

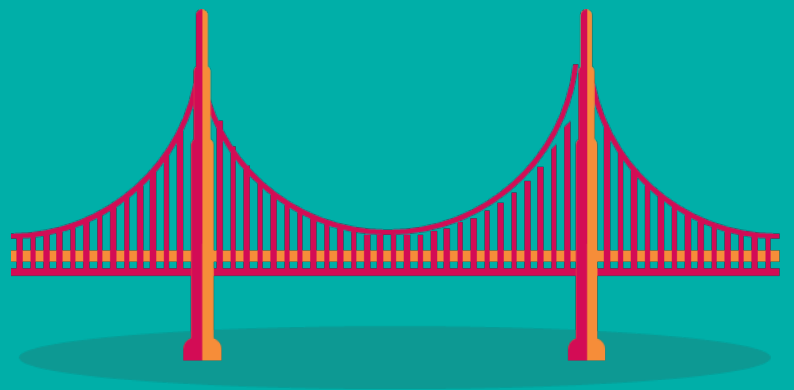


Insurance Statutory Reporting

Issues & Trends

December 2018

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Summary

Insurance companies will need to comply with new and revised statutory accounting standards for 2018 and 2019 and later 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 2018 reporting

- SSAP No. 26R provided separate accounting guidance for the use of systematic value for SVO-identified investments that was effective January 1, 2018.
- SSAP No. 100R allowed the use of net asset value (NAV) per share as a practical expedient and added disclosures.
- INT 18-03 provided guidance about the accounting for the repatriation transition tax (RTT), the alternative minimum tax (AMT) credit and the global intangible low-taxed income tax (GILTI) from the Tax Cuts and Jobs Act (TCJA).

Effective for 2019 reporting and after

- **SSAP No. 30R expanded the definition of common stock to include US SEC registered closed-end funds and unit-investment trusts.**
- SSAP No. 69 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.
- **SSAP No. 86 incorporated the hedge effectiveness documentation requirements included in the recent targeted improvements to the US GAAP derivative accounting model. Early adoption permitted for year-end 2018 and includes specific early adoption requirements for insurers that also prepare US GAAP financial statements.**
- **SSAP No. 108 prescribed accounting and reporting guidance for derivatives that hedge interest rate risk of variable annuity guarantees that are reserved under VM-21. Effective January 1, 2020, with early adoption permitted as of January 1, 2019.**

New guidance in this edition is in red type.

Effective date

Unless otherwise indicated, the guidance became effective on adoption.

Upcoming meeting

NAIC spring meeting will be held April 6-9 in Orlando.

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Overview of new statutory guidance

2018 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	NA ¹	NA ¹	2018-05
32	Preferred Stock			
15	Debt and Holding Company Obligations	✓		2018-20
25	Affiliates and Other Related Parties			
21	Other Admitted Assets	✓ ✓	✓ ✓	2018-08 2018-17
26R	Bonds	✓		2016-36
41R	Surplus Notes	✓		2017-21
97	Investments in Subsidiary, Controlled and Affiliated Entities			
48	Joint Ventures, Partnerships and Limited Liability Companies		✓	2018-27
49	Policy Loans	✓		2017-35
56	Separate Accounts			
56	Separate Accounts		✓	2018-08
68	Business Combinations and Goodwill	✓	✓	2017-18 2018-23

¹ Change updates reporting symbols / process of the Valuation of Securities Task Force.

2018 reporting – Statements of statutory accounting principles				
SSAP	Title	Recognition or measurement	Presentation or disclosure	NAIC reference number
72	Surplus and Quasi-reorganization		✓	2018-21
86	Derivatives	✓	✓	2017-04 2016-48
92	Postretirement Benefits Other Than Pensions		✓	2017-30
102	Pensions			
97	Investment in Subsidiary, Controlled and Affiliated Entities	NA ¹	NA ¹	2017-08
97	Investment in Subsidiary, Controlled and Affiliated Entities		✓	2018-09
100R	Fair Value	✓	✓	2017-24
101	Income Taxes	✓		2018-01
103R	Transfers and Servicing of Financial Assets and Extinguishments of Liabilities		✓	2017-31
104R	Share-Based Payments	✓		2017-16
107	Risk-Sharing Provisions of the Affordable Care Act	✓	✓	2017-26

2018 reporting – Other				
INT 02-22	Accounting for US Terrorism Risk Insurance Program	✓		2017-36
INT 05-05	Accounting for Revenues Under Medicare Part D Coverage		✓	2018-14

2018 reporting – Statements of statutory accounting principles				
Other	Title	Recognition or measurement	Presentation or disclosure	NAIC reference number
INT 09-08	Accounting for Loans Received under the Federal TALF Program	✓		2017-36
INT 16-01	ACA Section 9010 Assessment 2017 Moratorium	✓		2018-10
INT 18-02	ACA Section 9010 Assessment Moratoriums	✓		
INT 18-03	Additional Elements Under the Tax Act and Jobs Acts	✓	✓	2018-15
INT 18-04	Extension of Ninety-Day Rule for the Impact of Hurricane Florence and Hurricane Michael	✓		2018-31
Appendix A-820	Minimum Life and Annuity Reserve Standards	✓		2018-29

2019 reporting and later – Statements of statutory accounting principles				
SSAP	Title	Recognition or measurement	Presentation or disclosure	NAIC reference number
1	Accounting Policies, Risks & Uncertainties, and Other Disclosures		✓	2018-16
Appendix A-001	Investments of Reporting Entities			
30R	Unaffiliated Common Stock	✓		2017-32
43R	Loan-Backed and Structured Securities	NA ²		2018-19
51	Life Contracts		✓	2018-28
52	Deposit-Type Contracts			
61R	Life, Deposit-Type and Accident and Health Reinsurance			
62R	Property and Casualty Reinsurance	✓		2017-28
69	Statement of Cash Flow		✓	2017-02
86	Derivatives	✓		2018-30
108	Derivatives Hedging Variable Annuity Guarantees	✓	✓	2016-03
2019 reporting and later – Other				
Appendix A-010	Minimum Reserve Standards for Individual and Group Health Insurance Contracts	✓		2017-09



² Modification to NAIC designation

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2018 reporting

SSAP	NAIC reference number	KPMG's Issues & Trends	Revisions
1 and 32	2018-05		<p>Adopted May 24, 2018</p> <p>Updated reporting symbols adopted by the Valuation of Securities Task Force.</p> <p>➤ Effective December 31, 2018</p>
15 and 25	2018-20		<p>Adopted November 15, 2018</p> <p>Clarified the accounting when there has been a forgiveness of debt between related parties.</p>
21	2018-08	August 2018	<p>Adopted August 4, 2018</p> <p>Restricted guidance about private placement variable annuities to only those life insurance policies in compliance with Internal Revenue Code §7702, in which the reporting entity is the owner and the beneficiary.</p> <p>Added disclosure of the cash surrender value of an investment vehicle by investment category.</p>
21	2018-17	December 2018	<p>Adopted November 15, 2018</p> <p>Added accounting and reporting guidance for structured settlement income streams acquired by insurers as investments.</p> <p>➤ Effective December 31, 2018</p>
26R	2013-36	April 2017	<p>Adopted April 8, 2017</p> <p>Provided separate accounting guidance when using a systematic value to measure SVO-identified investments. This was a substantive revision that changed the title of SSAP No. 26 to SSAP No. 26R.</p> <p>➤ Effective January 1, 2018</p>

SSAP	NAIC reference number	KPMG's Issues & Trends	Revisions
41R and 97	2017-21	April 2018	Adopted March 24, 2018 Clarified that surplus note double-counting restrictions apply regardless of (1) whether the surplus note is issued by the parent or a Subsidiary, Controlled or Affiliated (SCA) entity, and (2) the method of acquisition (directly through the parent or through a third-party broker).
48	2018-27	December 2018	Adopted November 15, 2018 Added disclosures to capture information when an insurer's share of losses results in a negative equity position for a joint venture, partnership or limited liability company.
49 and 56	2017-35	August 2018	Adopted August 4, 2018 Clarified the reporting for policy loans. The revisions include the requirement that policy loans related to separate account policies have to be funded to be admitted in the general account.
56	2018-08	August 2018	Adopted May 24, 2018 Added annual statement disclosures about issuing private placement life insurance and private placement variable annuities. ➤ Effective December 31, 2018
68	2017-18	April 2018	Adopted March 24, 2018 Added disclosures about acquisitions of SCA entities including the: — acquisition date of the SCA; — original amount of admitted goodwill; — amount of admitted goodwill as of the reporting date; and — admitted goodwill as a percentage of the SCA's book-adjusted carrying value (gross of admitted goodwill). ➤ Effective December 31, 2018
68	2018-23	December 2018	Adopted November 15, 2018 Clarified that transactions where the parent absorbs the assets and liabilities of an SCA entity are considered statutory mergers.

SSAP	NAIC reference number	KPMG's Issues & Trends	Revisions
72	2018-21		<p>Adopted November 15, 2018</p> <p>Clarified that distributions that are considered a return of capital should be reported as a reduction of gross paid-in and contributed surplus.</p>
86	2017-04	December 2017	<p>Adopted November 6, 2017</p> <p>Clarified that variation margin payments received or paid should be recognized as unrealized gains or losses until the derivative instrument is sold, matures or expires.</p> <ul style="list-style-type: none"> ➤ Effective January 1, 2018, on a prospective basis, for insurers that previously recognized variation margin changes as realized gains or losses.
86	2016-48	April 2018	<p>Adopted March 24, 2018</p> <p>Added contract-level disclosures for derivatives with financing premiums.</p> <ul style="list-style-type: none"> ➤ Effective December 31, 2018
92 and 102	2017-30	April 2018	<p>Adopted March 24, 2018</p> <p>Removed the fair value Level 3 reconciliation for plan assets.</p>
97	2017-08		<p>Adopted November 6, 2017</p> <p>Changed the deadline for Sub 1 filings to be within 90 days of the initial acquisition or formation of an SCA entity.</p> <p>Changed the deadline for Sub 2 filings to August 31, with provision to allow a one-month deadline after the audit date for an SCA entity that regularly receives its audit report after August 31.</p> <ul style="list-style-type: none"> ➤ Effective for 2018 filings
97	2018-09	August 2018	<p>Adopted May 24, 2018</p> <p>Added disclosures to track losses from SCA entities.</p> <ul style="list-style-type: none"> ➤ Effective December 31, 2018

SSAP	NAIC reference number	KPMG's Issues & Trends	Revisions
100R	2017-24	December 2017	<p>Adopted November 6, 2017</p> <p>Allowed the use of NAV per share as a practical expedient for fair value and added disclosures to identify assets valued using NAV. This was a substantive revision that changed the title of SSAP No. 100 to SSAP No. 100R.</p> <p>➤ Effective January 1, 2018 with early adoption permitted.</p>
101	2018-01	August 2018	<p>Adopted May 24, 2018</p> <p>Adopted revisions for the effects of the TCJA.</p>
103R	2017-31	April 2018	<p>Adopted March, 24, 2018</p> <ul style="list-style-type: none"> — Excluded all cash equivalents, derivative transactions and short-term investments with credit assessments equivalent to NAIC 1-2 ratings from wash sale disclosures. — Clarified that disclosures are included in the financial statements when an investment is sold.
104R	2017-16		<p>Adopted October 12, 2017</p> <p>Adopted, with modification, ASU 2017-09, Scope of Modification Accounting.</p> <p>➤ Effective January 1, 2018 using prospective adoption for a modification that occurs on or after the effective date.</p>
107	2017-26	December 2017	<p>Adopted November 6, 2017</p> <ul style="list-style-type: none"> — Added guidance to report high-cost risk pool claim reimbursements as increases to premium. — Added disclosures about premiums ceded to and claim reimbursements from high-cost risk pools. <p>➤ Effective January 1, 2018</p>

Other	NAIC reference number	KPMG's Issues & Trends	Revisions
INT 02-22	2017-36		Adopted March 24, 2018 Removed the expiration date and changed the guidance to state that the interpretation is effective as long as the Federal Terrorism Risk Insurance Act program is in effect.
INT 05-05	2018-14		Adopted August 4, 2018 Clarified that coverage gap discount program payments should be reported as uninsured plans.
INT 09-08	2017-36		Adopted March 24, 2018 Nullified because the Federal Reserve's Term Asset-Backed Securities Loan Facility program has ended.
INT 16-01 and INT 18-02	2018-10		Adopted May 24, 2018 Nullified INT 16-01 and added guidance for the 2019 moratorium, and any future moratoriums, for the federal Affordable Care Act Section 9010 fee.
INT 18-03	2018-15	August 2018	Adopted August 4, 2018 Clarified statutory accounting and reporting for the RTT, the AMT credit and the GILTI from the TCJA.
INT 18-04	2018-31		Adopted November 15, 2018 Extended the 90-day rule under SSAP No. 6, <i>Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due from Agents and Brokers</i> for the effects of Hurricane Florence and Hurricane Michael. INT 18-04 nullifies on March 7, 2019.
Appendix A-820	2018-29		Adopted November 15, 2018 Removed the phrase 'good and sufficient' because it is not consistent with the related NAIC Standard Valuation Law Model 820.



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2019 reporting and later

SSAP	NAIC reference number	KPMG's Issues & Trends	Revisions
1 and Appendix A-001	2018-16		Adopted August 4, 2018 Aligned the reporting schedule lines to the investment schedules, allowing for cross-checks and less manual allocations. ➤ Effective January 1, 2019
30R	2017-32	December 2018	Adopted November 15, 2018 Expanded the definition of common stock to include US SEC registered closed-end funds and unit-investment trusts. ➤ Effective January 1, 2019
43R	2018-19		Adopted November 15, 2018 Removed the modified filing exempt process for determining NAIC designations. ➤ Effective March 31, 2019
51, 52 and 61R	2018-28	December 2018	Adopted November 15, 2018 Enhanced disclosures giving regulators the ability to focus on product areas with greater liquidity risk. The disclosures add product level granularity to the existing disclosures for annuity actuarial reserves and deposit-type liabilities by withdrawal characteristics, and add similar disclosures to life products. ➤ Effective for year-end 2019
62R	2017-28	December 2018	Adopted November 15, 2018 Added previously referenced US GAAP guidance. ➤ Effective January 1, 2019
69	2017-02	August 2017	Adopted August 6, 2017 Clarified that restricted cash and cash equivalents should be included with cash and cash equivalents when reconciling the

SSAP	NAIC reference number	KPMG's Issues & Trends	Revisions
			beginning-of-period and end-of-period totals shown on the statement of cash flow. ➤ Effective December 31, 2019 with early adoption permitted.
86	2018-30	December 2018	Adopted November 15, 2018 Incorporated the hedge effectiveness documentation requirements included in the recent targeted improvements to the US GAAP derivative accounting model. ➤ Effective January 1, 2019 with early adoption permitted for year-end 2018. Insurers that also prepare US GAAP financial statements are permitted to early adopt only if they have early adopted the US GAAP targeted improvements for year-end 2018.
108	2016-03	December 2018	Adopted November 15, 2018 Adopted new guidance that prescribes accounting and reporting for derivatives that hedge the interest rate risk of variable annuity guarantees that are reserved using VM-21. ➤ Effective January 1, 2020, with early adoption permitted as of January 1, 2019.

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



KPMG Financial Reporting View



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