



# NAIC Summer 2025 Meeting

## Issues & Trends

Latest actions include adoption of principle-based reserving for non-variable annuities and actuarial guideline for asset adequacy testing, exposure of new disclosures for private securities and discussion of risk transfer analysis for combination coinsurance and yearly renewable term contracts.

September 2025

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# 1

## Meeting highlights

During its Summer meeting and on calls before it, the National Association of Insurance Commissioners (NAIC) **adopted** the following guidance.

- INT 23-01 to extend its effective date to December 31, 2026, clarify guidance, and establish an additional current-period admittance limit for a net negative interest maintenance reserve (IMR).
- VM-22 framework for principle-based reserving (PBR) of non-variable annuities.
- Actuarial Guideline 55 (AG 55) for asset-adequacy analysis of reserves related to certain life reinsurance treaties.
- Generator of economic scenarios (GOES) for VM-20, VM-21, and VM-22.

The NAIC **exposed** revisions to the following guidance.

- SSAP Nos. 2, 21, 26, and 43 to add consistent disclosures for debt securities among the SSAPs and a new general interrogatory to identify whether an insurer is reporting residuals under the allowable earned yield or practical expedient measurement method and if it is transitioning from the practical expedient to the allowable earned yield approach.
- SSAP Nos. 2, 21, 26 and 43 to add an aggregate disclosure of key investment information by type of private placement securities and identify private placement securities in the investment schedules.
- SSAP No. 37 to expand its scope to include mortgage loans acquired through qualifying investments in a statutory trust and require that these be reported on Schedule B.
- Annual Statement Instructions to eliminate the concept of investments in noninsurance subsidiary, controlled or affiliated (SCA) entities that hold assets for the benefit of the insurer and its affiliates (investment subsidiaries), including removing investment subsidiary from Schedule D-6-1 and asset valuation reserve (AVR) instructions.

The NAIC **discussed** the following guidance.

- Proposed revisions to SSAP No. 61 and the Question and Answer (Q&A) of Appendix A-791 to add guidance for risk transfer on combination coinsurance and yearly renewable term (YRT) reinsurance contracts with interdependent features.

## Accounting highlights >>

<b>Debt security and residual interest disclosures</b>	SAPWG exposed revisions to SSAP Nos. 2, 21, 26, and 43 to add consistent disclosures among the SSAPs for debt securities and a new general interrogatory to identify whether an insurer is reporting residuals under the allowable earned yield or practical expedient measurement method and if it is transitioning from practical expedient to allowable earned yield approach, effective December 21, 2026.  Comments are due October 17, 2025.
<b>Private placement securities</b>	SAPWG exposed revisions to SSAP Nos. 2, 21, 26 and 43 to add an aggregate disclosure of key investment information by type of private placement securities and identify private placement securities in the investment schedules. This disclosure would be effective December 31, 2026.  Comments are due September 19, 2025.
<b>Interest maintenance reserve definition</b>	SAPWG directed NAIC staff to use the IMR definition they previously proposed in the IMR issue paper and subsequent revisions to SSAP No. 7. <sup>1</sup> The full issue paper will be exposed at a future date.
<b>Net negative (disallowed) interest maintenance reserve</b>	SAPWG adopted revisions to INT 23-01 to extend its effective date to December 31, 2026, clarify guidance, and establish an additional current-period admittance limit of net negative IMR. <sup>2</sup>
<b>Hypothetical IMR</b>	SAPWG directed NAIC staff to remove the concept of hypothetical IMR from the Annual Statement Instructions within the broader IMR project and to include related details in the IMR issue paper and subsequent revisions to SSAP No. 7. The issue paper will be exposed at a future date.

<sup>1</sup> SSAP No. 7, Asset Valuation Reserve and Interest Maintenance Reserve

<sup>2</sup> INT 23-01, Net Negative (Disallowed) Interest Maintenance Reserve

Accounting highlights >>	
<b>IMR Ad Hoc Subgroup update</b>	SAPWG heard an update about the activities of the IMR Ad Hoc Subgroup. Since the Spring meeting, the Subgroup's discussions focused on IMR from reinsurance transactions, and the concept of proving reinvestment of the proceeds from sold fixed income instruments to support admittance of net negative IMR.
<b>Sales leaseback clarifications</b>	SAPWG reexposed revisions to SSAP No. 22 to clarify that sale leasebacks with restrictions on access to the cash proceeds do not qualify for sale leaseback accounting and are accounted for by the seller using the financing method. <sup>3</sup> Comments are due October 17, 2025.
<b>Residential mortgage loans held in statutory trusts</b>	SAPWG reexposed revisions to SSAP No. 37 to expand its scope to include mortgage loans acquired through qualifying investments in a statutory trust and require that these be reported on Schedule B. <sup>4</sup> Comments are due October 17, 2025.
<b>Risk transfer analysis for reinsurance contracts with interrelated features</b>	The Financial Condition (E) Committee received a report about revisions to SSAP No. 61 and the Q&A of Appendix A-791 to add guidance for risk transfer on combination coinsurance and YRT reinsurance contracts with interdependent features. These revisions were adopted by SAPWG and the Accounting Practices and Procedures (AP&P) Task Force. <sup>5</sup> The Committee did not vote on the adoption of the proposal and stated that it will schedule a call to discuss and consider action. SAPWG adopted a revision to remove the reference to group term life and the use of Commissioner's Standard Ordinary (CSO) rates from Appendix A-791, paragraph 2.c Q&A.
<b>Retirement plans held at net asset value</b>	SAPWG exposed revisions to SSAP Nos. 92 and 102 to clarify that assets held at net asset value (NAV) are included in the fair value disclosures under SSAP No. 100. <sup>6</sup> Comments are due October 17, 2025.

<sup>3</sup> SSAP No. 22, Leases

<sup>4</sup> SSAP No. 37, Mortgage Loans

<sup>5</sup> SSAP No. 61, Life, Deposit-Type and Accident and Health Reinsurance; Appendix A-791, Life and Health Reinsurance Agreements

<sup>6</sup> SSAP No. 92, Postretirement Benefits Other Than Pensions; SSAP No. 100, Fair Value; SSAP No. 102, Pensions



## Accounting highlights >>

### Income taxes

SAPWG exposed revisions to SSAP No. 101 to adopt, with modification, ASU 2019-12 that simplifies accounting for income taxes.<sup>7</sup> Comments are due October 17, 2025.

### Investment subsidiary classification

SAPWG exposed revisions to the Annual Statement Instructions to eliminate the concept of investments in noninsurance subsidiary, controlled or affiliated (SCA) entities that hold assets for the benefit of the insurer and its affiliates (investment subsidiaries), including removing investment subsidiary from Schedule D-6-1 and AVR instructions effective December 31, 2026. Comments are due October 17, 2025.

## Actuarial highlights >>

### Non-variable annuities

#### Adoption of VM-22

The VM-22 Subgroup, and its parent committees, adopted the VM-22 framework that is effective January 1, 2026.<sup>8</sup> There is a three-year implementation period, with adoption becoming mandatory for new non-variable annuity contracts issued on or after January 1, 2029 on a prospective basis.

#### Additional standard projection amount

On a call before the Summer meeting, the Life Actuarial Task Force (LATF) exposed a proposal on requirements for the additional standard projection amount (ASPA) disclosures and credibility in VM-22.

#### Retrospective application of VM-22

LATF discussed comments on the proposal to allow retrospective application of VM-22 reserves for non-variable annuity business issued on or after January 1, 2017 and before its effective date of January 1, 2026.

### Asset adequacy testing for reinsurance contracts

#### Adoption of the asset adequacy guideline

LATF, and its parent committees, adopted AG 55 (the Guideline).<sup>9</sup> The Guideline is effective for asset adequacy analysis of reserves related to

<sup>7</sup> SSAP No. 101, Income Taxes; ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes

<sup>8</sup> VM-22, Requirements for Principle-Based Reserves for Non-Variable Annuities

<sup>9</sup> AG 55, Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties

Actuarial highlights >>	
	<p>certain life reinsurance treaties for the December 31, 2025 financial statements.</p> <p><b>Guideline templates</b></p> <p>LATF exposed a presentation detailing a strawman of AG 55 templates.</p> <p>Comments were due September 9, 2025.</p>
<b>Generator of Economic Scenarios</b>	<p><b>Adoption of GOES</b></p> <p>LATF, and its parent committees, adopted the GOES effective for VM-20, VM-21, and VM-22 starting January 1, 2026 with an optional three-year phase-in period for VM-20 and VM-21.<sup>10</sup></p> <p><b>GOES model governance framework</b></p> <p>LATF discussed the GOES Model Governance Framework designed to mitigate risk by providing governance and controls for models producing scenarios used in calculations of life and annuity reserves under the Valuation Manual.</p>
<b>Variable annuities capital reserve calculations</b>	<p>Before the Summer meeting, the Variable Annuities Capital and Reserve Subgroup exposed revisions to the C3 Phase 1 (C3PI) scenario requirements and the C3 Phase II (C3PII) risk-based capital metric for variable annuities to implement the adoption of the GOES for reserve and capital calculations.</p> <p>Comments are due September 19, 2025.</p>
Risk-based capital >>	
<b>RBC Model Governance Task Force</b>	<p>On a call before the Summer meeting, the Risk-Based Capital (RBC) Model Governance Task Force exposed a memo outlining preliminary RBC principles and questions intended to guide ongoing enhancements to the RBC framework.</p>
<b>RBC principles for bond funds</b>	<p>On a call before the Summer meeting, the Risk-Based Capital Investment Risk and Evaluation (RBC IRE) Working Group discussed the alignment of RBC treatment for bond funds that receive Securities Valuation Office (SVO) designations.</p>

<sup>10</sup> VM-20, Requirements for Principle-Based Reserves for Life Products; VM-21, Requirements for Principle-Based Reserves for Variable Annuities

Valuation of Securities Task Force >>	
<b>Caps on NAIC Designations of CRP rated securities</b>	The Valuation of Securities Task Force (VOSTF) adopted revisions to the Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual) to clarify the credit rating provider (CRP) rating functions as a cap on the SVO assigned NAIC Designation, in specified circumstances.
<b>Collateralized loan obligation modeling</b>	VOSTF exposed an amendment to the P&P Manual to extend the effective date by which collateralized loan obligations (CLOs) will be financially modeled by Structured Securities Group (SSG) to assign NAIC Designations and NAIC Designation Categories to year-end 2026. Comments were due September 12, 2025.
<b>Reorganization of the Valuation of Securities Task Force</b>	On a call before the Summer meeting, the Financial Condition Committee adopted a proposal to reorganize VOSTF to facilitate the achievement of the objectives of the Committee's investment framework. The changes are effective January 1, 2026.



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## Accounting highlights

### Debt security and residual interest disclosures

**Action.** SAPWG exposed revisions to SSAP Nos. 2, 21, 26, and 43 to add consistent disclosures among the SSAPs for debt securities and a new general interrogatory to identify whether an insurer is reporting residuals under the allowable earned yield or practical expedient measurement method and if it is transitioning from practical expedient to allowable earned yield approach, effective December 21, 2026. Comments are due October 17, 2025.

The proposed revisions include:

- expanding the existing disclosures in SSAP Nos 26 and 43 about sales, maturities, proceeds and resulting realized gains or losses for bonds under SSAP Nos. 2 and 21;
- clarifying requirements for the bonds by maturity date disclosure by stating that insurers would be required to disclose information about the aggregate book adjusted carrying value and fair value and adding this disclosure for non-bond debt securities under SSAP No. 21;
- requiring disclosure of impaired securities to be included for all debt securities, regardless of measurement method and adding a data-captured template;
- expanding the Annual Statement Instructions and template to include disclosure of bifurcated other-than-temporary impairments for non-bond debt securities as well as residual interests that follow the allowable earned yield method;
- adding disclosures for residuals to SSAP No. 21 to align with requirements for other invested assets; and
- adding all disclosure requirements directly to each SSAP (SSAP Nos 2, 21, 26 and 43) and eliminating previously existing references to other SSAPs for those required disclosures.

SAPWG stated that the proposed revisions intend to improve the use of existing disclosures, clarify guidance, and implement consistent locations and frequency for specific debt security disclosures.

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### Private placement securities

**Action.** SAPWG exposed revisions to SSAP Nos. 2, 21, 26 and 43 to add an aggregate disclosure of key investment information by type of private placement securities and identify private placement securities in the investment schedules. This disclosure would be effective December 31, 2026. Comments are due September 19, 2025.

The proposed revisions require insurers to disclose in the financial statements:

- whether the securities are:
  - not subject to SEC registration;
  - publicly registered;
  - a private placement under SEC Rule 144A;
  - exempt from registration under Regulation D (including both Rules 504 and 506); and
  - exempt according to section 4(a)2 of the Securities Act of 1933.
- the aggregate data by investment schedule for:
  - total book or adjusted carrying value (BACV);
  - fair value, (with fair values determined under level 2 and level 3);
  - total amounts of deferred interest and paid-in-kind interest; and
  - total BACV of securities supported by private letter ratings.

SAPWG also suggested revisions to the Annual Statement adding:

- an electronic column in investment schedules to indicate the type of each security, consistent with the financial statement disclosure categories; and
- aggregate disclosure, by investment schedule, of the following information, by type of securities (i.e., Public, 144A, Reg D, Section 4(a)2, or N/A):
  - total BACV;
  - fair value, separately separating by fair values determined under level 2 and level 3;
  - total amounts of deferred interest and paid-in-kind interest; and
  - total BACV of securities supported by private letter ratings.

SAPWG stated that these revisions are in response to interest by the regulators to better identify different types of private placement securities. This focus is because of an increase in private letter ratings which are often used for private placements, as well as potential concerns about the increase in, and reliance on, level 3 fair values for private placement securities.

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### Interest maintenance reserve (IMR) definition

SAPWG directed NAIC staff to use the IMR definition they previously proposed in the IMR issue paper and subsequent revisions to SSAP No. 7. The full issue paper will be exposed at a future date.

The definition states that IMR:

- is a valuation adjustment to maintain consistency between insurance liabilities and the assets needed to support them;

- intends to defer and amortize the recognition of realized gains or losses where investment activity essentially unlocks unrealized gains or losses for either assets or liabilities; and
- is not intended to defer realized gains and losses compelled by liquidity pressures that fund significant cash outflows.

Interested parties acknowledged that IMR is a valuation adjustment rather than a true asset or liability used to maintain consistency between insurance assets and liabilities. They recognized that while IMR was designed to prevent the selling of investments that are in a gain position due to interest rate decreases and reinvesting the proceeds in lower yielding investments, its theoretical symmetry in handling gains and losses may not always match real-world situations.

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### Net negative (disallowed) interest maintenance reserve

**Action:** SAPWG adopted revisions to INT 23-01 to extend its effective date to December 31, 2026, clarify guidance and establish an additional current-period admittance limit of net negative IMR.

The revisions:

- add a limit for admitted disallowed IMR by capping it at 10% of the current period's unadjusted capital and surplus;
- require insurers to complete a new data-captured disclosure to admit net negative IMR;
- require insurers admitting disallowed IMR to disclose a roll forward that:
  - begins with unamortized fair value derivative gains and losses realized in IMR;
  - adds the fair value of derivative gains and losses realized to IMR in the current period;
  - subtracts the fair value derivative gains and losses amortized out of IMR in the current period; and
  - sums to the unamortized fair value derivative gains and losses within IMR as of the current reporting date;
- direct insurers to:
  - include the admitted negative IMR in the PBR calculation, asset adequacy or cash flow testing (CFT) following VM-20 requirements; and
  - reconcile the admitted negative IMR with the reported IMR used for PBR and CFT;

Interested parties supported the proposed revisions and stated that the extended period will allow sufficient time to ensure that the permanent solution achieves a balanced and practical approach to statutory reporting.

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## Hypothetical IMR

SAPWG directed NAIC staff to remove the concept of hypothetical IMR from the Annual Statement Instructions within the broader IMR project and to include related details in the IMR issue paper and subsequent revisions to SSAP No. 7. The issue paper will be at a future date.

The removal is based on the regulators view that the practical limitations of applying the concept of hypothetical IMR outweigh the potential benefits of retaining the concept. SAPWG stated that these changes will be documented in the IMR issue paper and incorporated into the comprehensive revisions to SSAP No. 7 that covers AVR and IMR.

Interested parties agreed with removing hypothetical IMR but requested that in the future, SAPWG address the accounting treatment for legacy hypothetical IMR balances.

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## IMR Ad Hoc Subgroup update

SAPWG heard an update about the activities of the IMR Ad Hoc Subgroup. Since the Spring meeting, the Subgroup's discussions focused on IMR from reinsurance transactions, and the concept of proving reinvestment of proceeds from sold fixed income instruments in order to support admittance of net negative IMR.

The Subgroup discussed how IMR should be considered when reinsurance collateral is required for reinsurance credit. Specifically, the Subgroup:

- observes that some insurers were only including positive IMR if it was required as part of the reinsurance treaty; and
- discussed whether IMR in the collateral requirement should be symmetrical, with negative IMR reducing the liability or collateral requirement since positive IMR increases the liability or collateral requirement.

Regulators expressed a view that insurers should not receive a surplus benefit, while also accepting a lower collateral requirement from the transfer of nonadmitted negative IMR in a reinsurance agreement.

The Subgroup also reported that it is working on a concept that would require validation of both of the following in order to admit IMR generated in the year:

- that acquired fixed income investments are greater than sale proceeds and investable premium; and
- that the weighted average book yield of fixed income investments disposed during the year is lower than the weighted average yield of the fixed income investments acquired during the year.

Insurers that do not pass both validation procedures will not be permitted to admit IMR generated in the year in which they did not prove fixed-income

reinvestment, and would be required to recognize loss of such IMR immediately.

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### Sales leaseback clarifications

**Action.** SAPWG reexposed revisions to SSAP No. 22 to clarify that sale leasebacks with restrictions on access to the cash proceeds do not qualify for sale leaseback accounting and are accounted for by the seller using the financing method. Comments are due October 17, 2025.

The revisions add language to clarify that when cash or assets received by the seller have restrictions on their use, the cash and assets received would not be considered available to meet policyholder obligations and would be nonadmitted.

Some interested parties suggested adding a footnote stating that the clarified guidance does not nullify the guidance in INT 01-31 about collateral pledged for the insurer's performance under a contract. The exposure did not include the proposed footnote.<sup>11</sup>

These revisions were in response to a question received by SAPWG about whether a sale leaseback transaction that included a significant restriction on cash received from a sale meets the definition of a sale leaseback. The example transaction did not allow the selling insurer to access cash until the leaseback was fully paid off, years in the future.

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### Residential mortgage loans held in statutory trusts

**Action:** SAPWG reexposed revision to SSAP No. 37 to expand its scope to include mortgage loans acquired through qualifying investments in a statutory trust and require that these be reported on Schedule B. Comments are due October 17, 2025.

The revisions to SSAP No. 37 include:

- adding characteristics of investments in a statutory trust to qualify as a mortgage loan; and
- requiring disclosures for mortgage loans acquired through a qualifying investment in a statutory trust, including:
  - description of the statutory trust including identification of subprime mortgages, U.S. state(s) in which statutory trust is qualified to do business and the amount of fiscal year-to-date fees incurred for asset management, property management, trustee, service, and any other fees associated with management or administration of the trust;
  - material litigation and any material state or federal regulatory review or action involving the statutory trust(s);

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<sup>11</sup> INT 01-31, Assets Pledged as Collateral

- financing transactions secured directly or indirectly by statutory trust assets; and
- totals of residential mortgages held in qualifying statutory trusts, disaggregated by loan standing – in good standing, restructured, overdue interest over 90 days not in foreclosure, and in foreclosure.

The revisions also:

- propose updates to SSAP No. 2 and SSAP No. 40 that direct insurers to report cash and cash equivalents and real estate held by a qualifying statutory trust under SSAP No. 37 as if directly held by the insurer;<sup>12</sup> and
- update instructions to Schedule B, directing insurers to include underlying loans held by qualifying investments in a statutory trust disaggregated by group (loan standing) and subgroup (loan type).

Interested parties expressed their support for the proposal and stated that although they may request additional clarification, the proposed revisions reflect the correct accounting and reporting for these instruments.

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## Risk transfer analysis for reinsurance contracts with interrelated features

### Combination reinsurance contracts

The Financial Condition (E) Committee received a report about revisions to SSAP No. 61 and the Q&A of Appendix A-791 to add guidance for risk transfer on combination coinsurance and YRT reinsurance contracts with interdependent features. These revisions were adopted by SAPWG and the AP&P Task Force. The (E) Committee did not vote on the adoption of the proposal and stated that it will schedule a call to discuss and consider action.

The revisions to SSAP No. 61 would:

- require combination coinsurance and YRT reinsurance contracts that have interdependent features, such as shared experience refunds or inability to independently recapture, to be analyzed in the aggregate for risk transfer;
- state that these contracts, when evaluated in their entirety, cannot:
  - deprive the ceding insurer of surplus at the reinsurer's option or automatically upon the occurrence of some event;
  - require payments to the reinsurer for amounts other than the income realized from the reinsured policies; and
  - contain any of the other conditions prohibited by Appendix A-791 related to risk transfer.

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<sup>12</sup> SSAP No. 40, Real Estate Investments



The revisions to the Q&A of Appendix A-791 add that, for combination coinsurance and YRT reinsurance contracts with interdependent contract features:

- risk transfer would only occur if there is no potential for payments out of surplus at the reinsurer's option or automatically upon the occurrence of some event, meaning there would be an established liability to absorb any possible payments; and
- the YRT premium being at or below the valuation net premium would not ensure that payments from surplus are not possible.

When SAPWG discussed this proposal, it stated that these revisions were clarifications of existing guidance. It initially proposed them to be applied to existing contracts as of the year-end 2025. Interested parties expressed concern with applying the guidance to all existing contracts and recommended that the revisions be applied prospectively or to contracts entered into after January 1, 2024, because SAPWG began discussions of these potential revisions in 2024. They stated prospective application is not intended to protect existing contracts that are in violation of risk transfer rules and supported regulators' ability to apply these revisions to all contracts containing features that are clearly in violation of the risk transfer rules, for example having automatic recapture provisions.

Some regulators on SAPWG were sympathetic to allowing the application of the proposed revisions for all contracts entered into after a certain date, for example January 1, 2023. However, others expressed concern with allowing insurers to apply these revisions in that manner. Those regulators reiterated that these revisions were based on a referral from the Valuation Analysis Working Group (VAWG) that raised concerns with the application of current guidance to existing contracts and that some insurers are reporting an overstated reserve credit due to a bifurcated risk transfer analysis. Those regulators stated that applying the guidance in the revisions prospectively, or to contracts entered into after a specific date, would not address these concerns.

The proposed revisions adopted by SAPWG would apply immediately to all new contracts and to existing contracts as of December 31, 2026. SAPWG stated this would allow sufficient time for insurers to review such contracts and have discussions with their domestic regulators, if needed. The E Committee will schedule a call to discuss the proposal and consider action.

### Appendix A-791

**Action.** SAPWG adopted a revision to remove the reference to group term life and the use of CSO rates from Appendix A-791, paragraph 2.c Q&A.

The revision to Appendix A-791, paragraph 2.c Q&A is in response to a referral from VAWG that recommended removing the sentence because it refers to group term life and is being misinterpreted as supporting the use of CSO rates as a safe harbor, at or below which YRT rates would be automatically considered not to be excessive. VAWG stated that Appendix A-791, paragraph 2.c indicates that if the YRT reinsurance premium is

higher than the proportionate underlying direct premium for the risk reinsured, then the reinsurance premium is excessive. It observed that the prudent mortality under VM-20 may be higher or lower than the CSO rate.

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### Retirement plans held at net asset value

**Action.** SAPWG exposed revisions to SSAP Nos. 92 and 102 to clarify that assets held at NAV are included in the fair value disclosures under SSAP No. 100. Comments are due October 17, 2025.

The proposed revisions to SSAP Nos. 92 and 102 include:

- stating that although investments reported at NAV are not categorized within the fair value hierarchy, they should be separately disclosed; and
- requiring insurers to disclose information that helps users of its financial statements to understand the nature and risks of the investments and whether the investments, if sold, are probable of being sold at amounts different from net asset value per share with specific disclosures when investments may be sold below NAV or if there are significant restrictions in the liquidation of an investment.

SAPWG stated that these revisions are in response to a comment received from an interested party requesting clarification about completing fair value disclosures for retirement plan assets measured using NAV, observing that NAV is not specifically referenced in SSAP Nos 92 and 102.

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### Income taxes

**Action.** SAPWG exposed revisions to SSAP No. 101 to adopt, with modification, ASU 2019-12 that simplifies accounting for income taxes. Comments are due October 17, 2025.

The proposed revisions align statutory guidance with US GAAP to estimate the effective annual tax rate at each interim period and include US GAAP guidance previously incorporated by reference directing insurers to:

- estimate the annual effective tax rate based on the best available data and exclude the tax effects of significant unusual or extraordinary items; and
  - recognize tax effects of losses arising in the early portion of a fiscal year only when tax benefits are expected to be realized during the year or recognizable as a deferred at the end of the year following guidance of with Topic 740 including:<sup>13</sup>
    - reflecting changes in valuation allowances and tax law effects in the period they occur; and
    - recognizing new legislation only after enactment.
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<sup>13</sup> Topic 740, Income Taxes

## Investment subsidiary classification

**Action.** SAPWG exposed revisions to the Annual Statement Instructions to eliminate the concept of investments in noninsurance subsidiary, controlled or affiliated (SCA) entities that hold assets for the benefit of the insurer and its affiliates (investment subsidiaries), including removing investment subsidiary from Schedule D-6-1 and AVR instructions effective December 31, 2026. Comments are due October 17, 2025.

The proposed revisions do not revise SSAPs because the concept of an investment subsidiary is not included in SSAP No. 97.<sup>14</sup>

SAPWG stated that although the concept of investment subsidiaries was removed from the SSAPs, it remained in the Annual Statement Instructions allowing insurers to use the look through method for these investments for RBC purposes. They emphasized that removing the investment subsidiary concept from the Annual Statement Instructions aligns with SSAP No. 97 and avoids complexity and ambiguity.

SAPWG also stated that there has been an increase in the use of investment subsidiaries. This proposal is in response to questions received by SAPWG about the classification of investment subsidiaries in Schedule D and the Life RBC formula.

**Next steps.** SAPWG will send a referral to Life RBC (E) Working Group to eliminate the corresponding RBC instructions that still reference investment subsidiaries.

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<sup>14</sup> SSAP No. 97, Investments in Subsidiary, Controlled and Affiliated Entities

# 3

## Actuarial highlights

### Non-variable annuities

#### Adoption of VM-22

**Action.** The VM-22 Subgroup, and its parent committees, adopted the VM-22 framework that is effective January 1, 2026. There is a three-year implementation period, with adoption becoming mandatory for new non-variable annuity contracts issued on or after January 1, 2029, on a prospective basis.

The VM-22 framework calculates reserves as the average of the highest net-negative cashflow on a present value basis for the results of the worst 30% of the economic scenarios. The adopted framework includes decisions to:

- remove the payout annuity exemption test;
- allow aggregation of accumulation and payout annuities under certain conditions and require disclosure in VM-31;<sup>15</sup>
- require the use of the scenarios generated by Conning as part of GOES;
- report the standard projection amount (SPA) as a disclosure only and not as a floor;
- set minimum withdrawal rates for qualified and non-qualified policies with guaranteed living benefits at later ages of 100% and 95%, respectively; and
- set the longevity reinsurance scenario reserve floor to 2% of the scheduled longevity benefits payable by the benefit provider within the next 12 months from the date of valuation.

**Next step:** The Subgroup will hold calls to address topics including:

- disclosures for SPA and making SPA required if there is no credibility for assumptions;
- aggregation criteria and disclosures for deferred and payout annuities;
- clarification of reserve treatment of settlement options;
- application of VM-22 to deposit-type contracts; and
- addition of new mortality tables to Appendix M of the Valuation Manual.

<sup>15</sup> VM-31, PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation

The Subgroup also plans to finalize the VM-22 supplement and instructions along with affected sections of the Annual Statement.

### Additional standard projection amount

**Action.** On a call before the Summer meeting, LATF exposed a proposal on requirements for the ASPA disclosures and credibility in VM-22.

The proposal specifies that:

- insurers need credible assumptions for the stochastic reserve to demonstrate that their reserves are sufficient in the case that ASPA is indicated; and
- ASPA is not a safe harbor.

The proposal also revises VM-31 to add an attribution analysis on the ASPA every three years.

### Retrospective application of VM-22

LATF discussed comments on the proposal to allow retrospective application of VM-22 reserves for non-variable annuity business issued on or after January 1, 2017 and before its effective date of January 1, 2026.

Interested parties stated that retrospective application had benefits including:

- improving alignment between risk and reserves, as well as better integrating reserving and asset management practices;
- aligning reserves to prevailing economic conditions;
- increasing consistency between VM-22 and C3PI in both the modelling efforts and results; and
- improving the ability to manage and allocate assets within the VM-22 framework that better aligns with the insurer's overall asset management strategy.

However, they also outlined possible challenges with retrospective adoption including:

- potential in the volatility of reserves and capital resulting from changing the reserve basis for existing blocks that may affect how insurers manage products that were not originally priced to align with VM-22;
- effect on existing reinsurance arrangements that did not contemplate reserving basis changes;
- operational challenges and resource limitations, particularly for insurers with closed blocks;
- pending work on C3PI capital framework and additional future development of the VM-22 framework; and
- inconsistent application between states if optionality is allowed.

Interested parties suggested that the retrospective application should be optional allowing insurers to apply VM-22 retrospectively on a contract-by-contract basis. They stated this approach would mitigate operational challenges and accommodate insurers with closed blocks or legacy systems that may not have been anticipating the need to include these blocks in PBR modeling and governance processes. They recommended that once a block transitions to PBR, it should remain under PBR for all future valuations, and that asset allocation processes be transparently disclosed for any split between PBR and non-PBR blocks.

Some regulators supported optional retrospective application and suggested that regulators can have further discussions about how optionality could be applied, including defining blocks of business or allowing insurers to select specific years of issue. However, others expressed concern with an optional approach because it may lead to insurers selectively applying VM-22 to prior periods or blocks of products. They further stated that the framework includes PBR exemptions and exclusion testing, which provide optionality for smaller companies.

**Next step:** LATF will hold calls to continue the discussion.

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## Asset adequacy testing for reinsurance contracts

### Adoption of the asset adequacy guideline

**Action.** LATF and its parent committees adopted AG 55. The Guideline is effective for asset adequacy analysis of reserves related to certain life reinsurance contracts for the December 31, 2025 financial statements.

The Guideline includes the following revisions:

- removes the term ‘associated party’ and replaces it with ‘affiliated,’ where appropriate;
- clarifies that it is highly encouraged for insurers to project and present the results of the New York 7 (NY 7), if it includes those projections as part of its standard VM-30 filing;<sup>16</sup>
- requires domestic regulators to provide notice to VAWG of any exemption from cash-flow testing with a copy of the support that net risks are non-substantial;
- requires cash-flow testing to be performed separately by significant product lines, consistent with, for example, the aggregation standards in VM-20, VM-21, and VM-22, for year-end 2026 and later filings;
- allows insurers to request exemption if policies included in the reinsurance transactions are primarily comprised of older business, issued earlier than 2010 for treaties issued before 2019; and
- clarifies instances when an attribution analysis is not required.

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<sup>16</sup> VM-30, Actuarial Opinion and Memorandum Requirements



The goal of the Guideline is to enhance reserve adequacy requirements for life insurers by requiring that asset adequacy analysis use a cash flow testing methodology that evaluates ceded reinsurance as an integral component of asset-intensive business.

### Guideline templates

**Action.** LATF exposed a presentation detailing a strawman of AG-55 templates. Comments were due September 9, 2025.

The proposal provides possible AG 55 templates that would be effective for April 1, 2026 filing, addressing:

- company information;
  - counterparty agreements;
  - counterparty portfolio and assumptions;
  - cash-flow testing results for a range of scenarios (NY 7, where applicable);
  - attribution analysis of any reserve decrease; and
  - margins in assumptions.
- 

## Generator of Economic Scenarios (GOES)

### Adoption of GOES

**Action.** LATF and its parent committees adopted the GOES effective for VM-20, VM-21, and VM-22 starting January 1, 2026 with an optional three-year phase-in period for VM-20 and VM-21.

The adoption of GOES:

- allows non-prescribed generators in VM-20, VM-21, and VM-22 if they do not materially understate or bias downward reserves or total asset requirement;
- updates stochastic exclusion ratio test (SERT) by:
  - moving from best to prudent estimate basis; and
  - allowing use of passing SERT results from past three years;
- eliminates a prescribed scenario selection methodology; and
- obligates insurers to meet approximations, simplification and modelling efficiency technique requirements.

### GOES model governance framework

LATF discussed the GOES Model Governance Framework designed to mitigate risk by providing governance and controls for models producing scenarios used in calculations of life and annuity reserves under the Valuation Manual. The model governance framework:

- defines governance roles for key stakeholders in the GOES model process;
- updates the scope of the governance framework to focus on prescribed scenarios;
- details a plan to address validation or operational errors;
- establishes an annual model review and software version evaluation process; and
- introduces a five-year recalibration cycle to ensure continued model reliability and alignment with current data.

LATF also stated that it will consider whether independent testing, for example by an external auditor, would be needed for GOES or if a self-attestation will be sufficient.

**Next steps.** Conning and NAIC staff will work to enhance and combine GOES documentation, and they plan to begin releasing scenario sets as of business day  $t + 1$  (second day of the month) for the September 30, 2025 valuation date. The Subgroup also plans to continue discussions of the model governance framework, including external auditor requirements.

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## VA capital reserve calculations

**Action.** Before the Summer meeting, the Variable Annuities Capital and Reserve Subgroup exposed revisions to the C3PI scenario requirements and the C3PII risk-based capital metric for variable annuities to implement the adoption of the GOES for reserve and capital calculations. Comments are due September 19, 2025.

The proposed revisions to C3PI would:

- require a subset of 200 scenarios selected from the 10,000 scenarios produced from the NAIC economic scenario generator, using significance values based on the 20-year U.S. Treasury rates; and
- removing the option of using a simplified, 12 scenario approach.

The statutory capital and surplus position that is equal to statutory assets less statutory liabilities for the portfolio would exclude voluntary reserves and asset adequacy reserves from the calculation.

The revisions to C3PII would:

- change the current C3PII metric methodology from CTE after-tax (CTEAT) 98 to a CTEAT90, less the stochastic reserve (SR);
- add a guidance note about the calculation of the SR including that it does not include the ASPA, asset adequacy reserves or voluntary

reserve, which is any reserve that is not required by AG-43, VM-21 or a state in which the insurer is doing business;<sup>17</sup>

- clarify that the optional phase-in amount is the difference between the C3PII RBC amount at year-end 2025 under the current methodology and the 2025 year-end amount with the same in-force but using GOES and the revised C3PII metric; and
  - require insurers to record one third of the phase-in amount at year-end 2026 with the rest taken in 2027 and 2028, if phase-in is elected.
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<sup>17</sup> AG-43, CARVM for Variable Annuities

# 4

## Risk-based capital

### RBC Model Governance Task Force

**Action.** On a call before the Summer meeting, the RBC Model Governance Task Force exposed a memo outlining preliminary RBC principles and questions intended to guide ongoing enhancements to the RBC framework.

The proposed preliminary principles:

- support the goals of the Task Force, which include developing foundational principles, conducting a gap analysis of RBC components, launching an educational campaign, and establishing a comprehensive governance framework;
- emphasize that RBC calculations should focus on solvency risk, be objective, promote transparency, and adhere to statutory accounting standards; and
- recognize the importance of accommodating emerging risks, maintaining consistency, and ensuring global competitiveness within the insurance sector.

The memo also includes questions about the intended use of the framework including:

- guidance on when and how risks should be evaluated and incorporated into the RBC model, the necessary data, analysis, and statistical safety standards to support capital factor decisions;
- the treatment of emerging risks and assets in the absence of established frameworks, as well as ongoing governance, validation, and alignment with accounting principles; and
- views about how to integrate existing regulatory principles, consider valuation adjustments, and recognize interactions among different risk factors within the framework.

At the meeting, the Task Force heard a presentation summarizing comments about the memo. Among the comments submitted by regulators, the following were highlighted:

- statements that the concept of product availability in RBC calculations conflicts with the framework's primary purpose of protecting consumers from insurer insolvency;
- recommendation that, whenever possible, references be added about statutory accounting values, and suggesting collaboration with industry to minimize data gaps in the Annual Statement; and

- view that although enhancing RBC precision is appropriate, it should not compromise the framework's conservative nature or dilute the rigor of RBC charges.

Among the feedback received by interested parties, most stated that the RBC framework should:

- be used only as a tool to identify weakly capitalized insurers;
- follow the standard of equal capital for equal risk;
- use values from the Annual Statement to determine RBC charges; and
- evaluate emerging risks by considering exposure levels, growth, speed of incorporation into insurer business, industry segment exposure, and measurement limitations.

However, others stated that:

- using RBC calculations to only identify weakly capitalized insurers may be too narrow and considerations such as product availability should be included because RBC is also used by markets, rating agencies, and other stakeholders as a broader solvency gauge;
- relying solely on Annual Statement values may not be feasible because alternatives or adjustments may be necessary to appropriately reflect risk; and
- following the principle of equal capital for equal risk may conflict with the regulatory purpose of the RBC framework because it introduces complexity that may not align with its early warning function.

The Task Force stated further discussion of the comments received is expected at future meetings.

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## RBC principles for bond funds

On a call before the Summer meeting, the RBC IRE Working Group discussed the alignment of RBC treatment for bond funds that receive SVO designations.

On its calls, the Working Group heard a presentation from interested parties about the RBC principles for bond funds. Interested parties recommended applying the SVO's weighted average rating factor (WARF) methodology to SEC-registered bond mutual funds to treat them consistent with ETFs and private bond funds. They stated that this treatment would better reflect the underlying economic risk of the assets rather than focusing on the legal form or accounting method of the fund. Interested parties stated that the current RBC framework applies different capital charges to bond funds with similar risks, which discourages efficient capital allocation.

Commentors stated that this treatment is preferable because:

- smaller insurers rely on fund vehicles to access diversified fixed income markets efficiently and the current RBC framework, which applies higher capital charges to non-ETF fixed income funds for non-life insurers, penalizes these insurers and discourages effective risk diversification;
- RBC charges should reflect the economic risk of the underlying assets, not the legal form or accounting treatment of the fund;
- SVO designations and the associated WARF methodology should be applied uniformly to all SVO-designated bond funds, regardless of insurer type, to ensure that capital requirements are risk-aligned;
- the alignment of the charges should:
  - promote more equitable market participation; and
  - increase transparency, reduce operational barriers, and streamline the reporting and regulatory process, benefiting both insurers and regulators.

**Next steps.** The Working Group directed NAIC staff to draft a proposal to reflect revisions to RBC as suggested by interested parties.

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# 5

## Valuation of Securities Task Force

### Caps on NAIC Designations of CRP rated securities

**Action.** VOSTF adopted revisions to the P&P Manual to clarify the CRP rating functions as a cap on the SVO assigned NAIC Designation, in specified circumstances.

VOSTF previously replaced the concept of credit risk and related terms, including 'credit quality', with the concept of investment risk. The sections of the P&P Manual related to a cap on allowable NAIC Designations are intended to limit an SVO assigned NAIC Designation of a CRP rated security to be no higher than the CRP rating equivalent.

The revisions clarify the SVO will not assign an NAIC Designation for a security that has a credit rating assigned by an NAIC CRP when the NAIC Designation would express an opinion of investment risk lower than what is indicated by the rating assigned by the NAIC CRP. They also clarify that the cap does not apply to NAIC Designations assigned through the filing exemption process or by the SSG through the financial modeling process.

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### Collateralized loan obligation modeling

**Action.** VOSTF exposed an amendment to the P&P Manual to extend the effective date by which CLOs will be financially modeled by SSG to assign NAIC Designations and NAIC Designation Categories to year-end 2026. Comments were due September 12, 2025.

Regulators stated the extension will allow SSG to improve its methodology and to align with the work of the RBC Investment Risk Evaluation Working Group on CLOs and asset-backed securities and the RBC Model Governance Task Force on the RBC framework.

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### Reorganization of the Valuation of Securities Task Force

**Action.** On a call before the Summer meeting, the Financial Condition (E) Committee adopted a proposal to reorganize VOSTF to facilitate the achievement of the objectives of the Committee's investment framework. The changes are effective January 1, 2026.

The reorganization renames VOSTF as the Invested Assets Task Force and establishes it as a commissioner-level group supported by the Investment Analysis Working Group, Securities Valuation Office and Structured Securities Working Group, and Credit Rating Providers Working Group.

The Investment Analysis Working Group will be the primary group under which modernized investment services for the U.S. system are achieved with charges that include:

- monitoring risks associated with all types of invested assets, including new and evolving investment products;
- providing recommendations on investment-related solvency policy changes and coordinate with other NAIC groups as needed;
- analyzing insurers or groups holding new, evolving, or higher-risk investments and providing recommendations to the states of domicile;
- overseeing NAIC portfolio analysis tools, research agendas, public analytical reports, and implementation of revised investment data systems; and
- developing best practice examples of supervisory plans for complex and higher-risk investments, including company-designed risk dashboards and risk mitigation tracking.

The Securities Valuation Office and Structured Securities Working Group will (1) make recommendations about the scope of securities required to be filed with the SVO and SSG, (2) oversee private letter rating submissions and review processes, and (3) monitor the technology and resources available to implement current and future initiatives. Its charges include:

- reviewing and monitoring operations of the SVO and SSG;
- maintaining and updating the P&P Manual for investment-related regulatory issues;
- monitoring changes in accounting and reporting to ensure alignment with regulatory needs;
- directing mortgage-backed securities modeling firms and consultants;
- identifying improvements to credit filing and designation processes, including system enhancements; and
- coordinating with other NAIC groups to ensure that the purpose and objectives of guidance in the P&P Manual are consistent with the guidance developed by other NAIC regulatory groups and that the expertise and intent of their work are appropriately reflected in the P&P Manual.

The Credit Rating Provider Working Group will implement the due diligence framework once developed and approved by regulators. Its charges, most of which existed for VOSTF, include:

- identifying improvements to the filing exempt process;
- implementing policies resulting from the CRP due diligence framework related to NAIC's staff administration of rating agency ratings used in NAIC processes; and

- coordinating with the SVO and Structured Securities Working Group on issues identified from the maintenance of the CRP due diligence framework.

The revised structure is intended to enhance subject matter expertise, modernize oversight processes, and improve the analysis of evolving investment products and related risks.

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[Kelsey Anderson](#)

[Michael Beck](#)

[Anup Gupta](#)

[Olga Roberts](#)

[Leigh Wilson Gasparovic](#)

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