

## NAIC 2025 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 2025 statutory basis financial statements and other significant NAIC activities.

### Statutory Accounting Updates

Ref #	SSAP No	Title	Revision Description	Effective
2019-21	26, 43, 21, INT 24-01	Principles-Based Bond Project & Residual Interests	<p>Part 1, adopted in August 2023, replaces the definition of a bond and a loan-backed and structured security, with new principles-based definitions for bonds and asset-backed securities, respectively, and accounting requirements.</p> <p>Part 2, adopted in March 2024, directs all debt securities that do not qualify as bonds to accounting guidance in SSAP No. 21 - <i>Other Admitted Assets</i>, and reporting on Schedule BA. Incorporates a new measurement method, effective yield with a cap, for all residual interests as well as a practical expedient to allow the cost recovery measurement method.</p> <p>Part 3, adopted in August 2024, adds Issue Paper No. 169, which documents the discussion and decisions related to the principles-based bond project.</p> <p>Part 4, adopted INT 24-01 in November 2024, which addresses specific questions related to the implementation of the Principles-Based Bond Project.</p> <p>The guidance is effective 01.01.25 to allow insurance companies time to perform requisite analyses on their portfolios. Early adoption is permitted <u>only</u> for the residual measurement guidance.</p>	01.01.25

Ref #	SSAP No	Title	Revision Description	Effective
2022-14	IP 170	Issue Paper 170 – Tax Credits Project	<p>Adopts FASB ASU 2023-02, Investments - Equity Method and Joint Ventures (Topic 323) Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method, with modification for statutory accounting. Expands tax credit accounting and disclosure guidance to include all tax credit investments regardless of type and regardless of state or federal program.</p> <p>Adopts Issue Paper No. 170 documents the discussion and decisions related to the tax credits project.</p>	01.01.25
2024-18	94, 48	Clarification of Accounting Guidance for Recognition of Tax Credits	Clarifies recognition and measurement guidance related to tax credit investments. Cleans up reference to tax credit guidance in SSAP No. 48, Joint Ventures, Partnerships and Limited Liability Companies.	01.01.25
2024-22	104	ASU 2024-01, Scope Application of Profits Interest and Similar Awards	Adopts FASB ASU 2024-01, <i>Compensation – Stock Compensation (Topic 718), Scope Application of Profits Interest and Similar Awards</i> , clarifying the scope of guidance on stock compensation in the form of profits interest is for employees or nonemployees, with modification to exclude application examples and clarify that profits interests and similar awards are to be considered under SSAP No. 104.	02.25.25
2024-23	86, Annual Statement Instructions	Derivative Premium Clarifications	Clarifying and consistency revisions related to derivative financing premiums within SSAP No. 86 and in the annual statement instructions.	02.25.25
2024-25	16	SSAP No. 16 Clarifications	Updates references to the GAAP accounting standards codification related to electronic data processing equipment and software.	02.25.25

Ref #	SSAP No	Title	Revision Description	Effective
2024-27	Preamble	Issue Papers in Statutory Hierarchy	Classifies issue papers as Level 5 in the statutory hierarchy as a source of nonauthoritative guidance. May only be applied as authoritative guidance if it does not conflict with other sources of statutory guidance. Further, updates the process to develop issue papers to reflect current practice.	02.25.25
2024-28	41	Holders of Capital Notes	Clarifies that capital notes are to be non-admitted in any event in which the regulator halts principal or interest payments and updates references to capital notes throughout. Changes will be considered by the Blanks Working Group to update the capital note definition in the annual statement instructions for Schedule BA.	02.25.25
2024-24	INT 24-02 INT 05-05	Medicare Part D Prescription Payment Plan	Adopts INT 24-02: Medicare Part D Prescription Payment Plan and INT 05-05: Accounting for Revenues Under Medicare Part D Coverage to provide statutory accounting and reporting for the Medicare Part D prescription payment plan.	03.30.25
2023-24	IP No. 171	Current Expected Credit Losses (CECL)	Adopts an attachment to IP No. 171 to reflect the historical GAAP impairment guidance that existed prior to the adoption of CECL.	05.22.25
2024-07	Annual Statement	Reporting of Funds Withheld and Modco Assets	No change to statutory accounting.  Recommends changes to the Annual Statement to add a new reporting schedule to reinsurance Schedule S in the Life/Fraternal Annual Statement Blank and Instructions. The proposed changes will be considered by the Blanks Working Group in agenda item 2025-05BWG.	05.22.25

Ref #	SSAP No	Title	Revision Description	Effective
2025-04	Annual Statement	Capital Structure Code	No change to statutory accounting.  Recommends deleting the “capital structure code” reporting column from Schedule D, Part 1, Section 1 and Section 2. The proposed changes will be considered by the Blanks Working Group in agenda item 2025-11BWG for year-end 2025.	05.22.25
2022-19	INT 23-01	Net Negative (Disallowed) IMR	Extends the effective date of INT 23-01 to December 31, 2026 with automatic nullification on January 1, 2027. Establishes a current-period admittance limit for net negative interest maintenance reserve (IMR).	08.11.25
2024-05	Appendix A	Appendix A-791	Deletes a sentence in A-791, Life and Health Reinsurance agreements, paragraph 2c, question and answer.	08.11.25
2025-02	15	ASU 2024-04, Induced Conversions of Convertible Debt Instruments	Adopts ASU 2024-04, <i>Debt – Debt with Conversion and Other Options (Subtopic 470-20), Induced Conversions of Convertible Debt Instruments</i> , with modification to clarify when an induced conversion shall be recognized as an expense by an issuer and the fair value measurement of that expense.	08.11.25
2025-09	51	VM-22 Update Coordination	Minor consistency edits to reflect updates to the <i>Valuation Manual</i> in <i>VM-22 PBR: Requirements for Principle-Based Reserves for Non-Variable Annuities</i> .	08.11.25
2025-16	Various	Status Section Update	Adopts revisions to streamline the status section of each SSAP.	08.11.25

Ref #	SSAP No	Title	Revision Description	Effective
2025-17EP	Various	Editorial Process – May 2025	Adopts various editorial revisions to update disclosures, remove lingering references and remove superseded terminology. Adds lines to bond maturity disclosure for “Due in ten to twenty years” and “After 20 years”.	08.11.25
2024-06	61, Appendix A-791	Risk Transfer Analysis of Combination Reinsurance Contracts	Combination reinsurance contracts with interdependent features must be analyzed in the aggregate for risk transfer and must comply with existing Appendix A-791 requirements.	12.09.25 for new/newly amended contracts  12.31.26 for existing contracts
2025-12EP	Preamble	Editorial Revisions - Preamble	Clarifies that issue papers may only be used as authoritative guidance if they do not conflict with other sources of statutory guidance and adds a reference to SEC rules and interpretations as sources of authoritative U.S. GAAP for SEC registrants.	12.09.25
2025-18	101	ASU 2019-12, Simplifying the Accounting for Income Taxes	Adopts FASB ASU 2019-12, <i>Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes</i> , with modification to only incorporate the guidance from APB Opinion No. 28 into the statutory guidance.	12.09.25
2025-21	92 and 102	Retirement Plan Assets Held at NAV	Retirement plan assets of an insurance company can be held at net asset value (NAV) and should be included in the fair value disclosure. Changes will be considered by the Blanks Working Group for updates to the corresponding notes to the financial statements.	12.09.25

Ref #	SSAP No	Title	Revision Description	Effective
2024-20	1, Annual Statement	Restricted Asset Clarification	Incorporates modified co-insurance and funds withheld assets into the restricted asset disclosure. The proposed changes will be considered by the Blanks Working Group in agenda item 2025-06BWG.	12.31.25
2025-05	1, Annual Statement	Reinsurer Affiliated Assets	Requires restricted asset disclosures on both a quarterly and annual basis. Adds disclosure, by investment schedule, of funds withheld assets that are related to/affiliated with the reinsurer. The proposed changes will be considered by the Blanks Working Group in agenda item 2025-10BWG.	12.31.25
2025-06	Annual Statement	AVR Line: Unrated Multi-Class Securities Acquired by Conversion	No change to statutory accounting.  Recommends removing the AVR reporting line 8 "Unrated Multi-Class Securities Acquired by Conversion" and renaming it to "intentionally left blank" to prevent renumbering in the AVR Schedule. The proposed changes will be considered by the Blanks Working Group in agenda item 2025-12BWG.	12.31.25
2025-07	Annual Statement	Dividend General Interrogatory Update	No change to statutory accounting.  Recommends updating the Life/Fraternal General Interrogatories, Part 2, number 14 to remove the disclosure as it is not consistently included across all annual statement blanks. The proposed changes will be considered by the Blanks Working Group in agenda item 2025-08BWG.	12.31.25

Ref #	SSAP No	Title	Revision Description	Effective
2025-08	84, Annual Statement	Medicare Part D Prescription Payment Plan Disclosures	New disclosures required in SSAP No. 84 – <i>Health Care and Government Insured Plan Receivables</i> , for Medicare Part D Prescription Payment Plan receivables.	12.31.25

### Rejected ASUs

The following [FASB ASUs](#) were rejected by the SAPWG during 2025:

- ASU 2017-05 – Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): *Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*
- ASU 2023-07 – Segment Reporting (Topic 280): *Improvements to Reportable Segment Disclosures*
- ASU 2024-03 – Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): *Disaggregation of Income Statement Expenses*
- ASU 2025-01 – Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): *Clarifying the Effective Date*
- ASU 2025-02 – Liabilities (405): *Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 122*

### Climate and Resiliency (EX) Task Force

The Climate and Resiliency (EX) Task Force discussed the development of the NAIC Flood Insurance Blueprint, a primary initiative for 2026. Data collection efforts have revealed significant growth in the private flood market since 2018, with both policy counts and premiums rising every year. By the end of 2024, the market reached approximately \$1.25 billion in direct written premium with nearly 773,000 policies in force. Market insights provided a clear split between commercial and residential sectors, highlighting that residential coverage has grown consistently every year since 2020. In contrast, the National Flood Insurance Program (NFIP) experienced negative growth over the last year, decreasing by 1.5% in policy count between October 2024 through October 2025, with Florida and North Carolina serving as the only notable exceptions.

To address existing protection gaps, the proposed Flood Insurance Blueprint outlines five major action items:

1. launching a national flood risk awareness initiative,

2. growing private market options,
3. establishing university partnerships for localized risk assessments,
4. strengthening communication with state and local governments, and
5. expanding advocacy for mitigation funding.

By harnessing diverse funding sources and aligning them toward a common goal, the Task Force aims to foster a more robust private flood market and reduce the overall national flood protection gap.

### **Innovation, Cybersecurity, and Technology (H) Committee**

The Innovation, Cybersecurity, and Technology Committee heard from Conning regarding insights from its annual survey of top insurance executives on the use of artificial intelligence (AI). For the third consecutive year, Conning surveyed top insurance executives from Life and Annuity, Property and Casualty, and multiline insurers on their organization's use of AI. Conning's survey focused on the use of AI in four value chain components:

1. sales and underwriting,
2. operations and claims processing,
3. risk control and pricing, and
4. shared services.

Additionally, the survey categorized AI usage into four phases of adoption: conceptualization, pilot, early adoption, and full adoption. The survey found that 89% of insurers were in some phase of adopting AI into their value chain and that 34% have already fully adopted AI into their value chain. Generative AI usage spiked from negligible levels in the prior year survey to 37% of insurers now indicating early-stage adoption of generative AI. The survey results make one thing clear - AI is no longer a futuristic concept, but the foundation upon which the insurance industry's future is being built.

If you have any questions about the NAIC 2025 highlights you can [contact us here](#).

#### **Authors:**

Lauren Darr, CPA, Partner

Haley Louzader, CPA, AIAF, Senior Manager

Kaitlyn Rockfeller, CPA, Senior Manager