

NAIC 2023 Highlights – Year in Review

Johnson Lambert LLP is dedicated to keeping you informed of changes adopted by the NAIC within the Statutory Accounting Principles (E) Working Group that will impact your 2023 statutory basis financial statements and other significant NAIC activities.

Statutory Accounting Updates

Ref #	SSAP No	Title	Revision Description	Effective
2021-20	86	Effective Derivatives – ASU 2017-12	Revisions result in a new Exhibit A that will replace current versions of Exhibit A and Exhibit B of SSAP No. 86, <i>Derivatives</i> , which accepts, with modification, the U.S. GAAP guidance for determining hedge effectiveness and measurement methods for excluded components.	01.01.23
2022-09	86	ASU 2022-01: Fair Value Hedging – Portfolio Layer Method	<p>Incorporates the following U.S. GAAP guidance into Statutory accounting:</p> <ul style="list-style-type: none"> ASU 2017-12, <i>Derivatives and Hedging: Targeted Improvements for Hedging Activities</i> which includes the guidance on partial-term hedges, modified to include hedged assets (not liabilities), and ASU 2022-01, Fair Value Hedging – Portfolio Layer Method, which allows multiple hedged layers of a single closed portfolio. 	01.01.23

Ref #	SSAP No	Title	Revision Description	Effective
2017-33	86	Issue Paper No 167 – <i>Derivatives and Hedging</i>	No change to statutory accounting. Adopts Issue Paper No. 167 – <i>Derivatives and Hedging</i> , detailing the hedge accounting changes adopted in NAIC REF#2022-09 above.	03.22.23
2022-15	25	Affiliate Reporting Clarification	Revision to SSAP No. 25 to clarify that any asset held by a reporting entity that was issued by an affiliated entity, or that includes the obligations of an affiliated entity is an affiliated investment.	03.22.23
2022-16	100R	ASU 2022-03, <i>Fair Value Measurement of Restricted Securities</i>	Adopts ASU 2022-03, <i>Fair Value Measurement (Topic 820), Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions</i> , with modification. Adds requirement to disclose the fair value of equity securities subject to contractual sale restrictions.	03.22.23
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

Ref #	SSAP No	Title	Revision Description	Effective
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 Improvements to Topic 718 and Topic 606</i>	Adopts ASU 2019-08 – <i>Codification Improvements to Topic 718 and Topic 606</i> with modification to reject Topic 606 guidance. 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> .	08.13.23
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 expired on 11.16.23.	09.21.23

Ref #	SSAP No	Title	Revision Description	Effective
2022-11	20, 21R	Collateral for Loans	Clarifies accounting guidance for admissibility of collateral loans. When the collateral pledged represents equity from entities within scope of SSAP No. 48 – <i>Joint Ventures, Partnerships and Limited Liability Companies</i> and SSAP No. 97 – <i>Investments in Subsidiary, Controlled and Affiliated Entities</i> , the entity must be audited for the loan to be admitted.	10.23.23
2023-18	5R, 92, 102, 103R	ASU 2016-19, <i>Technical Corrections and Improvements</i>	Adopts ASU 2016-19, <i>Technical Corrections and Improvements</i> with modifications for statutory accounting. Changes address: <ul style="list-style-type: none"> • Obligations under a joint and several liability arrangement, • Annuity contract terminology in pension guidance, • Accounting and disclosures for transfers and servicing of financial assets, and • Subsequent events for pension and post-retirement benefits. 	10.23.23
2023-21	92, 102	Removal of Transition Guidance from SSAP No. 92 and SSAP No. 102	Removes the initial transition guidance from SSAP No. 92 – <i>Postretirement Benefits Other Than Pensions</i> and SSAP No. 102 – <i>Pensions</i> as the 10 year effective period for the guidance has expired.	10.23.23
2023-22	54R	Actuarial Guideline 51 and Appendix A-010 Interaction	Clarifies that the gross premium valuation (under Appendix A-010, <i>Minimum Reserve Standards for Individual and Group Health</i>) and cash flow testing (under AG 51 – <i>The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves</i>) are both required for long-term care contracts, if indicated.	12.1.23

Ref #	SSAP No	Title	Revision Description	Effective
2022-17	34	Interest Income Disclosure Update	<p>Adds new disclosure requirements to SSAP No. 34 – <i>Investment Income Due and Accrued</i>:</p> <ul style="list-style-type: none"> • Disclose gross, nonadmitted, and admitted amounts of interest income due and accrued, • Disclose aggregate deferred interest, and • Disclose the cumulative amount of paid-in-kind (PIK) interest included in the current principal balance. 	12.31.23
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

Ref #	SSAP No	Title	Revision Description	Effective
2023-23	30R, 32R	Residuals in Preferred Stock and Common Stock	Clarifies that investments that are residual interests in substance shall be reported on the dedicated Schedule BA reporting line for residuals. This reflects a principles based approach for investment classification.	12.31.23
INT 23-04T	61R	Scottish Re Life Reinsurance Liquidation Questions	Temporary guidance for accounting and reporting of reinsurance recoverables due from Scottish Re, a U.S. life reinsurer in liquidation.	12.31.23

Rejected GAAP ASUs

The following [FASB ASUs](#) were rejected by the SAPWG during 2023:

- ASU 2022-04, *Disclosure of Supplier Finance Program Obligations*
- 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*
- ASU 2018-09, *Codification Improvements*
- ASU 2020-10, *Codification Improvements*

At a special January 10, 2024 meeting of the SAPWG, the following credit loss ASUs were rejected effective as of December 31, 2023:

- 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 Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*
- ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815) and Leases (Topic 842): Effective Dates*
- ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*
- ASU 2020-03 *Codification Improvements to Financial Instruments*

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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, respectively, and accounting requirements.

A **bond** under the revised guidance is 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** under the revised guidance is, “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 this annual update, you can [contact us here](#).

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