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What's the rub? JLKR Perspective	Applicable to	Financial Statement Impact	Disclosure	Effective Date	Ref #	SSAP	Topic / Issue	Status	Discussion
<p>This began as a smaller project and has evolved into a major review and refinement of the definition of a bond and what qualifies as a bond to be reported on Schedule D-1 of the annual statement. Its impact will be pervasive to all insurance entities investing in the bond markets. It will also have equal repercussions to investment firms advising their insurance industry clientele from the perspective of certifying their investment offerings to their insurance clients clearly qualify within the eventual bond definition refinement. This is a hot one.</p>	P&C Life Health	N	Y	TBD	N/A	SSAP No. 26R and 43R	Principles-Based Bond Project	Exposed	<p>1) Exposed revised guidance for defining and determining whether an asset-backed security has a "substantive" credit enhancement to qualify for reporting on Schedule D-1. (This is a change from the "sufficient" terminology and includes revisions to the proposed bond definition and related examples.)</p> <p>2) Exposed a discussion document of various possible reporting options for Schedule D-1. With the principles based bond definition, it is recommended that more granular reporting lines be established to capture investments in scope of SSAP No. 26R and SSAP No. 43R. As the changes to the reporting lines are considered a significant change, it has been proposed that this would be a good time to do a full scope assessment of the information captured and reported on Schedule D1 Columns 3,5,26 and 34. The bond project is currently proposing a new sub schedule that details bond investments that have certain characteristics (e.g., ABS backed by financial assets that are not self liquidating and ABS backed by cash generating non financial assets not captured within the practical expedient.)</p>
<p>Derivative accounting is a complex realm, particularly when one begins assessing the GAAP versus statutory nuances. This is an important area for those insurance entities that delve into the derivative arena. It will typically be concentrated within the larger insurance companies, or potentially smaller entities that have atypical situations. The bifurcation potential could become quite complex in its continuing application for entity financial reporting. This is hot as far as complexity, neutral with respect to application to company size.</p>	P&C Life Health	TBD	TBD	TBD	2021-20	SSAP No. 86	Effective Derivatives – ASU 2017-12	Exposed	<p>Exposed agenda item to begin discussion on derivative accounting and reporting, particularly in accordance with expanded effective hedge assessments allowed under U.S. GAAP. Although NAIC staff agree that the determination of whether a hedge is highly effective should be consistent between U.S. GAAP and SAP, it is important to highlight that accounting for effective hedges varies greatly between U.S. GAAP and SAP. The effective hedging relationships permitted under ASU 2017-12 have been identified to expand upon these differences and could result with reporting elements that were not originally intended with the statutory accounting guidance adopted under SSAP No. 86.</p> <p>The anticipated revisions from this agenda item are considered to reflect new SAP concepts as the effective hedge relationships that will be assessed have not been allowed under existing statutory accounting guidance. Potential revisions, are expected to encompass the following elements:</p> <ul style="list-style-type: none"> - Appropriate reporting lines for effective hedges when the hedged item is a liability. - Recognition of hedged-item adjustments (to a closed portfolio) when the last-of-layer / portfolio method of hedging is used. - Scope limitations of the last of layer / portfolio method to mirror U.S. GAAP. - The potential bifurcation of derivatives, and how such items should be reported for statutory accounting, when only portions of derivatives are permitted to be designated as effective. (This pertains to potential mixed-measurement reporting values.)

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This is a major change in traditional terminology that has been in place since the initiation of the APP manual in 2001. Some constituents wrestled with the depth of the meaning of "substantive" versus "non-substantive". The new terms provide some closure to that concern. It reaches all insurance entities as far as future promulgations and activity within the SAPWG. Note that all prior SAP promulgations and changes will not be retroactively changed for this new terminology. From a reporting perspective, the change is neither hot or cold but a change in a long-standing terminology.	P&C Life Health	N/A	N/A	01/01/22	2021-14	Appendix F	Policy Statement on Maintenance of Statutory Accounting Principles – Substantive and Nonsubstantive	Adopted	Revisions modify the terminology used when discussing types of accounting revisions. Beginning Jan. 1, 2022, the phrase "new SAP concept" will reflect instances previously considered to be "substantive" and the term "SAP clarification" will reflect instances previously identified as "nonsubstantive."
The primary purpose here is a clarification of the existing SSAP 61-R disclosure requirements. Key point: it is effective for the 2021 reporting period for Life & Health entities. It removes certain comparative disclosure requirements to bring the life reinsurance disclosures in line with those of its P&C corollary (SSAP 62R). Important for life companies to review for year end 2021.	Life Health	N	Y	TBD	2021-31	SSAP No. 61	Life Reinsurance Disclosure Clarifications	Exposed	Exposed revisions clarify, and in some cases remove certain disclosures for reinsurance contracts. The disclosures were adopted in SSAP No. 61R—Life and Health Reinsurance in agenda item 2017-28: Reinsurance Risk Transfer for Short Duration Contracts. Preparers and auditors have highlighted unclear elements in the disclosures that could use additional clarification. These items are recommended for a shortened comment period to allow for possible adoption in early 2022 with a year-end 2021 effective date. No additional disclosures are proposed.
Evolved from regulator concerns to gather more detailed information on affiliated investment transactions to be consistent with the <i>Insurance Holding Company System Regulatory Act</i> (Model #440) and SSAP 25; will affect any entities performing investment transaction among their affiliated partners and imposes additional disclosures. Proposed to be effective for 2022 reporting. Will become a hot item for those with affiliated investments.	P&C Life Health	N	Y	TBD	2021-21	SSAP No. 25 and SSAP No. 43R	Related Party Reporting	Exposed	Exposed revisions clarify application of the existing affiliate definition and incorporate new disclosure requirements for all investments that involve related parties, regardless of if they meet the affiliate definition.

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<p>This will be an important item for those entities reporting under SSAP 97 - Investments in Subsidiary, Controlled and Affiliated Entities. SCA value reporting has not been consistently applied (or not applied at all) and regulators have taken notice. The proposal will add further electronic reporting requirements for annual statement filings to assist regulators in monitoring whether (a) SCA Sub 1 & 2 filings have been timely and properly submitted, and (b) NAIC approved valuations were properly reported. This is a hot one for all entities with SCAs as it may lead to potential regulator follow-ups and annual statement refiling orders.</p>	P&C Life Health	N	Y	TBD	2021-22	SSAP No. 97	Schedule D-6-1, Supplemental Reporting	Exposed	<p>Exposed agenda item proposing the addition of supplemental reporting elements to Schedule D-6-1. (No SAP revisions proposed.) The supplemental data to be captured is consistent with current requirements in SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities, however this improved reporting granularity will significantly assist regulators to 1) ensure Sub-1 and Sub-2 filings are being submitted by reporting entities, and 2) identify situations where the NAIC approved value varies significantly from the value reported on Schedule D-6-1.</p> <p>As directed in SSAP No 97, if the insurance company has reported a value for a SCA investment on its financial statement blank that differs from the value approved by the NAIC, the insurer is required to adjust the reported value in its next quarterly financial statement blanks, unless otherwise directed by the insurer's state of domicile. In 2019, the NAIC reviewed 824 SCA filings (which includes both Sub-1 and Sub-2 filings). Of the total, 720 were Sub-2 filings (the filing in which a value is approved). Of the 720 Sub-2 filings, 125 (approx. 17%) resulted in valuation decreases. Presumably, per SSAP No. 97, entities (unless directed by their state of domicile) adjusted the reported values in their next quarterly financial statements, however NAIC staff have found that it is not uncommon for the same entities, year after year, to have approved values that vary significantly from their reported balances.</p>
<p>Likely impacts a narrow range of the insurance entity spectrum. ASU 2021-04 addresses the GAAP handling of entities that issue equity-classified freestanding written call options that are modified or exchanged. SAP guidance with respect to warrants is addressed in SSAP No. 72 - <i>Surplus and Quasi-Reorganization</i>. The proposed SAPWG handling would reject ASU 2021-04 for statutory accounting with the caveat that changes in accounting for the fair value with respect to exchanges of such options be incorporated within SSAP 72.</p>	P&C Life Health	Y	Y	TBD	2021-27	SSAP No. 72	ASU 2021-04, Accounting for Certain Modifications	Exposed	<p>Exposed revisions incorporate guidance related to the accounting for the changes in fair value when exchanging equity-classified written call options, while rejecting ASU 2021-04 for statutory accounting.</p>
<p>During 2021, the SAPWG refined the definition of Credit Tenant Loans (CTLs) to exclusively associate CTLs within the mortgage loan category. Variations in practice had some insurance entities reporting non-conforming CTLs within Schedule D. This change amends SSAP 43R - <i>Loan-backed and Structured Securities</i> to specifically distinguish SVO-identified CTLs to fall within the purview of SSAP 43R. The primary impact here will not necessarily be specific to company size, but to those entities that have advisors having them invest in the CTL marketplace.</p>	P&C Life Health	N/A	N/A	Immediately	2021-11	SSAP No. 43R (INT 20-10 Nullified)	Credit Tenant Loans – Scope	Adopted	<p>Revisions identify that SVO-Identified Credit Tenant Loans are in scope of SSAP No. 43R—Loan-Backed and Structured Securities. Additionally, the revisions remove examples from paragraph 27.b. as that paragraph is not a scope paragraph. INT 20-10: Reporting Nonconforming CTLs, which expired Oct. 1, 2021, was also explicitly nullified in response to the adopted Valuation of Securities (E) Task Force revisions on the definition of CTLs for historical documentation.</p>

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A specific regulator request to SAPWG will provide additional annual statement capture of FHLB funding agreements; not considered to have a pervasive impact.	Life Health	N/A	N/A	N/A	2021-16	SSAP No. 30R	SSAP No. 30R – FHLB Disclosures – Blanks Referral	Adopted	Agenda item did not result in statutory revisions; however, adoption expressed support for a corresponding Blanks (E) Working Group exposure to detail the location of funding agreements in Exhibit 7: Deposit-Type Contracts. This Blanks proposal is anticipated for year-end 2022.
Impacts all insurance entities holding redeemable preferred stock - historical cost removed as valuation alternative - medium priority for those holding such instruments to verify they are not reporting @ historical basis	P&C Life Health	N/A	N/A	Immediately	2021-17	SSAP No. 32R	SSAP No. 32R – Permitted Valuation Methods	Adopted	Revisions remove lingering reference indicating that "historical cost" is an allowable valuation method and include other minor updates to ensure consistent phraseology with prior modifications.
This is an actuarial endeavor reflecting updates to the Valuation Manual - 21 as it pertains to variable annuity reserving. The actuarial community involved in variable annuity products will certainly want to review the revisions. Overall impact on the industry is narrow focusing towards those limited entities that provide variable annuity products.	P&C Life Health	N	N	TBD	2021-18	SSAP No. 108	VM-21 Scenario Consistency Update	Exposed	Exposed revisions ensure consistency with the Valuation Manual (VM-21) by removing references to the "standard scenario" from SSAP No. 108—Derivatives Hedging Variable Annuity Guarantees. VM-21 previously applied the standard scenario to all contracts in scope to generate the standard scenario amount. Revisions to VM-21 following the adoption of the Variable Annuity Framework resulted in the elimination of the standard scenario amount. Instead, VM-21 uses the prescribed projections amount, based on either the Company Specific Market Path (CSMP) or Conditional Tail Expectations (CTE) with Prescribed Assumptions (CTEPA). The CSMP and the CTEPA use random sets of scenarios to generate a CTE70 (adjusted) amount. This agenda item proposes using the VM-21 permitted approach that produces the CSMP or CTEPA scenario reserve closest to the CTE70 (adjusted) as the replacement for the standard scenario when determining the Macaulay duration in paragraph 14 of SSAP No. 108.
The P&P manual controls the financial modeling process. Still, following the original adoption of the financial modeling theory in prior years, a summarized version was also decided to be reflected in the AP&P Manual. As time has passed, this particular SAPWG exposure provides a suggested option to either retain the current dual location process (APP Manual and P&P Manual) or move it fully to the P&P Manual, and eliminate the AP&P Manual summarized version. No impact to industry reporting.	&	N	N	TBD	2021-23	SSAP No. 43R	SSAP No. 43R – Financial Modeling, Updated Guidance	Exposed	Exposed two options to update financial modeling guidance in SSAP No. 43R to reflect the updated financial modeling guidance for RMBS/CMBS securities. These revisions reflect the guidance recently adopted for the Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual). Option 1 retains existing guidance and reflects revisions adopted by the Valuation of Securities (E) Task Force. Option 2 removes the summarized financial modeling guidance and refers users to the P&P Manual, which is the source document for financial modeling.
With the passage in May 2021 of INT 21-01 <i>Accounting for Cryptocurrencies</i> , it was noted that further information was needed to pinpoint use of cryptocurrency activity within the statutory financials statements. Regulators have requested general interrogatory disclosures within the AS blanks with respect to cryptocurrency use or acceptance. Impact is considered limited to those few entities that have made the decision to utilize these digital instruments within their financial base.	P&C Life Health	N	N	TBD	2021-24	Blanks	Cryptocurrency General Interrogatory	Exposed	Exposed agenda item proposing to add a new general interrogatory regarding the use or acceptance of cryptocurrencies. (No SAP revisions proposed. The edits would be incorporated in a blanks proposal.)

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This clarification emanated from industry inquiries as to how to handle the amortization of leasehold improvements if the <i>property being leased</i> is purchased by the lessee. SAPWG edited SSAP No. 19 and SSAP 73 to specify in ALL situations of lease termination, the leasehold improvements are to be immediately expensed. Impact is narrow in general and limited to those insurance entities with leased property with the intent to purchase.	P&C Life Health	N	N	TBD	2021-25	SSAP No. 19 and SSAP No. 73	Leasehold Improvements After Lease Termination	Exposed	Exposed revisions clarify that in any scenario where a lease terminates early, any remaining leasehold improvements shall be immediately expensed. During 2019, the Working Group adopted substantive revisions to SSAP No. 22—Leases, which created SSAP No. 22R. The updated guidance rejected financing lease treatment that was adopted in U.S. GAAP but incorporated language from ASC Topic 842, which kept SSAP No. 22R as consistent as possible with the principal concepts in the U.S. GAAP standard. The Working Group has addressed several additional FASB Accounting Standard Updates (ASU) since the initial adoption of Topic 842. Proposed revisions to SSAP No. 19 and SSAP No. 73 ensure that the guidance for the leasehold improvements matched the treatment provided in SSAP No. 40R—Real Estate Investments. These edits will clarify that amortization of leasehold improvements will immediately end when a lease is terminated and will require that any remaining, unamortized leasehold improvement balance be immediately expensed. This will include scenarios where the lease terminates naturally or when the lessee purchases a property it was leasing. It is presumed that the purchase of a property from a third party would include the leasehold improvements as part of the full purchase price.
See Reference to 2021-14 above with respect to change in long-standing terminology for substantive and nonsubstantive language. This exposure makes the formal reflection of those changes in the primary APP Manual policy components. Impact to industry is purely educational.	P&C Life Health	N/A	N/A	N/A	2021-26EP	Various	Editorial Updates (Substantive vs. Nonsubstantive)	Exposed	Exposed revisions to the Preamble, the Table of Contents, Summary of Changes and Appendix F to reflect recently adopted guidance (agenda item 2021-14) to replace the terms "substantive" and "nonsubstantive." A "substantive" revision is proposed to be replaced with the phraseology of a "New SAP or New SAP concept in an existing SSAP," and, a "nonsubstantive" revision is proposed to be replaced with the phraseology of a "SAP clarification."
GAAP REJECTION - no further discussion	P&C Life Health	N/A	N/A	N/A	2021-28	SSAP No. 68	ASU 2021-03, Intangibles – Goodwill	Exposed	Exposed revisions reject ASU 2021-03, Intangibles – Goodwill and Other, for statutory accounting.
GAAP REJECTION - no further discussion	P&C Life Health	N/A	N/A	N/A	2021-29	SSAP No. 22R	ASU 2021-05, Variable Lease Payments	Exposed	Exposed revisions reject ASU 2021-05, Leases, Lessors – Variable lease Payments, for statutory accounting.
GAAP REJECTION - no further discussion	P&C Life Health	N/A	N/A	N/A	2021-30	Appendix D	ASU 2021-06, Amendments to SEC Paragraphs	Exposed	Exposed revisions reject ASU 2021-06, Amendments to SEC Paragraphs, as not applicable for statutory accounting.
DEFERRED - will address when/if activated by SAPWG	P&C Life Health				2018-07	SSAP No. 41R	Surplus Note Accounting – Referral from the Reinsurance (E) Task Force	Deferred	The Statutory Accounting Principles (E) Working Group deferred discussion of this agenda item for a subsequent call or meeting.
DEFERRED - will address when/if activated by SAPWG	P&C Life Health				2019-12	SSAP No. 68	ASU 2014-17, Business Combinations, Pushdown Accounting	Deferred	The Statutory Accounting Principles (E) Working Group deferred discussion of this agenda item for a subsequent call or meeting.

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DEFERRED - will address when/if activated by SAPWG	P&C Life Health				2019-14	SSAP No. 68 and SSAP No. 97	Attribution of Goodwill	Deferred	The Statutory Accounting Principles (E) Working Group deferred discussion of this agenda item for a subsequent call or meeting.
DEFERRED - will address when/if activated by SAPWG	P&C Life Health				2019-49	SSAP No. 62R	Retroactive Reinsurance Exception	Deferred	The Statutory Accounting Principles (E) Working Group deferred discussion of this agenda item for a subsequent call or meeting.
This issue paper evolved through an initial request by a state commissioner in 2019 to re-clarify the original intent for the accounting for commissions under SSAP 71. With the emergence of the <i>levelized commission</i> concept, reporting differences developed whereby certain entities were deferring commissions rather than fully recognizing them as required by SSAP 71. SAPWG confirmed that full expensing of commissions was and is the original and ongoing intent of SSAP 71, and all entities should be fully recognizing their incurred commissions. Though this is a highly important accounting concept, the scope of this item minimally impacts most entities, and is focused on those few entities that have been using the levelized commission approach to defer commissions.	P&C Life Health	N/A	N/A	N/A	2019-24	SSAP No. 71 (Issue Paper No. 165)	Levelized and Persistency Commission (Issue Paper)	Adopted	Issue Paper No. 165: Levelized Commissions documents the historical discussion regarding recent nonsubstantive revisions to SSAP No. 71—Policy Acquisition Costs and Commissions as adopted in agenda item 2019-24: Levelized and Persistency Commission. Issue papers are not authoritative. There are no changes to the previously adopted (March 2021) SSAP No. 71 guidance with this action.
Purely editorial adjustments - no industry impact	P&C Life Health	N/A	N/A	Immediately	2021-19EP	SSAP No. 16R and SSAP No. 43R	Editorial Updates	Adopted	Adopted editorial revisions to SSAP No. 16R—Electronic Data Processing Equipment and Software, and SSAP No. 43R—Loan-Backed and Structured Securities.