352	452,529	3,212,029		2020	3,717,893	7,567	450,842	3,259,484	(47,455)
2021	3,775,988	1,122	486,502	3,288,364		2021	3,914,546	50,000	449,536	3,415,010	(126,646)
2022	3,950,875	3,020	442,878	3,504,977		2022				-	
2023	4,551,594	42,756	411,617	4,097,221		2023				-	
	34,042,807	47,633	3,550,547	30,442,143			25,737,698	60,871	2,655,273	23,021,554	(181,609)

PART K

	Col 28	Col 21 & 22	Col 8 & 9	Net Inc			Col 28	Col 21 & 22	Col 8 & 9	Net Inc	
PRIOR				(1,177)	*	PRIOR					(1,177)
2014	11,493		134	11,359		2014	11,528		134	11,394	(35)
2015	11,393		210	11,183		2015	11,113		210	10,903	280
2016	10,416		204	10,212		2016	9,771		204	9,567	645
2017	16,357		221	16,136		2017	15,673		221	15,452	684
2018	21,018		317	20,701		2018	18,119	1	317	17,801	2,900
2019	9,271		294	8,977		2019	4,057		294	3,763	5,214
2020	145		118	27		2020	145		118	27	
2021	587		460	127		2021	798	7	460	331	(204)
2022	54		17	37		2022				-	
2023	378	8	7	363		2023				-	
	81,112	8	1,982	77,945			71,204	8	1,958	69,238	8,307

	~~PART L~~						~~PART L~~				~~2023 2 YEAR DEVELOPMENT~~
	~~Col 28~~	~~Col 21 & 22~~	~~Col 8 & 9~~	~~Net Inc~~			~~Col 28~~	~~Col 21 & 22~~	~~Col 8 & 9~~	~~Net Inc~~	
~~PRIOR~~				~~9~~	~~*~~	~~PRIOR~~					~~29~~
~~2014~~	~~3,038~~		~~981~~	~~2,057~~		~~2014~~	~~3,040~~		~~981~~	~~2,059~~	~~(2)~~
~~2015~~	~~5,769~~		~~1,046~~	~~4,723~~		~~2015~~	~~5,769~~		~~1,046~~	~~4,723~~	~~-~~
~~2016~~	~~9,844~~		~~962~~	~~8,882~~		~~2016~~	~~9,844~~		~~962~~	~~8,882~~	~~-~~
~~2017~~	~~5,334~~		~~63~~	~~5,271~~		~~2017~~	~~5,334~~		~~63~~	~~5,271~~	~~-~~
~~2018~~	~~6,221~~		~~91~~	~~6,130~~		~~2018~~	~~6,221~~		~~91~~	~~6,130~~	~~-~~
~~2019~~	~~6,989~~		~~37~~	~~6,952~~		~~2019~~	~~6,989~~		~~37~~	~~6,952~~	~~-~~
~~2020~~	~~6,014~~		~~2~~	~~6,012~~		~~2020~~	~~6,014~~		~~2~~	~~6,012~~	~~-~~
~~2021~~	~~5,390~~			~~5,390~~		~~2021~~	~~7,837~~	~~40~~		~~7,797~~	~~(2,407)~~
~~2022~~	~~3,925~~		~~5~~	~~3,920~~		~~2022~~				~~-~~	
~~2023~~	~~4,316~~	~~40~~		~~4,276~~		~~2023~~				~~-~~	
	~~56,840~~	~~40~~	~~3,187~~	~~53,613~~			~~51,048~~	~~40~~	~~3,182~~	~~47,826~~	~~(2,380)~~

	~~PART S~~						~~PART S~~				
	~~Col 28~~	~~Col 21 & 22~~	~~Col 8 & 9~~	~~Net Inc~~			~~Col 28~~	~~Col 21 & 22~~	~~Col 8 & 9~~	~~Net Inc~~	
~~PRIOR~~				~~603~~	~~*~~	~~PRIOR~~					~~603~~
~~2014~~	~~1~~			~~1~~		~~2014~~	~~1~~			~~1~~	~~-~~
~~2015~~	~~122~~		~~4~~	~~118~~		~~2015~~	~~122~~	~~4~~		~~118~~	~~-~~
~~2016~~	~~(17)~~		~~1~~	~~(18)~~		~~2016~~	~~(17)~~	~~1~~		~~(18)~~	~~-~~
~~2017~~				~~-~~		~~2017~~				~~-~~	~~-~~
~~2018~~				~~-~~		~~2018~~				~~-~~	~~-~~
~~2019~~				~~-~~		~~2019~~				~~-~~	~~-~~
~~2020~~				~~-~~		~~2020~~				~~-~~	~~-~~
~~2021~~				~~-~~		~~2021~~				~~-~~	~~-~~
~~2022~~	~~4~~		~~4~~	~~-~~		~~2022~~				~~-~~	~~-~~
~~2023~~	~~8~~		~~8~~	~~-~~		~~2023~~				~~-~~	
	~~118~~	~~-~~	~~17~~	~~704~~			~~106~~	~~5~~		~~101~~	~~603~~

~~* The Current year "Prior" Incurred is the sum of the Current Year "Prior" Paid and the Current Year "Prior" Change in Reserves~~

SCHEDULE P – PART 1

Part 1 – Summary is the total of the Schedule P lines. ~~For the property lines, it is necessary to supplement the data in the individual sections of Schedule P in order to complete the Part 1 – Summary for all lines for all years.~~ Non-proportional assumed reinsurance – Property, Liability and Financial Lines can be summed together as reported.

Detail Eliminated To Conserve Space

Line 1, "Prior," Columns 4 through 11~~, (summary and appropriate parts),~~ should only reflect amounts paid or received in the current calendar year.

SCHEDULE P – PART 7

Detail Eliminated To Conserve Space

~~EXHIBIT B~~

~~Spread of Two-Year Lines (I, J, K, L, S, T)~~

~~Paid Loss History - Part 1J Auto Physical Damage and Part 1 Summary~~

	~~Paid thru 2022~~		~~Paid in 2023~~		~~Paid thru 2023 Included in Part 1 Summary~~		
	~~Direct + Assumed~~	~~Ceded~~	~~Direct + Assumed~~	~~Ceded~~	~~Direct + Assumed~~	~~Ceded~~	~~Prior includes payments made in 2023 only~~
~~Prior to 2014~~	~~0~~	~~0~~	~~300~~	~~30~~	~~300~~	~~30~~	
~~2014~~	~~1,000~~	~~100~~	~~150~~	~~15~~	~~1,150~~	~~115~~	
~~2015~~	~~950~~	~~95~~	~~143~~	~~14~~	~~1,093~~	~~109~~	
~~2016~~	~~900~~	~~90~~	~~135~~	~~14~~	~~1,035~~	~~104~~	
~~2017~~	~~850~~	~~85~~	~~128~~	~~13~~	~~978~~	~~98~~	
~~2018~~	~~800~~	~~80~~	~~120~~	~~12~~	~~920~~	~~92~~	
~~2019~~	~~750~~	~~75~~	~~113~~	~~11~~	~~863~~	~~86~~	
~~2020~~	~~700~~	~~70~~	~~105~~	~~11~~	~~805~~	~~81~~	
~~2021~~	~~650~~	~~65~~	~~98~~	~~10~~	~~748~~	~~75~~	
~~2022~~	~~600~~	~~60~~	~~90~~	~~9~~	~~690~~	~~69~~	
~~2023~~	~~0~~	~~0~~	~~83~~	~~8~~	~~83~~	~~8~~	
~~Total~~	~~7,200~~	~~720~~	~~1,463~~	~~146~~	~~8,663~~	~~866~~	
~~Prior to 2022~~	~~6,600~~	~~660~~	~~1,290~~	~~129~~			

~~Paid thru 2023 Included in Part 1J (Auto Physical Damage)~~

	~~Direct + Assumed~~	~~Ceded~~
~~Prior to 2022 paid in~~	~~1,290~~	~~129~~
~~2022~~	~~690~~	~~69~~
~~2023~~	~~83~~	~~8~~
~~Total~~	~~2,063~~	~~206~~
~~Diff= History~~	~~6,600~~	~~660~~

Detail Eliminated To Conserve Space

~~Contents of "SUMMARY" includes breakout of prior from two-year lines I, J, K, L S &T~~

~~Summary~~

~~Prior~~

~~2014~~
~~2015~~
~~2016~~
~~2017~~
~~2018~~
~~2019~~
~~2020~~
~~2021~~
~~2022~~
~~2023~~

~~Equals~~

~~10 Year Lines *~~

~~Prior~~

~~2014~~
~~2015~~
~~2016~~
~~2017~~
~~2018~~
~~2019~~
~~2020~~
~~2021~~
~~2022~~
~~2023~~

~~A~~ ~~HO/FO~~
~~B~~ ~~PRIV. AUTO~~
~~C~~ ~~COMM. AUTO~~
~~D~~ ~~W. COMP~~
~~E~~ ~~CMP~~
~~F~~ ~~MED MALP~~
~~G~~ ~~SPEC. LIAB.~~
~~H~~ ~~OTHER LIAB.~~

~~M~~ ~~INT'L~~

~~R~~ ~~PROD. LIAB~~

~~Plus~~

~~"Spread" Two Year Lines~~

~~Prior~~

~~2014~~
~~2015~~
~~2016~~
~~2017~~
~~2018~~
~~2019~~
~~2020~~
~~2021~~
~~2022~~
~~2023~~

~~2 Year Lines~~

~~Prior to 2022~~

~~2022~~
~~2023~~

~~I~~ ~~SPEC. PROP.~~
~~J~~ ~~AUTO PHYS. DAM.~~
~~K~~ ~~FID, SURETY~~
~~L~~ ~~CREDIT, A&H~~

~~S~~ ~~FIN/MORT GUAR~~
~~T~~ ~~WARRANTY~~

~~"Prior to 2022" figures do not include cumulative data for Individual accident years 2020 and before. This info will be captured and maintained elsewhere.~~

~~Plus~~

~~Reinsurance A, B, C~~

~~Prior~~

~~2014~~
~~2015~~
~~2016~~
~~2017~~
~~2018~~
~~2019~~
~~2020~~
~~2021~~
~~2022~~
~~2023~~

~~N~~ ~~Reins A~~
~~O~~ ~~Reins B~~
~~P~~ ~~Reins C~~

~~**Spread of Two-Year Lines (I, J, K, L, S, T)**~~

~~**Paid Loss History - Part 3J Auto Physical Damage and Part 3 Summary**~~

	~~**Paid thru 2022**~~		~~**Paid in 2023**~~		~~**Paid thru 2023 Included in Part 3 Summary**~~		
	~~Direct + Assumed~~	~~Ceded~~	~~Direct + Assumed~~	~~Ceded~~	~~Direct + Assumed~~	~~Ceded~~	~~Cumulative Prior to 2014 needed for Parts 2 and 3~~
~~Prior to 2014*~~	~~4,000~~	~~400~~	~~300~~	~~30~~	~~4,300~~	~~430~~	
~~2014~~	~~1,000~~	~~100~~	~~150~~	~~15~~	~~1,150~~	~~115~~	
~~2015~~	~~950~~	~~95~~	~~143~~	~~14~~	~~1,093~~	~~109~~	
~~2016~~	~~900~~	~~90~~	~~135~~	~~14~~	~~1,035~~	~~104~~	
~~2017~~	~~850~~	~~85~~	~~128~~	~~13~~	~~978~~	~~98~~	
~~2018~~	~~800~~	~~80~~	~~120~~	~~12~~	~~920~~	~~92~~	
~~2019~~	~~750~~	~~75~~	~~113~~	~~11~~	~~863~~	~~86~~	
~~2020~~	~~700~~	~~70~~	~~105~~	~~11~~	~~805~~	~~81~~	
~~2021~~	~~650~~	~~65~~	~~98~~	~~10~~	~~748~~	~~75~~	
~~2022~~	~~600~~	~~60~~	~~90~~	~~9~~	~~690~~	~~69~~	
~~2023~~	~~0~~	~~0~~	~~83~~	~~8~~	~~83~~	~~8~~	
~~Total~~	~~11,200~~	~~1,120~~	~~1,463~~	~~146~~	~~12,663~~	~~1,266~~	

~~Prior to 2022 Paid thru 2022~~	~~10,600~~	~~1,060~~	~~1,290~~	~~129~~
~~Less~~				
~~Prior to 2022 paid in 2022~~	~~1,500~~	~~150~~		
~~Equals~~				
~~Prior to 2022 paid thru 2021~~	~~9,100~~	~~910~~		

~~Paid thru 2023 Included in Part 3J (Auto Physical Damage)~~

	~~Direct + Assumed~~	~~Ceded~~
~~Prior to 2022 paid thru 2023~~	~~2,790~~	~~279~~
~~2022~~	~~690~~	~~69~~
~~2023~~	~~83~~	~~8~~
~~Total~~	~~3,563~~	~~356~~

~~*** Prior to 2004 Paid since 1/1/2014**~~

~~Diff=2021 & prior history~~	~~9,100~~	~~910~~

Detail Eliminated To Conserve Space

ANNUAL STATEMENT BLANK – PROPERTY/CASUALTY

SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P – PART 1I – SPECIAL PROPERTY (FIRE, ALLIED LINES, INLAND MARINE, EARTHQUAKE, BURGLARY AND THEFT)

($000 OMITTED)

	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	
Years in Which Premiums Were Earned and Losses Were Incurred	Direct and Assumed	Ceded	Net (Cols. 1 – 2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	Number of Claims Reported Direct and Assumed
1. Prior	XXX	XXX	XXX	...	...	...	...	...	...	...	...	XXX
2. ~~2023~~2015	...	...	...	...	...	...	...	...	...	...	...	XXX
3. ~~2023~~2016	...	...	...	...	...	...	...	...	...	...	...	XXX
4. 2017	...	...	...	...	...	...	...	...	...	...	...	XXX
5. 2018	...	...	...	...	...	...	...	...	...	...	...	XXX
6. 2019	...	...	...	...	...	...	...	...	...	...	...	XXX
7. 2020	...	...	...	...	...	...	...	...	...	...	...	XXX
8. 2021	...	...	...	...	...	...	...	...	...	...	...	XXX
9. 2022	...	...	...	...	...	...	...	...	...	...	...	XXX
10. 2023	...	...	...	...	...	...	...	...	...	...	...	XXX
11. 2024	...	...	...	...	...	...	...	...	...	...	...	XXX
12~~4~~. Totals	XXX	XXX	XXX									XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21	22			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	Direct and Assumed	Ceded	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1.	...	...	...	...	...	...	...	...	...	...	...	...	...
2.	...	...	...	...	...	...	...	...	...	...	...	...	...
3.	...	...	...	...	...	...	...	...	...	...	...	...	...
4.	...	...	...	...	...	...	...	...	...	...	...	...	...
5.	...	...	...	...	...	...	...	...	...	...	...	...	...
6.	...	...	...	...	...	...	...	...	...	...	...	...	...
7.	...	...	...	...	...	...	...	...	...	...	...	...	...
8.	...	...	...	...	...	...	...	...	...	...	...	...	...
9.	...	...	...	...	...	...	...	...	...	...	...	...	...
10.	...	...	...	...	...	...	...	...	...	...	...	...	...
11.	...	...	...	...	...	...	...	...	...	...	...	...	...
12~~4~~.													

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter-Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1.	XXX	XXX	XXX	XXX	XXX	XXX	...	...	XXX	...	...
2.	...	...	...	...	...	...	...	...	...	...	...
3.	...	...	...	...	...	...	...	...	...	...	...
4.	...	...	...	...	...	...	...	...	...	...	...
5.	...	...	...	...	...	...	...	...	...	...	...
6.	...	...	...	...	...	...	...	...	...	...	...
7.	...	...	...	...	...	...	...	...	...	...	...
8.	...	...	...	...	...	...	...	...	...	...	...
9.	...	...	...	...	...	...	...	...	...	...	...
10.	...	...	...	...	...	...	...	...	...	...	...
11.	...	...	...	...	...	...	...	...	...	...	...
12~~3~~.	XXX	XXX	XXX	XXX	XXX	XXX			XXX		

SCHEDULE P – PART 1J – AUTO PHYSICAL DAMAGE
($000 OMITTED)

	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	
Years in Which Premiums Were Earned and Losses Were Incurred	Direct and Assumed	Ceded	Net (Cols. 1 – 2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	Number of Claims Reported Direct and Assumed
1. Prior..................	XXX	XXX	XXX	....	....	....	....	....	....	....	....	XXX
2. ~~2023~~2015..........	....	....	....	....	....	....	....	....	....	....	....	..........~~XXX~~
3. ~~2023~~2016..........	....	....	....	....	....	....	....	....	....	....	....	..........~~XXX~~
4. 2017.................	....	....	....	....	....	....	....	....	....	....	....	..........~~XXX~~
5. 2018.................	....	....	....	....	....	....	....	....	....	....	....	..........~~XXX~~
6. 2019.................	....	....	....	....	....	....	....	....	....	....	....	..........~~XXX~~
7. 2020.................	....	....	....	....	....	....	....	....	....	....	....	..........~~XXX~~
8. 2021.................	....	....	....	....	....	....	....	....	....	....	....	..........~~XXX~~
9. 2022.................	....	....	....	....	....	....	....	....	....	....	....	..........~~XXX~~
10. 2023.................	....	....	....	....	....	....	....	....	....	....	....	..........~~XXX~~
11. 2024.................	....	....	....	....	....	....	....	....	....	....	....	..........~~XXX~~
12~~4~~. Totals	XXX	XXX	XXX									XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21	22			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	Direct and Assumed	Ceded	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1.	....	....	....	....	....	....	....	....	....	....	....	....	....
2.	....	....	....	....	....	....	....	....	....	....	....	....	....
3.	....	....	....	....	....	....	....	....	....	....	....	....	....
4.	....	....	....	....	....	....	....	....	....	....	....	....	....
5.	....	....	....	....	....	....	....	....	....	....	....	....	....
6.	....	....	....	....	....	....	....	....	....	....	....	....	....
7.	....	....	....	....	....	....	....	....	....	....	....	....	....
8.	....	....	....	....	....	....	....	....	....	....	....	....	....
9.	....	....	....	....	....	....	....	....	....	....	....	....	....
10.	....	....	....	....	....	....	....	....	....	....	....	....	....
11.	....	....	....	....	....	....	....	....	....	....	....	....	....
12~~4~~.													

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter-Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1.	XXX	XXX	XXX	XXX	XXX	XXX	....	....	XXX	....	....
2.	....	....	....	....	....	....	....	....	....	....	....
3.	....	....	....	....	....	....	....	....	....	....	....
4.	....	....	....	....	....	....	....	....	....	....	....
5.	....	....	....	....	....	....	....	....	....	....	....
6.	....	....	....	....	....	....	....	....	....	....	....
7.	....	....	....	....	....	....	....	....	....	....	....
8.	....	....	....	....	....	....	....	....	....	....	....
9.	....	....	....	....	....	....	....	....	....	....	....
10.	....	....	....	....	....	....	....	....	....	....	....
11.	....	....	....	....	....	....	....	....	....	....	....
12~~3~~.	XXX	XXX	XXX	XXX	XXX	XXX			XXX		

SCHEDULE P – PART 1K – FIDELITY/SURETY

($000 OMITTED)

	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	
Years in Which Premiums Were Earned and Losses Were Incurred	Direct and Assumed	Ceded	Net (Cols. 1 – 2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	Number of Claims Reported Direct and Assumed
1. Prior..........	XXX	XXX	XXX	....	....	....	....	....	....	....	....	XXX
2. ~~2023~~2015..........	....	....	....	....	....	....	....	....	....	....	....	XXX
3. ~~2023~~2016..........	....	....	....	....	....	....	....	....	....	....	....	XXX
4. 2017..........	....	....	....	....	....	....	....	....	....	....	....	XXX
5. 2018..........	....	....	....	....	....	....	....	....	....	....	....	XXX
6. 2019..........	....	....	....	....	....	....	....	....	....	....	....	XXX
7. 2020..........	....	....	....	....	....	....	....	....	....	....	....	XXX
8. 2021..........	....	....	....	....	....	....	....	....	....	....	....	XXX
9. 2022..........	....	....	....	....	....	....	....	....	....	....	....	XXX
10. 2023..........	....	....	....	....	....	....	....	....	....	....	....	XXX
11. 2024..........	....	....	....	....	....	....	....	....	....	....	....	XXX
12~~4~~. Totals	XXX	XXX	XXX									XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21	22			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	Direct and Assumed	Ceded	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1.	....	....	....	....	....	....	....	....	....	....	....	....	....
2.	....	....	....	....	....	....	....	....	....	....	....	....	....
3.	....	....	....	....	....	....	....	....	....	....	....	....	....
4.	....	....	....	....	....	....	....	....	....	....	....	....	....
5.	....	....	....	....	....	....	....	....	....	....	....	....	....
6.	....	....	....	....	....	....	....	....	....	....	....	....	....
7.	....	....	....	....	....	....	....	....	....	....	....	....	....
8.	....	....	....	....	....	....	....	....	....	....	....	....	....
9.	....	....	....	....	....	....	....	....	....	....	....	....	....
10.	....	....	....	....	....	....	....	....	....	....	....	....	....
11.	....	....	....	....	....	....	....	....	....	....	....	....	....
12~~4~~.													

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter-Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1.	XXX	XXX	XXX	XXX	XXX	XXX	....	....	XXX	....	....
2.	....	....	....	....	....	....	....	....	....	....	....
3.	....	....	....	....	....	....	....	....	....	....	....
4.	....	....	....	....	....	....	....	....	....	....	....
5.	....	....	....	....	....	....	....	....	....	....	....
6.	....	....	....	....	....	....	....	....	....	....	....
7.	....	....	....	....	....	....	....	....	....	....	....
8.	....	....	....	....	....	....	....	....	....	....	....
9.	....	....	....	....	....	....	....	....	....	....	....
10.	....	....	....	....	....	....	....	....	....	....	....
11.	....	....	....	....	....	....	....	....	....	....	....
12~~3~~.	XXX	XXX	XXX	XXX	XXX	XXX			XXX		

SCHEDULE P – PART 1L – OTHER (INCLUDING CREDIT, ACCIDENT AND HEALTH)
($000 OMITTED)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned: 1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 – 2)	Loss and Loss Expense Payments: Loss Payments: 4 Direct and Assumed	5 Ceded	Defense and Cost Containment Payments: 6 Direct and Assumed	7 Ceded	Adjusting and Other Payments: 8 Direct and Assumed	9 Ceded	10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	12 Number of Claims Reported Direct and Assumed
1. Prior	XXX	XXX	XXX									XXX
2. ~~2023~~2015												XXX
3. ~~2023~~2016												XXX
4. 2017												XXX
5. 2018												XXX
6. 2019												XXX
7. 2020												XXX
8. 2021												XXX
9. 2022												XXX
10. 2023												XXX
11. 2024												XXX
12~~4~~. Totals	XXX	XXX	XXX									XXX

	Losses Unpaid: Case Basis: 13 Direct and Assumed	14 Ceded	Bulk + IBNR: 15 Direct and Assumed	16 Ceded	Defense and Cost Containment Unpaid: Case Basis: 17 Direct and Assumed	18 Ceded	Bulk + IBNR: 19 Direct and Assumed	20 Ceded	Adjusting and Other Unpaid: 21 Direct and Assumed	22 Ceded	23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
1.													
2.													
3.													
4.													
5.													
6.													
7.													
8.													
9.													
10.													
11.													
12~~4~~.													

	Total Losses and Loss Expenses Incurred: 26 Direct and Assumed	27 Ceded	28 Net	Loss and Loss Expense Percentage (Incurred/Premiums Earned): 29 Direct and Assumed	30 Ceded	31 Net	Nontabular Discount: 32 Loss	33 Loss Expense	34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount: 35 Losses Unpaid	36 Loss Expenses Unpaid
1.	XXX	XXX	XXX	XXX	XXX	XXX			XXX		
2.											
3.											
4.											
5.											
6.											
7.											
8.											
9.											
10.											
11.											
12~~3~~.	XXX	XXX	XXX	XXX	XXX	XXX			XXX		

Detail Eliminated To Conserve Space

SCHEDULE P – PART 1S – FINANCIAL GUARANTY/MORTGAGE GUARANTY

($000 OMITTED)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned: 1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 – 2)	Loss and Loss Expense Payments: Loss Payments: 4 Direct and Assumed	5 Ceded	Defense and Cost Containment Payments: 6 Direct and Assumed	7 Ceded	Adjusting and Other Payments: 8 Direct and Assumed	9 Ceded	10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	12 Number of Claims Reported Direct and Assumed
1. Prior........	XXX	XXX	XXX	....	....	....	....	....	....	....	....	XXX
2. ~~2023~~2015........	....	....	....	....	....	....	....	....	....	....	....	XXX
3. ~~2023~~2016........	....	....	....	....	....	....	....	....	....	....	....	XXX
4. 2017........	....	....	....	....	....	....	....	....	....	....	....	XXX
5. 2018........	....	....	....	....	....	....	....	....	....	....	....	XXX
6. 2019........	....	....	....	....	....	....	....	....	....	....	....	XXX
7. 2020........	....	....	....	....	....	....	....	....	....	....	....	XXX
8. 2021........	....	....	....	....	....	....	....	....	....	....	....	XXX
9. 2022........	....	....	....	....	....	....	....	....	....	....	....	XXX
10. 2023........	....	....	....	....	....	....	....	....	....	....	....	XXX
11. 2024........	....	....	....	....	....	....	....	....	....	....	....	XXX
12~~4~~. Totals	XXX	XXX	XXX									XXX

	Losses Unpaid: Case Basis: 13 Direct and Assumed	14 Ceded	Bulk + IBNR: 15 Direct and Assumed	16 Ceded	Defense and Cost Containment Unpaid: Case Basis: 17 Direct and Assumed	18 Ceded	Bulk + IBNR: 19 Direct and Assumed	20 Ceded	Adjusting and Other Unpaid: 21 Direct and Assumed	22 Ceded	23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
1.	....	....	....	....	....	....	....	....	....	....	....	....	....
2.	....	....	....	....	....	....	....	....	....	....	....	....	....
3.	....	....	....	....	....	....	....	....	....	....	....	....	....
4.	....	....	....	....	....	....	....	....	....	....	....	....	....
5.	....	....	....	....	....	....	....	....	....	....	....	....	....
6.	....	....	....	....	....	....	....	....	....	....	....	....	....
7.	....	....	....	....	....	....	....	....	....	....	....	....	....
8.	....	....	....	....	....	....	....	....	....	....	....	....	....
9.	....	....	....	....	....	....	....	....	....	....	....	....	....
10.	....	....	....	....	....	....	....	....	....	....	....	....	....
11.	....	....	....	....	....	....	....	....	....	....	....	....	....
12~~4~~.													

	Total Losses and Loss Expenses Incurred: 26 Direct and Assumed	27 Ceded	28 Net	Loss and Loss Expense Percentage (Incurred/Premiums Earned): 29 Direct and Assumed	30 Ceded	31 Net	Nontabular Discount: 32 Loss	33 Loss Expense	34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount: 35 Losses Unpaid	36 Loss Expenses Unpaid
1.	XXX	XXX	XXX	XXX	XXX	XXX	....	....	XXX	....	....
2.	....	....	....	....	....	....	....	....	....	....	....
3.	....	....	....	....	....	....	....	....	....	....	....
4.	....	....	....	....	....	....	....	....	....	....	....
5.	....	....	....	....	....	....	....	....	....	....	....
6.	....	....	....	....	....	....	....	....	....	....	....
7.	....	....	....	....	....	....	....	....	....	....	....
8.	....	....	....	....	....	....	....	....	....	....	....
9.	....	....	....	....	....	....	....	....	....	....	....
10.	....	....	....	....	....	....	....	....	....	....	....
11.	....	....	....	....	....	....	....	....	....	....	....
12~~3~~.	XXX	XXX	XXX	XXX	XXX	XXX			XXX		

SCHEDULE P – PART 1T - WARRANTY
($000 OMITTED)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned: 1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 – 2)	Loss and Loss Expense Payments: Loss Payments: 4 Direct and Assumed	5 Ceded	Defense and Cost Containment Payments: 6 Direct and Assumed	7 Ceded	Adjusting and Other Payments: 8 Direct and Assumed	9 Ceded	10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	12 Number of Claims Reported Direct and Assumed
1. Prior..........	XXX	XXX	XXX	......	......	......	......	......	......	......	......	XXX
2. ~~2023~~2015..........	......	......	......	......	......	......	......	......	......	......	......	...... ~~XXX~~
3. ~~2023~~2016..........	......	......	......	......	......	......	......	......	......	......	......	...... ~~XXX~~
4. 2017..........	......	......	......	......	......	......	......	......	......	......	......	...... ~~XXX~~
5. 2018..........	......	......	......	......	......	......	......	......	......	......	......	...... ~~XXX~~
6. 2019..........	......	......	......	......	......	......	......	......	......	......	......	...... ~~XXX~~
7. 2020..........	......	......	......	......	......	......	......	......	......	......	......	...... ~~XXX~~
8. 2021..........	......	......	......	......	......	......	......	......	......	......	......	...... ~~XXX~~
9. 2022..........	......	......	......	......	......	......	......	......	......	......	......	...... ~~XXX~~
10. 2023..........	......	......	......	......	......	......	......	......	......	......	......	...... ~~XXX~~
11. 2024..........	......	......	......	......	......	......	......	......	......	......	......	...... ~~XXX~~
12~~4~~. Totals	XXX	XXX	XXX									XXX

	Losses Unpaid: Case Basis: 13 Direct and Assumed	14 Ceded	Bulk + IBNR: 15 Direct and Assumed	16 Ceded	Defense and Cost Containment Unpaid: Case Basis: 17 Direct and Assumed	18 Ceded	Bulk + IBNR: 19 Direct and Assumed	20 Ceded	Adjusting and Other Unpaid: 21 Direct and Assumed	22 Ceded	23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
1.	......	......	......	......	......	......	......	......	......	......	......	......	......
2.	......	......	......	......	......	......	......	......	......	......	......	......	......
3.	......	......	......	......	......	......	......	......	......	......	......	......	......
4.	......	......	......	......	......	......	......	......	......	......	......	......	......
5.	......	......	......	......	......	......	......	......	......	......	......	......	......
6.	......	......	......	......	......	......	......	......	......	......	......	......	......
7.	......	......	......	......	......	......	......	......	......	......	......	......	......
8.	......	......	......	......	......	......	......	......	......	......	......	......	......
9.	......	......	......	......	......	......	......	......	......	......	......	......	......
10.	......	......	......	......	......	......	......	......	......	......	......	......	......
11.	......	......	......	......	......	......	......	......	......	......	......	......	......
12~~4~~.													

	Total Losses and Loss Expenses Incurred: 26 Direct and Assumed	27 Ceded	28 Net	Loss and Loss Expense Percentage (Incurred/Premiums Earned): 29 Direct and Assumed	30 Ceded	31 Net	Nontabular Discount: 32 Loss	33 Loss Expense	34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount: 35 Losses Unpaid	36 Loss Expenses Unpaid
1.	XXX	XXX	XXX	XXX	XXX	XXX	......	......	XXX	......	......
2.	......	......	......	......	......	......	......	......	......	......	......
3.	......	......	......	......	......	......	......	......	......	......	......
4.	......	......	......	......	......	......	......	......	......	......	......
5.	......	......	......	......	......	......	......	......	......	......	......
6.	......	......	......	......	......	......	......	......	......	......	......
7.	......	......	......	......	......	......	......	......	......	......	......
8.	......	......	......	......	......	......	......	......	......	......	......
9.	......	......	......	......	......	......	......	......	......	......	......
10.	......	......	......	......	......	......	......	......	......	......	......
11.	......	......	......	......	......	......	......	......	......	......	......
12~~3~~.	XXX	XXX	XXX	XXX	XXX	XXX			XXX		

SCHEDULE P – PART 1U – PET INSURANCE PLANS
($000 OMITTED)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported Direct and Assumed
	Direct and Assumed	Ceded	Net (Cols. 1 – 2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
1. Prior	XXX	XXX	XXX									XXX
2. ~~2023~~2015												XXX
3. ~~2023~~2016												XXX
4. 2017												XXX
5. 2018												XXX
6. 2019												XXX
7. 2020												XXX
8. 2021												XXX
9. 2022												XXX
10. 2023												XXX
11. 2024												XXX
12~~4~~. Totals	XXX	XXX	XXX									XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21	22	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	Direct and Assumed	Ceded			
1.													
2.													
3.													
4.													
5.													
6.													
7.													
8.													
9.													
10.													
11.													
12~~4~~.													

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter-Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1.	XXX	XXX	XXX	XXX	XXX	XXX			XXX		
2.											
3.											
4.											
5.											
6.											
7.											
8.											
9.											
10.											
11.											
12~~3~~.	XXX	XXX	XXX	XXX	XXX	XXX			XXX		

Detail Eliminated To Conserve Space

SCHEDULE P – PART 2I – SPECIAL PROPERTY (FIRE, ALLIED LINES, INLAND MARINE, EARTHQUAKE, BURGLARY, AND THEFT)

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR-END ($000 OMITTED)										DEVELOPMENT	
	1 2015	2 2016	3 2017	4 2018	5 2019	6 2020	7 2021	8 2022	9 2023	10 2024	11 One Year	12 Two Year
1. Prior												
2. 2015												
3. 2016	XXX											
4. 2017	XXX	XXX										
5. 2018	XXX	XXX	XXX									
6. 2019	XXX	XXX	XXX	XXX								
7. 2020	XXX	XXX	XXX	XXX	XXX							
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX						
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX					
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX				XXX
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX
										12. Totals		

~~Years in Which Losses Were Incurred~~	~~INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR-END ($000 OMITTED)~~										~~DEVELOPMENT~~	
	~~1~~ ~~2015~~	~~2~~ ~~2016~~	~~3~~ ~~2017~~	~~4~~ ~~2018~~	~~5~~ ~~2019~~	~~6~~ ~~2020~~	~~7~~ ~~2021~~	~~8~~ ~~2022~~	~~9~~ ~~2023~~	~~10~~ ~~2024~~	~~11~~ ~~One Year~~	~~12~~ ~~Two Year~~
~~1. Prior~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~					
~~2. 2023~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~				~~XXX~~
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~		~~XXX~~	~~XXX~~
										~~4.Totals~~		

SCHEDULE P – PART 2J – AUTO PHYSICAL DAMAGE

1. Prior												
2. 2015												
3. 2016	XXX											
4. 2017	XXX	XXX										
5. 2018	XXX	XXX	XXX									
6. 2019	XXX	XXX	XXX	XXX								
7. 2020	XXX	XXX	XXX	XXX	XXX							
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX						
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX					
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX				XXX
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX
										12. Totals		

~~1. Prior~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~					
~~2. 2023~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~				~~XXX~~
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~		~~XXX~~	~~XXX~~
										~~4. Totals~~		

SCHEDULE P – PART 2K – FIDELITY, SURETY

1. Prior												
2. 2015												
3. 2016	XXX											
4. 2017	XXX	XXX										
5. 2018	XXX	XXX	XXX									
6. 2019	XXX	XXX	XXX	XXX								
7. 2020	XXX	XXX	XXX	XXX	XXX							
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX						
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX					
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX				XXX
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX
										12. Totals		

~~1. Prior~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~					
~~2. 2023~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~				~~XXX~~
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~		~~XXX~~	~~XXX~~
										~~4. Totals~~		

SCHEDULE P – PART 2L – OTHER (INCLUDING CREDIT, ACCIDENT AND HEALTH)

1. Prior												
2. 2015												
3. 2016	XXX											
4. 2017	XXX	XXX										
5. 2018	XXX	XXX	XXX									
6. 2019	XXX	XXX	XXX	XXX								
7. 2020	XXX	XXX	XXX	XXX	XXX							
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX						
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX					
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX				XXX
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX
										12. Totals		

~~1. Prior~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~					
~~2. 2023~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~				~~XXX~~
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~		~~XXX~~	~~XXX~~
										~~4. Totals~~		

Detail Eliminated To Conserve Space

SCHEDULE P – PART 2S – FINANCIAL GUARANTY/MORTGAGE GUARANTY

1. Prior	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
2. 2015	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
3. 2016	XXX	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
4. 2017	XXX	XXX	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
5. 2018	XXX	XXX	XXX	.....	.....	.....	.....	.....	.....	.....	.....	.....
6. 2019	XXX	XXX	XXX	XXX	.....	.....	.....	.....	.....	.....	.....	.....
7. 2020	XXX	XXX	XXX	XXX	XXX	.....	.....	.....	.....	.....	.....	.....
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX	.....	.....	.....	.....	.....	.....
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.....	.....	.....	.....	.....
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.....	.....	.....	XXX
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX
										12. Totals		

~~1. Prior .....~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~.....~~	~~.....~~	~~.....~~	~~.....~~	~~.....~~
~~2. 2023 .....~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~.....~~	~~.....~~	~~.....~~	~~XXX~~
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~		~~XXX~~	~~XXX~~
										~~4. Totals~~		

SCHEDULE P – PART 2T – WARRANTY

1. Prior	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
2. 2015	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
3. 2016	XXX	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
4. 2017	XXX	XXX	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
5. 2018	XXX	XXX	XXX	.....	.....	.....	.....	.....	.....	.....	.....	.....
6. 2019	XXX	XXX	XXX	XXX	.....	.....	.....	.....	.....	.....	.....	.....
7. 2020	XXX	XXX	XXX	XXX	XXX	.....	.....	.....	.....	.....	.....	.....
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX	.....	.....	.....	.....	.....	.....
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.....	.....	.....	.....	.....
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.....	.....	.....	XXX
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX
										12. Totals		

~~1. Prior .....~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~.....~~	~~.....~~	~~.....~~	~~.....~~	~~.....~~
~~2. 2023 .....~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~.....~~	~~.....~~	~~.....~~	~~XXX~~
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~		~~XXX~~	~~XXX~~
										~~4. Totals~~		

SCHEDULE P – PART 2U – PET INSURANCE PLANS

1. Prior	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
2. 2015	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
3. 2016	XXX	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
4. 2017	XXX	XXX	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
5. 2018	XXX	XXX	XXX	.....	.....	.....	.....	.....	.....	.....	.....	.....
6. 2019	XXX	XXX	XXX	XXX	.....	.....	.....	.....	.....	.....	.....	.....
7. 2020	XXX	XXX	XXX	XXX	XXX	.....	.....	.....	.....	.....	.....	.....
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX	.....	.....	.....	.....	.....	.....
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.....	.....	.....	.....	.....
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.....	.....	.....	XXX
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX
										12. Totals		

~~1. Prior .....~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~.....~~	~~.....~~	~~.....~~	~~.....~~	~~.....~~
~~2. 2023 .....~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~.....~~	~~.....~~	~~.....~~	~~XXX~~
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~		~~XXX~~	~~XXX~~
										~~4. Totals~~		

Detail Eliminated To Conserve Space

SCHEDULE P – PART 3I – SPECIAL PROPERTY (FIRE, ALLIED LINES, INLAND MARINE, EARTHQUAKE, BURGLARY, AND THEFT)

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR-END ($000 OMITTED)										11 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
	1 2015	2 2016	3 2017	4 2018	5 2019	6 2020	7 2021	8 2022	9 2023	10 2024		
1. Prior	000	....	....	....	....	....	....	....	....	....	XXX	XXX
2. 2015	....	....	....	....	....	....	....	....	....	....	XXX	XXX
3. 2016	XXX	....	....	....	....	....	....	....	....	....	XXX	XXX
4. 2017	XXX	XXX	....	....	....	....	....	....	....	....	XXX	XXX
5. 2018	XXX	XXX	XXX	....	....	....	....	....	....	....	XXX	XXX
6. 2019	XXX	XXX	XXX	XXX	....	....	....	....	....	....	XXX	XXX
7. 2020	XXX	XXX	XXX	XXX	XXX	....	....	....	....	....	XXX	XXX
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....	....	XXX	XXX
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....	XXX	XXX
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....	XXX	XXX
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX

~~Years in Which Losses Were Incurred~~	~~CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR-END ($000 OMITTED)~~										~~11 Number of Claims Closed With Loss Payment~~	~~12 Number of Claims Closed Without Loss Payment~~
	~~1 2015~~	~~2 2016~~	~~3 2017~~	~~4 2018~~	~~5 2019~~	~~6 2020~~	~~7 2021~~	~~8 2022~~	~~9 2023~~	~~10 2024~~		
~~1. Prior ....~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~000~~	~~..........~~	~~..........~~	~~XXX~~	~~XXX~~
~~2. 2023 ....~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~..........~~	~~..........~~	~~XXX~~	~~XXX~~
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~		~~XXX~~	~~XXX~~

SCHEDULE P – PART 3J – AUTO PHYSICAL DAMAGE

1. Prior	000	....	....	....	....	....	....	....	....	....	XXX	XXX
2. 2015	....	....	....	....	....	....	....	....	....	....	XXX	XXX
3. 2016	XXX	....	....	....	....	....	....	....	....	....	XXX	XXX
4. 2017	XXX	XXX	....	....	....	....	....	....	....	....	XXX	XXX
5. 2018	XXX	XXX	XXX	....	....	....	....	....	....	....	XXX	XXX
6. 2019	XXX	XXX	XXX	XXX	....	....	....	....	....	....	XXX	XXX
7. 2020	XXX	XXX	XXX	XXX	XXX	....	....	....	....	....	XXX	XXX
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....	....	XXX	XXX
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....	XXX	XXX
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....	XXX	XXX
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX
~~1. Prior ....~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~000~~	~~..........~~	~~..........~~	~~XXX~~	~~XXX~~
~~2. 2023 ....~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~..........~~	~~..........~~	~~XXX~~	~~XXX~~
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~		~~XXX~~	~~XXX~~

SCHEDULE P – PART 3K – FIDELITY/SURETY

1. Prior	000	....	....	....	....	....	....	....	....	....	XXX	XXX
2. 2015	....	....	....	....	....	....	....	....	....	....	XXX	XXX
3. 2016	XXX	....	....	....	....	....	....	....	....	....	XXX	XXX
4. 2017	XXX	XXX	....	....	....	....	....	....	....	....	XXX	XXX
5. 2018	XXX	XXX	XXX	....	....	....	....	....	....	....	XXX	XXX
6. 2019	XXX	XXX	XXX	XXX	....	....	....	....	....	....	XXX	XXX
7. 2020	XXX	XXX	XXX	XXX	XXX	....	....	....	....	....	XXX	XXX
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....	....	XXX	XXX
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....	XXX	XXX
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....	XXX	XXX
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX
~~1. Prior ....~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~000~~	~~..........~~	~~..........~~	~~XXX~~	~~XXX~~
~~2. 2023 ....~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~..........~~	~~..........~~	~~XXX~~	~~XXX~~
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~		~~XXX~~	~~XXX~~

SCHEDULE P – PART 3L – OTHER (INCLUDING CREDIT, ACCIDENT AND HEALTH)

1. Prior	000	....	....	....	....	....	....	....	....	....	XXX	XXX
2. 2015	....	....	....	....	....	....	....	....	....	....	XXX	XXX
3. 2016	XXX	....	....	....	....	....	....	....	....	....	XXX	XXX
4. 2017	XXX	XXX	....	....	....	....	....	....	....	....	XXX	XXX
5. 2018	XXX	XXX	XXX	....	....	....	....	....	....	....	XXX	XXX
6. 2019	XXX	XXX	XXX	XXX	....	....	....	....	....	....	XXX	XXX
7. 2020	XXX	XXX	XXX	XXX	XXX	....	....	....	....	....	XXX	XXX
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....	....	XXX	XXX
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....	XXX	XXX
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....	XXX	XXX
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX
~~1. Prior ....~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~000~~	~~..........~~	~~..........~~	~~XXX~~	~~XXX~~
~~2. 2023 ....~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~..........~~	~~..........~~	~~XXX~~	~~XXX~~
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~		~~XXX~~	~~XXX~~

Detail Eliminated To Conserve Space

SCHEDULE P – PART 3S – FINANCIAL GUARANTY/MORTGAGE GUARANTY

1. Prior	000	....	....	....	....	....	....	....	....	....	XXX	XXX
2. 2015	....	....	....	....	....	....	....	....	....	....	XXX	XXX
3. 2016	XXX	....	....	....	....	....	....	....	....	....	XXX	XXX
4. 2017	XXX	XXX	....	....	....	....	....	....	....	....	XXX	XXX
5. 2018	XXX	XXX	XXX	....	....	....	....	....	....	....	XXX	XXX
6. 2019	XXX	XXX	XXX	XXX	....	....	....	....	....	....	XXX	XXX
7. 2020	XXX	XXX	XXX	XXX	XXX	....	....	....	....	....	XXX	XXX
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....	....	XXX	XXX
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....	XXX	XXX
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....	XXX	XXX
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX
~~1. Prior ....~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~000~~	~~................~~	~~................~~	~~XXX~~	~~XXX~~
~~2. 2023 ....~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~................~~	~~................~~	~~XXX~~	~~XXX~~
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~		~~XXX~~	~~XXX~~

SCHEDULE P – PART 3T - WARRANTY

1. Prior	000	....	....	....	....	....	....	....	....	....	XXX	XXX
2. 2015	....	....	....	....	....	....	....	....	....	....	XXX	XXX
3. 2016	XXX	....	....	....	....	....	....	....	....	....	XXX	XXX
4. 2017	XXX	XXX	....	....	....	....	....	....	....	....	XXX	XXX
5. 2018	XXX	XXX	XXX	....	....	....	....	....	....	....	XXX	XXX
6. 2019	XXX	XXX	XXX	XXX	....	....	....	....	....	....	XXX	XXX
7. 2020	XXX	XXX	XXX	XXX	XXX	....	....	....	....	....	XXX	XXX
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....	....	XXX	XXX
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....	XXX	XXX
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....	XXX	XXX
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX
~~1. Prior ....~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~000~~	~~................~~	~~................~~	~~XXX~~	~~XXX~~
~~2. 2023 ....~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~................~~	~~................~~	~~XXX~~	~~XXX~~
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~		~~XXX~~	~~XXX~~

SCHEDULE P – PART 3U – PET INSURANCE PLANS

1. Prior	000	....	....	....	....	....	....	....	....	....	XXX	XXX
2. 2015	....	....	....	....	....	....	....	....	....	....	XXX	XXX
3. 2016	XXX	....	....	....	....	....	....	....	....	....	XXX	XXX
4. 2017	XXX	XXX	....	....	....	....	....	....	....	....	XXX	XXX
5. 2018	XXX	XXX	XXX	....	....	....	....	....	....	....	XXX	XXX
6. 2019	XXX	XXX	XXX	XXX	....	....	....	....	....	....	XXX	XXX
7. 2020	XXX	XXX	XXX	XXX	XXX	....	....	....	....	....	XXX	XXX
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....	....	XXX	XXX
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....	XXX	XXX
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....	XXX	XXX
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX
~~1. Prior ....~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~000~~	~~................~~	~~................~~	~~XXX~~	~~XXX~~
~~2. 2023 ....~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~................~~	~~................~~	~~XXX~~	~~XXX~~
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~		~~XXX~~	~~XXX~~

Detail Eliminated To Conserve Space

SCHEDULE P – PART 4I – SPECIAL PROPERTY (FIRE, ALLIED LINES, INLAND MARINE, EARTHQUAKE, BURGLARY AND THEFT)

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR-END ($000 OMITTED)									
	1 2015	2 2016	3 2017	4 2018	5 2019	6 2020	7 2021	8 2022	9 2023	10 2024
1. Prior										
2. 2015										
3. 2016	XXX									
4. 2017	XXX	XXX								
5. 2018	XXX	XXX	XXX							
6. 2019	XXX	XXX	XXX	XXX						
7. 2020	XXX	XXX	XXX	XXX	XXX					
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX				
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

~~Years in Which Losses Were Incurred~~	~~BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR-END ($000 OMITTED)~~									
	~~1~~ ~~2015~~	~~2~~ ~~2016~~	~~3~~ ~~2017~~	~~4~~ ~~2018~~	~~5~~ ~~2019~~	~~6~~ ~~2020~~	~~7~~ ~~2021~~	~~8~~ ~~2022~~	~~9~~ ~~2023~~	~~10~~ ~~2024~~
~~1. Prior~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~			
~~2. 2023~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~		
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	

SCHEDULE P – PART 4J – AUTO PHYSICAL DAMAGE

1. Prior										
2. 2015										
3. 2016	XXX									
4. 2017	XXX	XXX								
5. 2018	XXX	XXX	XXX							
6. 2019	XXX	XXX	XXX	XXX						
7. 2020	XXX	XXX	XXX	XXX	XXX					
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX				
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
~~1. Prior~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~			
~~2. 2023~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~		
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	

SCHEDULE P – PART 4K – FIDELITY/SURETY

1. Prior										
2. 2015										
3. 2016	XXX									
4. 2017	XXX	XXX								
5. 2018	XXX	XXX	XXX							
6. 2019	XXX	XXX	XXX	XXX						
7. 2020	XXX	XXX	XXX	XXX	XXX					
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX				
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
~~1. Prior~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~			
~~2. 2023~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~		
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	

SCHEDULE P – PART 4L – OTHER (INCLUDING CREDIT, ACCIDENT AND HEALTH)

1. Prior										
2. 2015										
3. 2016	XXX									
4. 2017	XXX	XXX								
5. 2018	XXX	XXX	XXX							
6. 2019	XXX	XXX	XXX	XXX						
7. 2020	XXX	XXX	XXX	XXX	XXX					
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX				
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
~~1. Prior~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~			
~~2. 2023~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~		
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	

Detail Eliminated To Conserve Space

SCHEDULE P – PART 4S – FINANCIAL GUARANTY/MORTGAGE GUARANTY

1. Prior	....	....	....	....	....	....	....	....	....	....
2. 2015	....	....	....	....	....	....	....	....	....	....
3. 2016	XXX	....	....	....	....	....	....	....	....	....
4. 2017	XXX	XXX	....	....	....	....	....	....	....	....
5. 2018	XXX	XXX	XXX	....	....	....	....	....	....	....
6. 2019	XXX	XXX	XXX	XXX	....	....	....	....	....	....
7. 2020	XXX	XXX	XXX	XXX	XXX	....	....	....	....	....
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....	....
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....
~~1. Prior........~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~........~~	~~........~~	~~........~~
~~2. 2023........~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~........~~	~~........~~
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	

SCHEDULE P – PART 4T - WARRANTY

1. Prior	....	....	....	....	....	....	....	....	....	....
2. 2015	....	....	....	....	....	....	....	....	....	....
3. 2016	XXX	....	....	....	....	....	....	....	....	....
4. 2017	XXX	XXX	....	....	....	....	....	....	....	....
5. 2018	XXX	XXX	XXX	....	....	....	....	....	....	....
6. 2019	XXX	XXX	XXX	XXX	....	....	....	....	....	....
7. 2020	XXX	XXX	XXX	XXX	XXX	....	....	....	....	....
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....	....
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....
~~1. Prior........~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~........~~	~~........~~	~~........~~
~~2. 2023........~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~........~~	~~........~~
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	

SCHEDULE P – PART 4U – PET INSURANCE PLANS

1. Prior	....	....	....	....	....	....	....	....	....	....
2. 2015	....	....	....	....	....	....	....	....	....	....
3. 2016	XXX	....	....	....	....	....	....	....	....	....
4. 2017	XXX	XXX	....	....	....	....	....	....	....	....
5. 2018	XXX	XXX	XXX	....	....	....	....	....	....	....
6. 2019	XXX	XXX	XXX	XXX	....	....	....	....	....	....
7. 2020	XXX	XXX	XXX	XXX	XXX	....	....	....	....	....
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....	....
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....
~~1. Prior........~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~........~~	~~........~~	~~........~~
~~2. 2023........~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~........~~	~~........~~
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	

Detail Eliminated To Conserve Space

SCHEDULE P – PART 5T – WARRANTY

SECTION 1

Years in Which Premiums Were Earned and Losses Were Incurred	CUMULATIVE NUMBER OF CLAIMS CLOSED WITH LOSS PAYMENT DIRECT AND ASSUMED AT YEAR-END									
	1 2015	2 2016	3 2017	4 2018	5 2019	6 2020	7 2021	8 2022	9 2023	10 2024
1. Prior	....	....	....	....	....	....	....	....	....	....
2. 2015	....	....	....	....	....	....	....	....	....	....
3. 2016	XXX	....	....	....	....	....	....	....	....	....
4. 2017	XXX	XXX	....	....	....	....	....	....	....	....
5. 2018	XXX	XXX	XXX	....	....	....	....	....	....	....
6. 2019	XXX	XXX	XXX	XXX	....	....	....	....	....	....
7. 2020	XXX	XXX	XXX	XXX	XXX	....	....	....	....	....
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....	....
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....

~~Years in Which Premiums Were Earned and Losses Were Incurred~~	~~CUMULATIVE NUMBER OF CLAIMS CLOSED WITH LOSS PAYMENT DIRECT AND ASSUMED AT YEAR-END~~									
	~~1~~ ~~2015~~	~~2~~ ~~2016~~	~~3~~ ~~2017~~	~~4~~ ~~2018~~	~~5~~ ~~2019~~	~~6~~ ~~2020~~	~~7~~ ~~2021~~	~~8~~ ~~2022~~	~~9~~ ~~2023~~	~~10~~ ~~2024~~
~~1. Prior~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	....	....	....
~~2. 2023~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	....	....
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	

SECTION 2

Years in Which Premiums Were Earned and Losses Were Incurred	NUMBER OF CLAIMS OUTSTANDING DIRECT AND ASSUMED AT YEAR-END									
	1 2015	2 2016	3 2017	4 2018	5 2019	6 2020	7 2021	8 2022	9 2023	10 2024
1. Prior	....	....	....	....	....	....	....	....	....	....
2. 2015	....	....	....	....	....	....	....	....	....	....
3. 2016	XXX	....	....	....	....	....	....	....	....	....
4. 2017	XXX	XXX	....	....	....	....	....	....	....	....
5. 2018	XXX	XXX	XXX	....	....	....	....	....	....	....
6. 2019	XXX	XXX	XXX	XXX	....	....	....	....	....	....
7. 2020	XXX	XXX	XXX	XXX	XXX	....	....	....	....	....
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....	....
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....

~~Years in Which Premiums Were Earned and Losses Were Incurred~~	~~NUMBER OF CLAIMS OUTSTANDING DIRECT AND ASSUMED AT YEAR-END~~									
	~~1~~ ~~2015~~	~~2~~ ~~2016~~	~~3~~ ~~2017~~	~~4~~ ~~2018~~	~~5~~ ~~2019~~	~~6~~ ~~2020~~	~~7~~ ~~2021~~	~~8~~ ~~2022~~	~~9~~ ~~2023~~	~~10~~ ~~2024~~
~~1. Prior~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	....	....	....
~~2. 2023~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	....	....
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	

SECTION 3

Years in Which Premiums Were Earned and Losses Were Incurred	CUMULATIVE NUMBER OF CLAIMS REPORTED DIRECT AND ASSUMED AT YEAR-END									
	1 2015	2 2016	3 2017	4 2018	5 2019	6 2020	7 2021	8 2022	9 2023	10 2024
1. Prior	....	....	....	....	....	....	....	....	....	....
2. 2015	....	....	....	....	....	....	....	....	....	....
3. 2016	XXX	....	....	....	....	....	....	....	....	....
4. 2017	XXX	XXX	....	....	....	....	....	....	....	....
5. 2018	XXX	XXX	XXX	....	....	....	....	....	....	....
6. 2019	XXX	XXX	XXX	XXX	....	....	....	....	....	....
7. 2020	XXX	XXX	XXX	XXX	XXX	....	....	....	....	....
8. 2021	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....	....
9. 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....	....
10. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....	....
11. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	....

~~Years in Which Premiums Were Earned and Losses Were Incurred~~	~~CUMULATIVE NUMBER OF CLAIMS REPORTED DIRECT AND ASSUMED AT YEAR-END~~									
	~~1~~ ~~2015~~	~~2~~ ~~2016~~	~~3~~ ~~2017~~	~~4~~ ~~2018~~	~~5~~ ~~2019~~	~~6~~ ~~2020~~	~~7~~ ~~2021~~	~~8~~ ~~2022~~	~~9~~ ~~2023~~	~~10~~ ~~2024~~
~~1. Prior~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	....	....	....
~~2. 2023~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	....	....
~~3. 2024~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	

https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2024springnm/summary and minutes/bwg/att 2e_2023-16bwg_modified.docx

Blanks (E) Working Group
Editorial Revisions to the Blanks and Instructions
(presented at the February 21, 2024, Meeting)

Statement Type:
H = Health; **L/F** = Life/Fraternal Combined; **P/C** = Property/Casualty; **SA** = Separate Accounts; **T** = Title

Effective	Table Name	Description	Statement Type	Filing Type
2024	Schedule DL, Parts 1 and 2	**CHANGE TO BLANK** Update the sub header for the line reference on the Assets page for separate accounts. **SCHEDULE DL – PART 1** **SECURITIES LENDING COLLATERAL ASSETS** Reinvested Collateral Assets Owned December 31 Current Year (Securities lending collateral assets reported in aggregate on Line 10 of the Assets page (Line 9 for Separate Accounts) and not included on Schedules A, B, BA, D DB and E) **SCHEDULE DL – PART 2** **SECURITIES LENDING COLLATERAL ASSETS** Reinvested Collateral Assets Owned December 31 Current Year (Securities lending collateral assets included on Schedules A, B, BA, D, DB and E and not reported in aggregate on Line 10 of the Assets page (Line 9 for Separate Accounts))	H, L/F, P/C, T	Annual / Quarterly
2024	Schedule DL, Parts 1 and 2	**CHANGE TO INSTRUCTION** Update the sub header for the line reference on the Assets page for separate accounts. **SCHEDULE DL – PART 1** **SECURITIES LENDING COLLATERAL ASSETS** Reinvested Collateral Assets Owned December 31 Current Year (Securities lending collateral assets reported in aggregate on Line 10 of the asset page (Line 9 for Separate Accounts) and not included on Schedules A, B, BA, D, DB and E.) **SCHEDULE DL – PART 2** **SECURITIES LENDING COLLATERAL ASSETS** Reinvested Collateral Assets Owned December 31 Current Year (Securities lending collateral assets included on Schedules A, B, BA, D, DB and E (Line 9 for Separate Accounts) and not reported in aggregate on Line 10 of the asset page.)	H, L/F, P/C, T	Annual / Quarterly

Effective	Table Name	Description	Statement Type	Filing Type
2024	Market Conduct Annual Statement (MCAS) Premium Exhibit for Year	**CHANGE TO INSTRUCTION** Clarification on Fraternal companies filing MCAS Supplement. **MARKET CONDUCT ANNUAL STATEMENT (MCAS) PREMIUM EXHIBIT FOR YEAR** *** ~~For 2023, Fraternal Benefit Societies should update all fields with "No" as they are not required to file an MCAS~~ Fraternal Benefit Societies are not currently required to file an MCAS and should answer "No" to Interrogatory 36 on the Life/Fraternal Statement's Supplemental Exhibits and Schedules Interrogatories.***	H, L/F, P/C	Annual
2024	Combined Annual Statement for Affiliated Property/Casualty Insurers	**CHANGE TO INSTRUCTION** Update the Line reference for Schedule D, Part 2 back to line 5999999999 instead of line 5989999999 because there are eliminating entries of common affiliate stock that has to be done with the combined statement. These entries are noted in the combined instructions. This was updated to line 5989999999 for annual 2022 but was decided it should have stayed as line 5999999999. 6. With the exception of Schedule Z, the format to be used is that of the NAIC Annual Statement blank for property/casualty insurers. The specific pages, exhibits, and schedules to be included are as follows: Title Page (in part) Assets Liabilities, Surplus and Other Funds Statement of Income Cash Flow Underwriting and Investment Exhibit, Parts 1 through 3 Exhibit of Net Investment Income Exhibit of Capital Gains (Losses) Schedule D, Summary by Country Schedule D, Part 1A, Sections 1 and 2 Schedule D, Parts 1 and 2, Totals (Line 2509999999, 4509999999 or ~~5989999999~~5999999999) only Note: Do not complete the footnote for Schedule D, Parts 1 and 2	P/C	Annual

Effective	Table Name	Description	Statement Type	Filing Type
2024	Supplemental Health Care Exhibit – Parts 1 and 2	**CHANGE TO INSTRUCTION** A line in the instructions was inadvertently removed with proposal 2022-16BWG. A schedule must be prepared and submitted for each jurisdiction in which the company has written direct comprehensive major medical health business, or has direct amounts paid, incurred or unpaid for provisions of health care services. In addition, a schedule must be prepared and submitted that contains the grand total (GT) for the company. However, insurers that have no business that would be included in Columns 1 through 9 or 12 of Part 1 for ANY of the states are not required to complete this supplement at all. If an insurer is required to file the supplement, then the insurer must complete Parts 1 and 2 for each state in which the insurer has any health business, even if a particular state will show $0 earned premiums reported in Columns 1 through 9 or 12 of Part 1. Companies should contact their domiciliary regulator to obtain a waiver of the filing if the only reportable business in Columns 1 through 9 are comprised of closed blocks of small group, large group or individual business that, if totaled across all states, does not equal 1,000 lives in total.	H, L/F, P/C	Annual
2024	Schedule D, Part 1 and Part 2, Section 1 and 2	**CHANGE TO INSTRUCTION** Add guidance language for PLGI SVO Administrative Symbol. (Column 6 for Schedule D, Part 1 and Column 20 for Schedule D, Part 2, Section 1) SVO Administrative Symbol: Following are valid SVO Administrative Symbols for bonds. Refer to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for the application of these symbols. S — Additional or other non-payment risk SYE — Additional or other non-payment risk - Year-end carry over FE — Filing Exempt FM — Financially Modeled RMBS/CMBS subject to SSAP 43R YE — Year-end carry over IF — Initial filing PL — Private Letter Rating PLGI — Private Letter Rating – reported on General Interrogatory – for guidance on Private Letter Securities refer to Part Three of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*	H, L/F, P/C, T	Annual

Effective	Table Name	Description	Statement Type	Filing Type
2024	Notes to Financial Statements	**CHANGE TO INSTRUCTION** With the editorial change adopted on 11/7/2023 for Note 12A(1) the illustration now needs to be updated for actuarial gain/loss. 12A(1) a. Pension Benefits 1. Benefit obligation at beginning of year 2. Service cost 3. Interest cost 4. Contribution by plan participants 5. Actuarial ~~gain (loss)~~gain / loss ****Detail Eliminated to Conserve Space**** b. Postretirement Benefits 1. Benefit obligation at beginning of year 2. Service cost 3. Interest cost 4. Contribution by plan participants 5. Actuarial ~~gain (loss)~~gain / loss ****Detail Eliminated to Conserve Space**** c. Special or Contractual Benefits Per SSAP No. 11 1. Benefit obligation at beginning of year 2. Service cost 3. Interest cost 4. Contribution by plan participants 5. Actuarial ~~gain (loss)~~gain / loss ****Detail Eliminated to Conserve Space****	H, L/F, P/C, T	Annual

