

NAIC May and June 2020 Adoptions

Johnson Lambert LLP is dedicated to keeping you informed of changes adopted by the NAIC within the Statutory Accounting Principles (E) Working Group (SAPWG) that will impact your statutory basis financial statements. The following updates were adopted in remote interim sessions of the SAPWG during the year.

Statutory Accounting Updates

Ref #	SSAP No	Title	Revision Description	Effective
INT 20-05T	SSAP No 34	Investment Income Due and Accrued	Entities invested in mortgage loans, bank loans or investment products with underlying mortgage loans impacted by COVID-19 related forbearance or modification provisions may waive the collectibility evaluation for the 1st and 2nd quarters of 2020 for borrowers and investments that were current as of 12.31.19 that were not experiencing financial difficulties at the time of the insignificant modification. This temporary exception to the 90-day rule for admissibility of investment income receivables expires on 09.29.20.	05.20.20
INT 20-06T	SSAP No 64, 103R INT 01-31	Participation in the 2020 TALF Program	Prescribes accounting for participants in the Term Asset-Backed Securities Loan Facility (TALF) program established by the Federal Reserve on 03.23.20 and clarifies that participation in the program is not a repurchase agreement. The interpretation expires upon the expiration of the TALF program.	05.20.20

Ref #	SSAP No	Title	Revision Description	Effective
INT 20-07T	SSAP No 26R, 36, 43R, 103R	Troubled Debt Restructuring of Certain Debt Investments Due to COVID-19	<p>Provides a practical expedient to assist reporting entities with determining whether a debt or loan modification in response to COVID-19 is insignificant. The following modifications are considered insignificant:</p> <ul style="list-style-type: none"> • The contractual amount due changes 10% or less • The maturity of the debt is not extended for more than 3 years • Modifications solely impacting covenant requirements are not troubled debt restructurings • The contractual cash flows change 10% or less and do not need further evaluation to determine whether the modification is more than minor <p>The interpretation expires on the earlier of 12.31.20 or 60 days after the date on which the COVID-19 national emergency terminates.</p>	05.20.20
2019-20	SSAP No 26R, 43R	Rolling Short-Term Investments	Requires certain rolling short-term investments be reported as long-term investments when certain conditions exist.	05.20.20
2019-37	SSAP No 41R	Surplus Notes – Enhanced Disclosures	Requires additional disclosures for surplus notes, specifically those structured to reduce or eliminate typical cash flows.	05.20.20
2019-42	SSAP No 2R	Inclusion of Cash/ Liquidity Pools – Cash Equivalents as Defined in SSAP No 2R	Permits certain cash / liquidity pool structures to be reported as cash equivalents if they meet certain requirements. Entities that have to reclassify qualifying cash / liquidity pools to cash equivalents from a different investment schedule may elect to complete the reclassifications effective January 1, 2021. Early adoption is permitted.	05.20.20

Ref #	SSAP No	Title	Revision Description	Effective
2019-47	SSAP No 3 SSAP No 51R	Grade-in of Variable Annuity Reserves	Changes in reserve valuation basis on certain variable annuities may be phased in over time as permitted by either SSAP No 51R or the Valuation Manual in section VM-21, and are subject to additional disclosures regarding the phase-in.	05.20.20
2020-07	SSAP No 1	Change to the Summary Investment Schedule	Adds "Total Valuation Allowance" on mortgage loans to the Summary Investment Schedule (SIS) to eliminate a cross-check error in the annual statement between the SIS Total Mortgage and Schedule B, Part 1.	05.20.20
2020-14	SSAP No 26R	Assessment of OTTI Based on Original Contract Terms	Clarifies that when a modification to a debt instrument occurs the assessment for other-than-temporary impairment (OTTI) should follow SSAP No 36, <i>Troubled Debt Restructuring</i> and SSAP No 103R, <i>Transfers and Servicing of Financial Assets and Extinguishments of Liabilities</i> , as applicable. After modification the OTTI assessment should be based on the modified contractual terms.	05.20.20
INT 2020-08T	SSAP No 5R, 24, 53, 54R, 65, 66	COVID-19 Premium Refunds, Rate Reductions and Policyholder Dividends	<p>The interpretation provides guidance for property and casualty insurers and accident and health insurers on COVID-19 related:</p> <ul style="list-style-type: none"> ● refunds not required under policy terms ● refunds required under policy terms ● rate reductions on inforce and renewal business, and ● policyholder dividends <p>Additional disclosures related to these items are required. The interpretation automatically expires 01.01.21.</p>	06.15.20

Rejected ASUs

The following [FASB ASUs](#) were rejected by the SAPWG:

- ASU 2016-20 – *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*
- ASU 2017-14 – *Amendments to SEC Paragraphs in Topic 220, Topic 605, and Topic 606*
- ASU 2018-18 – *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606*
- ASU 2020-02 – *Financial Instruments - Credit Losses (Topic 326) and Leases (Topic 842) - Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842)*

If you have any questions about this annual update you can [contact us here](#).

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