



# Insurance statutory reporting

September 2017

Issues & Trends

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## Summary

Insurance companies will need to comply with new and revised statutory accounting standards for 2017 and 2018 financial reporting. In this edition of *Insurance Statutory Reporting*, we summarize the new guidance and show you where you can find additional information in KPMG publications and related [NAIC meeting materials](#).

### Effective for 2017 reporting

- SSAP No. 2 reclassified money market mutual funds to cash equivalents and required them to be reported at fair value.
- SSAP No. 103R added enhanced disclosure for repurchase and reverse-repurchase agreements.
- SSAP No. 35R allowed expected renewals of short-term contracts for long-term care assessments to be considered in determining the premium tax credits and policy surcharge assets recognized when accruing guaranty and fund liability assessments, also allowed the discounting of guaranty fund assessments from insolvencies of insurers that wrote long-term care contracts.
- SSAP Nos. 55 and 65 added disclosures about significant changes in methodologies and assumptions used to calculate the liability for unpaid claims and claim adjustment expenses. Disclosures from ASU 2015-09, Disclosures about Short-Duration Contracts, not already addressed elsewhere in statutory reporting were rejected.
- SSAP No. 26R removed Securities Valuation Office (SVO) designated bond Exchange Traded Funds (ETFs) from the definition of a bond and provided separate accounting guidance for the use of systematic value for these instruments.

New guidance in this edition is in red type.

### Effective date

Unless otherwise indicated, the guidance became effective on adoption.

### Upcoming meeting

NAIC fall meeting will be held December 2 – 4 in Honolulu.

## 1

# Overview of new statutory guidance

2017 reporting – Statements of statutory accounting principles				
SSAP	Title	Recognition or measurement	Presentation or disclosure	NAIC reference number
1	Accounting Policies, Risks & Uncertainties and Other Disclosures		✓	2017-02
2R	Cash, Cash Equivalents, Drafts and Short-Term Investments	✓ ✓		2016-18 2016-35
26R	Bonds	✓	✓	2015-23
43R	Loan-Backed and Structured Securities		(Annual Statement)	
26R	Bonds	✓ ✓	✓	2013-36 2016-41
30	Unaffiliated Common Stock	✓		2016-47
48	Joint Ventures, Partnerships and Limited Liability Companies			
97	Investments in Subsidiary, Controlled and Affiliated Entities			
35R	Guaranty Fund and Other Assessments	✓ ✓	✓	2016-38 2017-01
37	Mortgage Loans	✓	✓	2016-39
41R	Surplus Notes	✓		2014-25

2017 reporting – Statements of statutory accounting principles				
SSAP	Title	Recognition or measurement	Presentation or disclosure	NAIC reference number
51R	Life Contracts	✓ ✓		2015-47 2016-15
54R	Individual and Group Accident and Health Contracts	✓		2016-34
55	Unpaid Claims, Losses and Loss Adjustment Expenses		✓	2015-37
65	Property and Casualty Contracts			
56	Separate Accounts		✓	2016-27
65	Property and Casualty Contracts		✓	2017-11
69	Statement of Cash Flow		✓	2016-46
86	Derivatives	NA <sup>1</sup>	NA <sup>1</sup>	2015-51
103R	Transfers and Servicing of Financial Assets and Extinguishments of Liabilities	✓	✓ ✓	2015-02 2016-16
2017 reporting - Other				
INT 01-25	Accounting for U.S. Treasury Inflation-Indexed Securities	✓		2016-43
Appendix A-820	Minimum Life and Annuity Reserve Standards	✓		2016-10
Appendix A-010	Minimum Reserve Standards for Individual and Group Health Insurance Contracts	✓		2016-17
Appendix A-791	Life and Health Reinsurance Agreements	✓		2016-44

<sup>1</sup> Change is related to filing instructions or change in a definition of a term within the SSAP

2018 reporting and later – Statements of statutory accounting principles				
SSAP	Title	Recognition or measurement	Presentation or disclosure	NAIC reference number
26R	Bonds	✓		2016-36
69	Statement of Cash Flow		✓	2017-02
2018 reporting and later - Other				
Appendix A-010	Minimum Reserve Standards for Individual and Group Health Insurance Contracts	✓		2017-09



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## 2017 reporting

SSAP	NAIC reference number	KPMG's Issues & Trends	Revisions
1	2017-02	<a href="#">August 2017</a>	<b>Adopted August 6, 2017</b> Clarified that cash equivalents and short-term investments are reported in the restricted cash disclosure.
2R	2016-18  2016-35	<a href="#">17-1</a>  <a href="#">17-1</a>	<b>Adopted December 10, 2016</b> Revised guidance reclassifying money market mutual funds from short-term investments to cash equivalents. ➤ Effective December 31, 2017  <b>Adopted December 10, 2016</b> Changed guidance to require money market mutual funds to be reported at fair value, with the net asset value allowed as a practical expedient. Unrealized gains and losses on money market mutual funds follow the guidance in SSAP No. 7 for asset valuation reserve (AVR) filers or are recorded directly in surplus for non-AVR filers. ➤ Effective December 31, 2017
26R and 43R	2015-23	<a href="#">16-5</a>	<b>Adopted June 9, 2016</b> Revised the reporting of prepayment penalties: — clarifying the amount of investment income and/or realized capital gains/losses to be reported on disposal of an investment; and — creating a new disclosure in the Annual Statement, requiring an insurer to identify the amount of investment income generated as a result of prepayment penalties and/or acceleration fees. ➤ Effective January 1, 2017

SSAP	NAIC reference number	KPMG's Issues & Trends	Revisions
26R	2013-36	<a href="#">April 2017</a>	<p><b>Adopted April 8, 2017</b></p> <ul style="list-style-type: none"> <li>— Removed SVO designated bond ETFs and SVO identified Bond Mutual Funds from the definition of a bond.</li> <li>— Required the identification of instruments that will be measured using systematic value on January 1, 2018.</li> <li>— Added the definition of a security, and included definitions for non-bond, fixed-income instruments.</li> </ul> <p>➤ Effective December 31, 2017.</p>
	2016-41	<a href="#">August 2017</a>	<p><b>Adopted August 6, 2017</b></p> <p>Clarified that other-than-temporary impairments should be recorded entirely to either the asset valuation reserve or interest maintenance reserve.</p>
30, 48 and 97	2016-47	<a href="#">April 2017</a>	<p><b>Adopted April 8, 2017</b></p> <p>Adopted with modification ASU 2016-07, <a href="#">Simplifying the Transition to the Equity Method of Accounting</a>, eliminating the requirement to make retroactive adjustments when an investment qualifies to use the equity method as a result of an increase in the level of ownership interest or degree of influence.</p>

SSAP	NAIC reference number	KPMG's Issues & Trends	Revisions
35R	2016-38	<a href="#">17-1</a>	<p><b>Adopted December 10, 2016</b></p> <p>Allowed expected renewals of short-term contracts for long-term care assessments be considered in determining the premium tax credits and policy surcharge assets recognized when accruing guaranty and fund liability assessments. This consideration is permitted when:</p> <ul style="list-style-type: none"> <li>— retrospective-premium-based assessments are imposed on short-term health contracts for insolvencies of long-term care contract insurers; and</li> <li>— it is probable that accrued liability assessments will result in a future recoverable for premium tax credits or policy surcharges for business currently in force.</li> </ul> <p>➤ Effective January 1, 2017</p>
35R	2017-01	<a href="#">April 2017</a>	<p><b>Adopted March 16, 2017</b></p> <p>Allowed the discounting of guaranty fund assessments from insolvencies of insurers that wrote long-term care contracts and added disclosures.</p> <p>➤ Effective January 1, 2017</p>
37	2016-39	<a href="#">August 2017</a>	<p><b>Adopted June 8, 2017</b></p> <p>Clarified that:</p> <ul style="list-style-type: none"> <li>— mortgages acquired through assignment, syndication or participation are in the scope of SSAP No. 37; and</li> <li>— participating mortgages, real estate funds or the securitization of assets should not follow the guidance in SSAP No. 37.</li> </ul> <p>Added disclosures about mortgage loans subject to a mortgage loan participation or co-lending mortgage loan agreement.</p>

SSAP	NAIC reference number	KPMG's Issues & Trends	Revisions
41R	2014-25	<a href="#">16-3</a>	<p><b>Adopted April 3, 2016</b></p> <p>Required surplus notes with NAIC designation:</p> <ul style="list-style-type: none"> <li>— 1 or 2 to be measured at amortized cost; and</li> <li>— 3 through 6 to be measured at fair value.</li> </ul> <p>This was a substantive revision and thus changed the title of SSAP No. 41 to SSAP No. 41R.</p> <p>➤ Effective January 1, 2017</p>
51R	2015-47  2016-15		<p><b>Adopted August 9, 2016</b></p> <p>Incorporated references to the Valuation Manual to facilitate the implementation of principle-based reserving (PBR).</p> <p>➤ Effective January 1, 2017</p> <p><b>Adopted August 26, 2016</b></p> <ul style="list-style-type: none"> <li>— Included guidance about evaluating the change in valuation basis to determine whether it meets the definition of a change in accounting as defined in SSAP No. 3.</li> <li>— This change would: <ul style="list-style-type: none"> <li>– include changes in methodology or voluntary choices in application of the methodology; and</li> <li>– exclude updates to reserving assumptions based on experience as required under the existing methodology.</li> </ul> </li> <li>— Clarified that insurers should continue the current reporting of the effect of changes in valuation basis in surplus. Because PBR will be adopted on a prospective basis, its initial application is not expected to result in a day one impact to surplus.</li> </ul> <p>➤ Effective January 1, 2017</p>

SSAP	NAIC reference number	KPMG's Issues & Trends	Revisions
54R	2016-34		<p><b>Adopted December 10, 2016</b></p> <ul style="list-style-type: none"> <li>— Incorporated references to the Valuation Manual for health reserving requirements.</li> <li>— Updated the change in valuation basis guidance for health reserves to reflect the use of own company experience.</li> </ul>
55 and 65	2015-37	<a href="#">April 2017</a>	<p><b>Adopted April 8, 2017</b></p> <p>Added disclosures from ASU 2015-09, <a href="#">Disclosures about Short-Duration Contracts</a>, for short-duration insurance contracts that are not currently in statutory accounting and rejected all other US GAAP disclosure requirements.</p> <p>Changes were made to:</p> <ul style="list-style-type: none"> <li>— SSAP No. 55 to disclose significant changes in methodologies and assumptions used to calculate the liability, including reasons for changes and the effect on the financial statements; and</li> <li>— SSAP No. 65 to disclose the amount of interest accretion recognized in the statement of income and the line item in which it is classified.</li> </ul>
56	2016-27	<a href="#">17-1</a>	<p><b>Adopted November 3, 2016</b></p> <p>Revised to remove the disclosure about total maximum guarantees.</p>
65	2017-11	<a href="#">August 2017</a>	<p><b>Adopted June 8, 2017</b></p> <p>Adopted revisions to include expanded disclosures about high-deductible contracts.</p>

SSAP	NAIC reference number	KPMG's Issues & Trends	Revisions
69	2016-46	<a href="#">April 2017</a>	<p><b>Adopted April 8, 2017</b></p> <p>Adopted ASU 2016-15, <a href="#">Classification of Certain Cash Receipts and Cash Payments</a>, on the classification of certain cash receipts and cash payments in the statement of cash flows.</p> <ul style="list-style-type: none"> <li>➤ Effective for public business entities in years beginning after December 15, 2017 and one year later for all other companies. Early adoption is permitted.</li> </ul>
86	2015-51	<a href="#">17-1</a>	<p><b>Adopted December 10, 2016</b></p> <p>Defined notional amount for instruments other than futures contracts, and clarified that the definition serves as a principle for determining the notional amount for all derivative instruments.</p> <ul style="list-style-type: none"> <li>➤ Effective January 1, 2017</li> </ul>
103R	2015-02	<a href="#">16-5</a>	<p><b>Adopted June 9, 2016</b></p> <p>Added accounting guidance for short sales, as well as guidance for secured borrowing transactions, when the insurer is the transferee. This was a substantive revision that changed the title of SSAP No. 103 to SSAP No. 103R.</p> <ul style="list-style-type: none"> <li>➤ Effective January 1, 2017</li> </ul>
	2016-16	<a href="#">17-1</a>	<p><b>Adopted December 10, 2016</b></p> <p>Added enhanced disclosures for repurchase and reverse-repurchase agreements. Insurers will need to disclose general information about repurchase and reverse-repurchase agreements, as well as detailed information for agreements that are accounted for as secured borrowing and sale transactions.</p> <ul style="list-style-type: none"> <li>➤ Effective December 31, 2017</li> </ul>

Other	NAIC reference number	KPMG's Issues & Trends	Revisions
INT 01-25	2016-43		<b>Adopted April 8, 2017</b> Adopted revised guidance that Inflation-indexed securities of foreign governments should be accounted for and reported according to the applicable SSAP without adjustments for inflation factors.
Appendix A-820	2016-10	<a href="#">16-5</a>	<b>Adopted June 9, 2016</b> Incorporated relevant aspects of the 2009 Standard Valuation Law amendments. ➤ Effective January 1, 2017
Appendix A-010	2016-17		<b>Adopted November 3, 2016</b> Revised guidance to incorporate the 2013 individual disability income valuation table. ➤ Effective January 1, 2020 with early adoption allowed as of January 1, 2017.
Appendix A-791	2016-44		<b>Adopted April 8, 2017</b> Added language from the Life and Health Reinsurance Agreements Model Regulation that says the reinsurance agreement shall constitute the entire agreement and the amendments need to be signed by all parties to be effective.



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## 2018 reporting and later

SSAP	NAIC reference number	KPMG's Issues & Trends	Revisions
26R	2013-36	<a href="#">April 2017</a>	<p><b>Adopted April 8, 2017</b></p> <p>Provided separate accounting guidance when using a systematic value to measure ETFs and SVO Identified Bond Mutual Funds.</p> <p>➤ Effective January 1, 2018</p>
69	2017-02	<a href="#">August 2017</a>	<p><b>Adopted August 6, 2017</b></p> <p>Clarified that restricted cash and cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period totals shown on the statement of cash flow.</p> <p>➤ Effective December 31, 2019 with early adoption permitted.</p>

Other	NAIC reference number	KPMG's Issues & Trends	Revisions
Appendix A-010	2017-09		<p><b>Adopted June 8, 2017</b></p> <p>Incorporated the 2016 Cancer Claim Cost Valuation Tables.</p> <p>➤ Effective for contracts issued on or after January 1, 2019 with early application permitted for contracts issued on or after January 1, 2018.</p>



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