2016 Statutory Accounting Changes – Year in Review

Ref #	SSAP No.	Title	Revision Description	Effective
2014-25	41R	Surplus Notes	Surplus notes with an NAIC designation of 1 or 2 from a credit rating provider (CRP) will be measured at amortized cost. All other surplus notes (including non-rated surplus notes) will be measured at the lower of amortized cost or fair value (FV), with changes in the value recorded as unrealized valuation changes. The admissibility of surplus notes is restricted to the amount that would be admitted if the surplus note was an equity instrument. Surplus notes issued by entities subject to rehabilitation, conservation, liquidation or any regulatory action level event should be nonadmitted. Issue Paper No. 151 was updated to address impairment of surplus notes. Impairment is required if it's probable the reporting entity will not be able to collect amounts contractually due, which could include the following situations: • The issuer's commissioner is delaying payment on the notes • The reporting entity makes a decision to sell the note prior to maturity at an amount below carrying value. Going forward, the reporting entity accounts for a previously impaired surplus note as if it was purchased at that amount, so no recoveries of cost can be recognized.	01.01.17
2015-19	1	Quarterly Reporting of Restricted Assets	Reporting entities must disclose restricted assets in the interim financial statements if significant changes have occurred since the annual statement filing. The interim disclosure should include enough information to understand the significant changes in restricted assets relative to the annual statement and updated overall restricted asset totals. The interim disclosure does not need to repeat disclosure of restricted asset categories that have not changed since the annual statement filing; however, sufficient information should be provided on the total restricted assets held in order to not be misleading.	Immediately
2015-45	N/A	ETF Reporting in Investment Schedules	Bond exchange-traded-funds (ETFs) are now reported in a separate subcategory of Schedule D- Part 1 to allow users of the annual statement to evaluate their impact separately, as investments in these products have been increasingly prevalent.	12.31.16
2016-01	106	Section 9010 Assessment 2017 Moratorium	An interpretation of SSAP No. 106 was adopted that clarifies how to account for fees in light of the moratorium on the Annual Fee on Health Insurance Providers (HIPF) under Section 9010 of the Patient Protection and Affordable Care Act so that reporting entities do not have inconsistent financial reporting. The accounting specified is to: a. Accrue liability on 01.01.16 for HIPF based on 2015 net written premiums; b. Do not segregate surplus in 2016 for HIPF based on 2016 net written premiums; c. Do not accrue HIPF liability on 01.01.17 based on 2016 net written premiums; d. Segregate surplus for HIPF during 2017 based on 2017 net written premiums; e. Accrue liability on 01.01.18 for HIPF based on 2017 net written premiums.	Immediately
2016-15	51	Change in Valuation Basis for Life Contracts	The revisions provide guidance on how to determine the change in valuation basis for principle-based reserving (PBR). A change in valuation basis occurs when there is a change in methodology or voluntary choices in the application of the methodology. It does not include updates to assumptions based on experience. Changes in valuation basis should be reported in surplus. However, PBR is not expected to impact surplus in the year of implementation because it requires prospective application.	Immediately
2015-52	1	Clarification of Permitted Practice Disclosure	Disclosure of how the financial statements are impacted by a permitted or prescribed practice should reference the specific financial statement line item(s), rather than only referencing surplus or net income. The revisions incorporate a specific example of a reporting entity admitting furniture as a permitted practice making reference to the furniture and equipment line item of the statement of admitted assets rather than the surplus line item when describing the impact.	Immediately

Ref #	SSAP No.	Title	Revision Description	Effective
2015-02	103R	Short Sales	The revisions clarify that most short sales will be accounted for under SSAP No. 103. Certain forward purchase/sale contracts as well as contracts that resemble short sales, but don't meet all of the short sale criteria, could fall under SSAP No. 86. The revisions outline disclosure requirements for entities that sell securities short within the reporting period. SAP adopts GAAP guidance with modification to require the short sale obligation to be a contra-asset rather than a liability, when the transaction meets sale criteria, and to recognize unrealized gains and losses on unsettled short sales rather than recognize income directly, as required under GAAP. For short sales that are supported by a securities borrowing transaction, the contra-asset is replaced by a liability. These amendments should be adopted on a prospective basis for transactions occurring on or after 01.01.17.	01.01.17
2015-23	26 and 43R	Prepayment Penalties on Callable Bonds	The revisions clarify how investors should account for acceleration fees and prepayment penalties received from issuers. Investment income from the transaction is calculated by subtracting the par value of the investment from the total proceeds. Differences between the book/adjusted carrying value and par value should be recorded as a realized capital gain or loss. Additionally, the number of CUSIPs sold, disposed, or redeemed, as well as the total amount of investment income from prepayment penalties and/or acceleration fees should be disclosed.	01.01.17
2015-40	15	ASU 2015-15- *Debt Issuance Cost Associated with Line-of-Credit Arrangements*	Revisions clarify that entities should continue to account for debt issuance costs as prescribed in SSAP No. 15, and rejects ASU 2015-15.	Immediately
2015-41	1	5*/6* Securities	For annual reporting, entities must disclose the number of securities, aggregate book/adjusted carrying value and aggregate fair value for 5* securities, by investment type, for both current and prior periods. Disclosure is required in interim reporting periods if there have been significant changes from the most recent annual reporting period. 5* securities are insurer designated ratings for securities that have complex structures such that the NAIC's SVO is not able to obtain sufficient information to provide a rating, but for which the issuer is making scheduled payments.	Immediately
2015-43	86	EITF 99-02: Accounting for Weather Derivatives	The revisions incorporate the GAAP definition of weather derivatives as forward-based or option-based contracts for which settlement is based on a climatic or geological variable. One example of such variable is the occurrence or nonoccurrence of a specified amount of snow at a specified location within a specified time. Accordingly, weather derivatives should be valued and reported consistently with other derivatives under SSAP No. 86.	Immediately
2015-47	51	Principle-Based Reserving SSAP	SSAP No. 51 now references the *Valuation Manual* as part of the implementation of Principles-Based Reserving. This revision is effective 01.01.17. However, the *Valuation Manual* provides for a 3-year period from the operative date during which companies can continue to use their previous reserving methodologies.	01.01.17
2015-49	97	Explicitly Excluding ETFs from SCA Guidance	The revisions clarify that ownership in an exchange-traded fund (ETF) or mutual fund does not represent ownership in an underlying entity unless ownership of an ETF actually represents control as defined in SSAP No. 97.	Immediately
2015-54	107	Update Risk Corridors Disclosures	The revisions expand the Affordable Care Act risk corridors disclosures to be by program benefit year.	03.31.16
2016-04	97	SCA Data Capture Disclosure	The revisions specify that only SCA investments within the scope of SSAP No. 97 are subject to the SCA filing disclosure. Joint ventures, partnerships and limited liability companies that fall under the guidance in SSAP No. 48 are excluded. The SSAP No. 48 SCAs are still required to disclose the percentage of ownership, gross value, admitted and nonadmitted amounts in the Annual Statement filing.	Immediately
2016-05	2, 26, 30, and 32	Removal of the Class 1 List from the P&P Manual	Registered Money Market Mutual Funds are considered short-term investments, regardless of whether they are accounted for under SSAP No. 26 or SSAP No. 30. The guidance removes references to the "Class 1 List" for mutual funds due to recent SEC changes that result in this list no longer being applicable. The list has been replaced with a listing of designated investments, which can be found in Part Six, Section 2(b) of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*.	Immediately

Ref #	SSAP No.	Title	Revision Description	Effective
2016-07	101	ASU 2015-17: Balance Sheet Classification of Deferred Taxes	Revisions reject ASU 2015-17 for statutory accounting.	Immediately
2016-08	92 and 102	Method for Applying Discount Rate to Measure Net Periodic Benefit Cost	The guidance provides an alternative discount rate approach for pension plans and other post-retirement plans when calculating the service cost and interest cost components of net periodic benefit cost. The alternative allows entities to use a spot discount rate instead of the common single weighted-average discount rate. Entities electing the spot rate approach shall reflect the change as a change in estimate and make the disclosures in accordance with SSAP No. 3.	Immediately
2016-09	1	Collateral Received	The total amount of assets received as collateral and the corresponding liability to return the asset must be disclosed. These assets should be shown in comparison to total assets and total admitted assets (in both the general and separate accounts, if applicable).	Immediately
2016-11	1	ILS Data Capture Disclosure	The revisions introduce a data-capture disclosure template pertaining to insurance-linked securities contracts as well as instructions for completing the template.	Immediately
2015-21	55	Clarification of Accounting Treatment for Fees Incurred for Salvage/Subrogation Recoveries	To achieve consistent reporting of salvage and subrogation recoveries, SSAP No. 55 is clarified to state that estimated salvage and subrogation recoveries (net of associated expenses) should be deducted from the liability for unpaid claims and losses. The revisions similarly clarify that salvage and subrogation recoveries received (net of associated expenses) should be reported as a reduction to paid losses/claims. The same accounting would apply to coordination of benefits recoverables of Individual and Group Accident and Health Contracts.	Immediately
2016-14	86	Swaptions	The revisions incorporate "swaptions" (i.e., options on an interest rate swap) as a type of derivative instrument.	Immediately
2015-25	97	SSAP No. 97 - Inclusion of Filing Guidance	The revisions add a new Appendix to include the subsidiary, controlled and affiliated entity (SCA) filing guidance, which was previously included in the Purposes and Procedures Manual of the NAIC Investment Analysis Office.	Immediately
2016-06	100	ASU 2016-01 – Financial Instruments	The revisions clarify that deposit liabilities with no defined or contractual maturity should be excluded from the fair value disclosures of SSAP No. 100.	Immediately
2016-18	2R	MMMF as Cash Equivalents	Money market mutual funds should be classified as cash equivalents on a prospective basis, to be included in the 2017 AP&P Manual.	12.31.17
2016-35	2R	Measurement Method for MMMF	In conjunction with NAIC Ref# 2016-18, money market mutual funds should be reported at fair value, using net asset value (NAV) as a practical expedient. Unrealized gains and losses should be recorded as a direct charge to surplus for reporting entities that do not file an asset valuation reserve (AVR). For reporting entities who file an AVR, unrealized gains and losses should be accounted for under SSAP No. 7.	12.31.17
2016-38	35R	Guaranty Fund Credits for Short-Duration Contracts	The revisions provide relief for health insurers in cases where retrospective-premium-based assessments are imposed on short-term health contracts for insolvencies of insurers that wrote long-term care contracts. A recoverable can be accrued using appropriate renewal rates to the extent it is probable the accrued liability assessments will result in a receivable amount in the future period from business currently in-force. Previously, short-term contract renewals could not be factored into the recognition of this asset.	01.01.17
2016-34	54	PBR Health	The change in valuation basis guidance is clarified to indicate that changing morbidity assumptions regarding the length of claim continuance based on regularly updated credible experience, as required for products subject to Actuarial Guidelines 47 and 50, is not a change in valuation basis under SSAP No. 3.	01.01.17
2016-36	N/A	Separate Accounts Funding Guaranteed Minimum Benefits Under Group Contracts	The revision to Appendix A-200 reflects changes made to the *Separate Accounts Funding Guaranteed Minimum Benefits Under Group Contracts Model Regulation* (Model #200).	01.01.17
2016-37	97	Exclusion of Non-Admitted and Immaterial SCAs from Filing Guidance	The working group adopted non-substantive revisions to clarify that nonadmitted SCA assets are not required to be filed in a Sub-2 filing as long as they were nonadmitted for the full reporting period. However, immaterial SCA assets do not get an automatic filing exclusion, because the state of domicile has the prerogative to assess materiality. The reporting entity can request permission from the state of domicile to forego filing an immaterial SCA. Sub-1 filings, however, are required for all SCAs within 30 days of acquisition, regardless of admissibility or materiality.	01.01.17

Ref #	SSAP No.	Title	Revision Description	Effective
2015-51	86	Definition of a Notional	Revisions add the definition of "notional amount" as the face value of a financial instrument in a derivatives transaction as of a reporting date used to calculate future payments in the reporting currency. This amount should stay static over the duration of the trade unless the instrument is partially unwound or has a contractually amortizing notional. The definition further specifies how this definition should distinctly be applied to non-futures contracts (e.g., options, swaps and forwards), futures contracts with a U.S. dollar-denominated contract, and equity index and non-US-dollar futures contracts.	01.01.17
2016-16	103R	Repurchase & Reverse Repurchase Disclosures	New disclosures are required for Repurchase and Reverse Repurchase Agreements. The requirements include disclosure of the strategy behind the agreement, whether the agreements are bilateral and/or tri-party trades, details of the maturity time frame, allocation of the fair value of securities sold and/or acquired by counterparty and identification of the counterparty jurisdiction, and aggregate fair value of securities sold and/or acquired that resulted in default. The revisions further detail disclosure requirements for repurchase and reverse repurchase agreements accounted for as secured borrowing transactions and those accounted for as sale transactions.	12.31.17
2016-23	84	Receivables of Government Plans	Revisions clarify that paragraph 23, which permits admittance of receivables from government insured plans over 90 days aged, was intended to capture receivables from the government as part of a government insured plan, not non-government receivables that may be related to a government plan. Specifically, pharmacy rebates from government plans that are receivables from the network, rather than from the government, should not be captured under paragraph 23.	Immediately
2016-26	23	Foreign Currency Matters	Revisions adopt, with modification ASU 2013-05, which clarifies when a parent reporting entity should realize foreign currency translation changes with an investment in a foreign entity. In these situations, the parent should realize foreign currency translation changes when the parent loses control of the foreign entity, derecognizes the entire equity method investment or acquires control in a foreign entity when it previously had a non-controlling interest. These events trigger the reversal of unrealized capital gains and losses and realization of capital gain or loss related to foreign exchange during the holding period.	Immediately
2015-15	16R	ASU 2015-05 – *Fees Paid in a Cloud Computing Arrangement*	The revision clarifies that entities who license internal-use computer software are required to follow SSAP No. 22.	Immediately
2015-46	3	Correction of an Error Clarification	The revisions clarify the Correction of an Error guidance pertains to accounting errors not reporting errors.	Immediately
2016-21	97	Market Value Approach for SCA Entities	The revisions update the references to the major exchanges allowed when using the market valuation approach to value SCA entities.	Immediately
2016-22	97	SCA Foreign-Language Support	The revisions clarify that supporting documentation pertaining to equity method investments in foreign SCAs must be completed in English and provided to the NAIC SCA analysts.	Immediately
2016-24	2, 26, and 43R	Clarification of Investment Proceeds Disclosure	The revisions clarify the annual audited disclosures of bond categories, maturity distributions and proceeds from the sales of bonds are extended to short-term investments and loan-backed and structured securities.	Immediately
2016-25	23	Amendment to Revisions of Ref #2015-24	The revisions clarify that Canadian insurance operations that are greater than 10% of the reporting entities assets liabilities or net premium should be translated line-by-line as opposed to translating only net assets.	Immediately
2016-27	56	Variable Annuity Disclosure Removal from SSAP No. 56	The disclosure pertaining to the total maximum guarantee for separate account products is no longer required.	Immediately
2016-28	61R	Updates to Variable Annuity Captive Disclosure	The revisions clarify that the variable annuities captive disclosure from 2015 will be required going forward. The revisions also require disclosure of permitted practices for captive reinsurers.	Immediately

Ref #	SSAP No.	Title	Revision Description	Effective
2016-29	86	ASU 2016-05 – *Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships*	The revisions adopt with modification ASU 2016-05 to clarify that a change in the counterparty to a derivative instrument designated as a hedging instrument does not, by itself, result in a termination of the derivative instrument. This revision should be adopted prospectively.	Immediately
2016-30	3, 68 and 86	ASU 2016-03 – *Effective Date and Transition Guidance*	Revisions reject ASU 2016-03 for statutory accounting.	Immediately
2016-32	86	ASU 2016-06 – *Contingent Put and Call Options in Debt Instruments*	Revisions reject ASU 2016-06 for statutory accounting.	Immediately