

NAIC Summer 2023 Meeting Summary

Johnson Lambert LLP is dedicated to keeping you informed of changes adopted by the NAIC. In this edition, you'll find a summary of statutory accounting adoptions made by the Statutory Accounting Principles Working Group (SAPWG) during the Summer National Meeting that will impact 2023 statutory basis financial statements.

Statutory Accounting Updates

Ref #	SSAP No	Title	Revision Description	Effective
2022-01 IP 168	5R	Conceptual Framework - Updates	Updates the definition of a liability to align with FASB Concepts Statement No. 8, <i>Conceptual Framework for Financial Reporting – Chapter 4 – Elements of Financial Statements</i> .	08.13.23
2022-19	INT 23-01	Net Negative (Disallowed) IMR	Optional, limited-time guidance for life insurance companies that allows for the admittance of net negative (disallowed) IMR up to 10% of adjusted capital and surplus. The interpretation expires on 12.31.25 unless adjusted by the SAPWG (to shorten or extend the expiration date).	08.13.23
2023-05	INT 20-01	ASU 2022-06, <i>Reference Rate Reform (Topic 848), Deferral of the Sunset Date of Topic 848</i>	Extends the expiration date of INT 20-01: ASU 2020-04, 2021-01 & 2022-06 – <i>Reference Rate Reform</i> to 12.31.24 to align with the FASB extension in ASU 2022-06.	08.13.23
2023-06	24	<i>Additional Updates on ASU 2021-10, Government Assistance</i>	Clarifies that ASU 2021-10, <i>Government Assistance: Disclosure by Business Entities about Government Assistance</i> is rejected for statutory accounting because the grant and contribution accounting models are not allowed for SAP. However, general disclosure requirements regarding government assistance are required for all reporting entity types.	08.13.23
2023-07	104R, 95, 47	ASU 2019-08, <i>Codification</i>	Adopts ASU 2019-08 – <i>Codification Improvements to Topic 718 and Topic 606</i> with modification to reject Topic 606 guidance.	08.13.23

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		<i>Improvements to Topic 718 and Topic 606</i>	Includes share-based consideration payable to customers within the scope of SSAP No. 104R – <i>Share-Based Payments</i> in the same manner as GAAP. Conforming revisions were made to SSAP No. 95 – <i>Nonmonetary Transactions</i> SSAP No. 47 – <i>Uninsured Plans</i> .	
INT 23-02	9, 101	INT 23-02: <i>Third Quarter 2023 Inflation Reduction Act – Corporate Alternative Minimum Tax SAP Clarification</i>	Adopts guidance for 3Q23 reporting for the Corporate Alternative Minimum Tax that requires disclosure, but no accrual of a liability. The interpretation expires on 11.16.23.	09.21.23
2023-02	43R	SSAP No. 43R – <i>CLO Financial Modeling</i>	Adds collateralized loan obligations (CLOs) to the financial modeling guidance and clarifies that CLOs are not captured as legacy securities.	12.31.23
2023-04	INT 23-03, 4, 9, 101	INT 23-03: <i>Inflation Reduction Act – Corporate Alternative Minimum Tax</i>	Accounting guidance for reporting the corporate alternative minimum tax on or after 12.31.23, including statutory valuation allowance, admissibility, disclosures and 2023 transition.	12.31.23
2023-12	43R, 48	Residuals in SSAP No. 48 Investments	Requires all residual interests and residual security tranches to be captured on Schedule BA – Other Long-Term Invested Assets reporting line. Referred to Blanks Working Group inclusion in the Annual Statement Instructions.	12.31.23
2023-13	34	PIK Interest Disclosure Clarification	Adds a practical expedient for calculating the cumulative paid-in-kind (PIK) interest aggregate disclosure by subtracting the original principal/par value from the current principal/ par value, but not less than zero. Referred to Blanks Working Group for inclusion in the Annual Statement Instructions.	12.31.23

Rejected ASUs

The following [FASB ASUs](#) were rejected by the SAPWG during the Summer, 2022 meeting:

- ASU 2019-07, *Codification Updates to SEC Sections - Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10532, Disclosure Update and Simplification, and Nos. 33-10231 and 33-10442, Investment Company Reporting Modernization, and Miscellaneous Updates*
- ASU 2020-09, Debt (Topic 470): *Amendments to SEC Paragraphs Pursuant to SEC Release No. 33-10762*
- ASU 2022-05, *Financial Services - Insurance (Topic 944): Transition for Sold Contracts*

Significant Accounting Change Effective in 2025

The NAIC passed one of its largest changes to the SSAPs in recent history with the adoption of NAIC REF# 2019-21, *Principles-Based Bond Definition*. This represents an overhaul of the definition of and identification of bonds and asset-backed securities and significantly revises SSAP No. 26R, *Bonds*, and SSAP No. 43R, *Asset-Back Securities*. The adoption replaces the definition of a bond and loan-backed and structured securities, with new principles-based definitions for bonds and asset-backed securities and accounting requirements.

A **bond** will be defined as “any security representing a creditor relationship, whereby there is a fixed schedule for one or more future payments, and which qualifies as either an issuer credit obligation or an asset backed security as described in this statement”. Issuer obligations rely on the creditworthiness of an operating entity for repayment (i.e. the operating cash flow from a business).

An **asset-backed security** will be “a bond issued by an entity (an “ABS Issuer”) created for the primary purpose of raising debt capital backed by financial assets or cash generating non-financial assets owned by the ABS Issuer, for which the primary source of repayment is derived from the cash flows associated with the underlying defined collateral rather than the cash flows of an operating entity”. Asset-backed obligations rely on cash flows from either a specific asset or non-financial asset.

The guidance is effective 01.01.25, to allow insurance companies time to perform the requisite analyses on their portfolios. The change will require reclassifications for securities that are no longer considered bonds or asset-backed securities.

If you have any questions about the Summer National Meeting update you can [contact us here](#).

Authors:

[Lauren Darr](#), CPA, Partner

[Scott Haynes](#), CPA, CPCU, AIAF, Principal

[Mitchell Lipham](#), CPA, Senior Manager

Haley Louzader, CPA, Manager