



Insurance Statutory Reporting

Issues & Trends

September 2019

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Summary

Insurance companies will need to comply with new and revised statutory accounting standards for 2019 and 2020 and later financial reporting. In this edition of *Insurance Statutory Reporting*, we summarize the new guidance and show you where to find additional information in KPMG publications and related [NAIC meeting materials](#).

Effective for 2019 reporting

- SSAP Nos. 2R, 26R, and 86 revisions stated that structured notes, except for mortgage-referenced securities, should be reported as derivatives under SSAP No. 86. The revisions included mortgage-referenced securities in the scope of SSAP 43R.
- SSAP No. 30R expanded the definition of common stock to include US SEC registered closed-end funds and unit-investment trusts and foreign registered open-end investment funds.
- 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.

Effective for 2020 reporting and after

- SSAP No. 22R rejected US GAAP guidance on operating leases. Additional revisions incorporate, with modification, US GAAP guidance on sale-leaseback transactions, lessor accounting and leveraged leases. Effective January 1, 2020 for all new leases, and for existing leases reassessed due to a change in terms and conditions. Early adoption is permitted.
- SSAP No. 108 prescribed accounting and reporting guidance for derivatives that hedge interest rate risk of variable annuity guarantees 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 fall meeting will be held December 7-10 in Austin, Texas.

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Overview of new statutory guidance

2019 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		✓	2018-16
Appendix A-001	Investments of Reporting Entities			
2R	Cash, Cash Equivalents, Drafts and Short-Term Investments	✓	✓	2018-18
26R	Bonds			
43R	Loan-backed and Structured Securities			
86	Derivatives			
21R	Other Admitted Assets	✓		2018-04
25	Affiliates and Other Related Parties	✓		2019-03
26R	Bonds			
32	Preferred Stock			
43R	Loan-Backed and Structured Securities			
48	Joint Ventures, Partnerships and Limited Liability Companies			
26R	Bonds	✓		2018-32
26R	Bonds	✓		2019-07
72	Surplus and Quasi-Reorganizations			

2019 reporting – Statements of statutory accounting principles				
SSAP	Title	Recognition or measurement	Presentation or disclosure	NAIC reference number
30R	Unaffiliated Common Stock	✓ ✓ ✓		2017-32 2018-33 2018-34
37	Mortgage Loans	✓		2018-22
43R	Loan-Backed and Structured Securities	NA ¹ ✓		2018-19 2018-03
51 52 61R	Life Contracts Deposit-Type Contracts Life, Deposit-Type and Accident and Health Reinsurance		✓	2018-28
62R	Property and Casualty Reinsurance	✓ ✓		2017-28 2019-11
69	Statement of Cash Flow		✓	2017-02
86	Derivatives	✓ ✓		2018-30 2018-46
92 102	Postretirement Benefits Other than Pensions Pensions		✓	2018-37
95 104R	Nonmonetary Transactions Share-Based Payments	✓	✓	2018-35
100R	Fair Value		✓	2018-36
101	Income Taxes	✓ ✓		2019-09 2019-10
103R	Transferring and Servicing of Financial Assets and Extinguishments of Liabilities		✓	2019-05

¹ Modification to NAIC designation

2019 reporting – Other				
Other	Title	Recognition or measurement	Presentation or disclosure	NAIC reference number
INT 19-02	Single Security Initiative	✓		2019-02
Appendix A-010	Minimum Reserve Standards for Individual and Group Health Insurance Contracts	✓		2017-09



2020 reporting and later – Statements of statutory accounting principles				
SSAP	Title	Recognition or measurement	Presentation or disclosure	NAIC reference number
16R	Electronic Data Processing Equipment and Software	✓		2018-40
22R	Leases	✓	✓	2016-02
55	Unpaid Claims, Losses and Loss Adjustment Expenses		✓	2018-39
108	Derivatives Hedging Variable Annuity Guarantees	✓	✓	2016-03



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2019 reporting

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
2R, 26R, 43R and 86	2018-18	May 2019	Adopted April 6, 2019 — Added requirement to report structured notes, except for mortgage-referenced securities, as derivatives under SSAP No. 86. — Included mortgage-referenced securities in the scope of SSAP No. 43R. ➤ Effective December 31, 2019
21R	2018-04		Adopted August 3, 2019 Clarified that an investment in the scope of other statements is not considered a collateral loan because it is also secured with collateral.
25, 26R, 32, 43R and 48	2019-03	August 2019	Adopted August 3, 2019 Clarified the application of SSAP No. 25 and the identification of a transaction as affiliated when it is in-substance with a related party, even when conducted with a non-related intermediary.
26R	2018-32	August 2019	Adopted August 3, 2019 Clarified how to determine and record a prepayment penalty or acceleration fee on called bonds when the consideration received is less than par value.
26R, 72	2019-07	August 2019	Adopted August 3, 2019 Clarified reporting guidance for bonds received as property dividends or capital contributions.

SSAP	NAIC reference number	KPMG's Issues & Trends	Revisions
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
	2018-33	May 2019	Adopted April 6, 2019 Clarified the accounting for assets pledged to the Federal Home Loan Bank on behalf of an affiliate.
	2018-34	May 2019	Adopted April 6, 2019 Included foreign registered open-end investment funds in the scope of SSAP No. 30R. ➤ Effective January 1, 2019
37	2018-22	August 2019	Adopted August 3, 2019 Clarified that mortgage loans acquired through a participation agreement are limited to a single mortgage loan agreement and exclude bundled mortgage loans.
43R	2018-19		Adopted November 15, 2018 Removed the modified filing exempt process for determining NAIC designations. ➤ Effective March 31, 2019
	2018-03	August 2019	Adopted August 3, 2019 Required securities with different NAIC designations by lot to be reported either in total at the lowest NAIC designation or with separate aggregations by NAIC designation.

SSAP	NAIC reference number	KPMG's Issues & Trends	Revisions
51, 52 and 61R	2018-28	December 2018	<p>Adopted November 15, 2018</p> <p>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.</p> <p>➤ Effective December 31, 2019</p>
62R	2017-28 2019-11	December 2018	<p>Adopted November 15, 2018</p> <p>Added previously referenced US GAAP guidance.</p> <p>➤ Effective January 1, 2019</p> <p>Adopted August 3, 2019</p> <p>Clarified the effective date of the reinsurance guidance adopted at the Fall 2018 meeting.</p> <p>➤ The revised guidance applies to contracts in effect as of January 1, 2019. Effects of the adoption of the guidance should follow the change in accounting guidance in SSAP No. 3.</p>
69	2017-02	August 2017	<p>Adopted August 6, 2017</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</p>
86	2018-30	December 2018	<p>Adopted November 15, 2018</p> <p>Incorporated the hedge effectiveness documentation requirements included in the recent targeted improvements to the US GAAP derivative accounting model.</p> <p>➤ Effective January 1, 2019</p>

SSAP	NAIC reference number	KPMG's Issues & Trends	Revisions
	2018-46	May 2019	<p>Adopted April 6, 2019</p> <p>Added the following as US benchmark rates for hedge accounting:</p> <ul style="list-style-type: none"> — Securities Industry and Financial Markets Municipal Swap Rate; and — Secured Overnight Financing Rate Overnight Index Swap Rate.
92 and 102	2018-37	May 2019	<p>Adopted April 6, 2019</p> <p>Adopted, with modification, US GAAP guidance on changes to certain disclosures for pension and postretirement plans.</p> <ul style="list-style-type: none"> ➤ Although the changes in US GAAP are effective December 31, 2020 for public business entities and December 31, 2021 for all other entities, with early adoption permitted, the changes are effective on adoption (2019 reporting).
95 and 104R	2018-35		<p>Adopted April 6, 2019</p> <p>Adopted, with modification, US GAAP guidance to:</p> <ul style="list-style-type: none"> — eliminate the section for nonemployee awards; and — Include guidance for nonemployees with share-based payment guidance for employees.
100R	2018-36	May 2019	<p>Adopted April 6, 2019</p> <p>Adopted, with modification, revised US GAAP guidance about fair value disclosures into SSAP No. 100R.</p> <ul style="list-style-type: none"> ➤ Although changes in US GAAP guidance are effective January 1, 2020 with early adoption permitted, the changes to SSAP No. 100R are effective on adoption (2019 reporting).
101	2019-09	August 2019	<p>Adopted August 3, 2019</p> <p>Updated the Implementation Questions and Answers in Exhibit A to SSAP No. 101 for the federal Tax Cuts and Jobs Act of 2017.</p>

SSAP	NAIC reference number	KPMG's Issues & Trends	Revisions
	2019-10	August 2019	<p>Adopted August 3, 2019</p> <p>Clarified the application of the requirements of paragraph 11c in the deferred tax admittance calculation.</p> <p>➤ Effective December 31, 2019</p>
103R	2019-05	August 2019	<p>Adopted August 3, 2019</p> <p>Removed disclosures of counterparty information and minimum and average daily balances.</p>

Other	NAIC reference number	KPMG's Issues & Trends	Revisions
INT 19-02	2019-02	May 2019	<p>Adopted April 6, 2019</p> <p>Added a limited scope exemption to SSAP No. 26R and accounting guidance to SSAP No. 43R for securities exchanged as part of the Freddie Mac Single Security Initiative.</p>
Appendix A-010	2017-09		<p>Adopted June 8, 2017</p> <p>Incorporated the 2016 Cancer Claim Cost Valuation Tables.</p> <p>➤ Effective for contracts issued on or after January 1, 2019.</p>



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2020 reporting and later

Other	NAIC reference number	KPMG's Issues & Trends	Revisions
16R	2018-40	May 2019	Adopted April 6, 2019 Adopted, with modification, the US GAAP guidance for implementation costs of a cloud hosting arrangement. Effective January 1, 2020 with early adoption permitted.
22R	2016-02	August 2019	Adopted August 3, 2019 Rejected US GAAP guidance on operating leases. Adopted, with modification, US GAAP guidance on sale-leaseback transactions, lessor accounting and leveraged leases. Effective January 1, 2020 for all new leases, and for existing leases reassessed due to a change in terms and conditions. Early adoption is permitted.
55	2018-39	May 2019	Adopted April 6, 2019 Clarified the reporting of interest on accident and health claims. Effective January 1, 2020 with early adoption permitted.
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 reserved using VM-21. Effective January 1, 2020, with early adoption permitted as of January 1, 2019.



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Insights for financial reporting professionals

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