



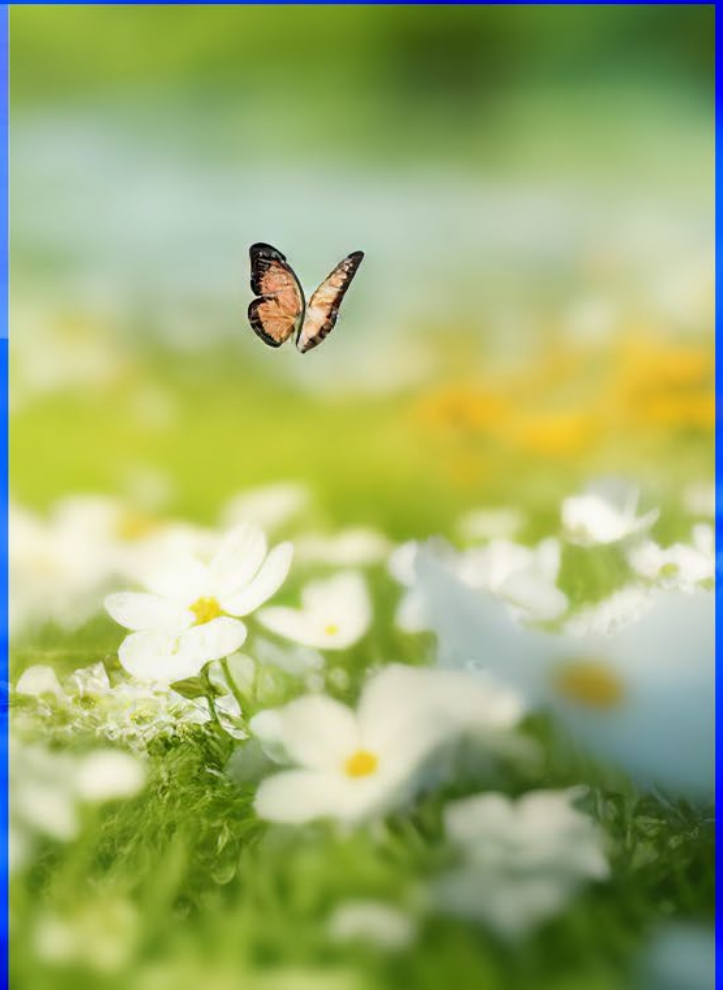
May 2026 SAPWG Call

Issues & Trends

Latest actions include exposures to remove the exclusion for investments accounted for under the equity method from the fair value of financial instruments disclosure and a revised SSAP and issue paper for the interest maintenance reserve

June 2026

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Meeting highlights

During its May 2026 call, the Statutory Accounting Principles Working Group (SAPWG) **adopted revisions to** the following guidance.

- SSAP No. 52, to add new disclosures and a glossary for funding agreement-backed notes (FABNs) and other similar structures.

The SAPWG **exposed** the following guidance.

- Revisions to SSAP No. 7, with a new related issue paper, to include new guidance for the interest maintenance reserve (IMR).
- Revisions to SSAP No. 100 to remove the exclusion for investments accounted for under the equity method from the fair value of financial instruments disclosure.
- A new standard, SSAP No. 109, and a related issue paper, for interest rate hedging derivatives that do not qualify as effective hedges under SSAP Nos. 86 or 108 but are used for asset-liability management (ALM).

Accounting highlights >>	
Modified coinsurance and funds withheld	SAPWG adopted revisions to SSAP No. 1 to add disclosures about modified coinsurance (ModCo) assets held, reinsurance funds withheld assets, and collateral assets received. ¹
Securities lending restricted asset reporting	SAPWG exposed revisions to SSAP No. 1 to clarify restricted asset reporting for securities lending transactions. Comments were due June 22, 2026.
Interest maintenance reserve	SAPWG exposed revisions to SSAP No. 7, and a new issue paper, to include new guidance for IMR. ² The proposed effective date is January 1, 2027. Comments were due June 22, 2026.
Disclosure of funding agreements	SAPWG adopted revisions to SSAP No. 52 to add new disclosures and a glossary for FABNs and other similar structures. The disclosures are effective for year-end 2026 reporting. ³
Valuation of funds withheld	SAPWG reexposed revisions to SSAP No. 61 and the instructions to Schedule S in the Annual Statement to clarify that funds withheld liabilities are recorded at book adjusted carrying value (BACV) of the funds withheld assets. ⁴ Comments were due June 22, 2026.
Fair value disclosures	SAPWG exposed revisions to SSAP No. 100 to remove the exclusion for investments accounted for under the equity method from the fair value of financial instruments disclosure. ⁵ The proposed effective date is December 31, 2026. Comments were due June 22, 2026.
Derivatives used for asset-liability management	SAPWG reexposed an issue paper and a proposed SSAP No. 109 for interest rate hedging derivatives that do not qualify as effective hedges under SSAP Nos. 86 or 108 but are used for ALM. ⁶ The proposed effective date of SSAP No. 109 is January 1, 2027. Comments were due June 22, 2026.

¹ SSAP No. 1, Accounting Policies, Risks & Uncertainties, and Other Disclosures

² SSAP No. 7, Asset Valuation Reserve and Interest Maintenance Reserve

³ SSAP No. 52, Deposit-Type Contracts

⁴ SSAP No. 61, Life, Deposit-Type and Accident and Health Reinsurance

⁵ SSAP No. 100, Fair Value

⁶ SSAP No. 86, Derivatives; SSAP No. 108, Derivatives Hedging Variable Annuity Guarantees; SSAP No. 109, Asset Liability Management (ALM) Derivatives

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Accounting highlights

Modified coinsurance and funds withheld

Action: SAPWG adopted revisions to SSAP No. 1 to add disclosures about ModCo assets held, reinsurance funds withheld, and collateral assets received.

The revisions align the requirements in SSAP No. 1 to changes previously adopted by the Blanks Working Group to the Annual Statement Instructions by requiring insurers to disclose:

- collateral assets received and reported on the balance sheet excluding those under securities lending and repurchase agreements;
- assets held under ModCo reinsurance agreements; and
- assets held under funds withheld reinsurance agreements.

SAPWG deferred recommending the exposed investment schedule code change in the Annual Statement to allow more time to assess whether the restricted asset codes are needed.

Securities lending restricted asset reporting

Action. SAPWG exposed revisions to SSAP No. 1 to clarify restricted asset reporting for securities lending transactions. Comments were due June 22, 2026.

The proposed revisions would clarify that the restricted assets reported for a securities lending transaction include assets lent by the insurer that are still reflected on the insurer's financial statements rather than the collateral held. If an insurer received collateral that could be sold or pledged, that collateral would be reported in the restricted asset disclosure as collateral received with a corresponding liability to return it.

SAPWG stated that the proposed revisions are in response to questions about what should be reported as a restricted asset, and to address questions about potential double-counting that could occur based on existing guidance.

Interest maintenance reserve

Action. SAPWG exposed revisions to SSAP No. 7, and a new related issue paper, to include new guidance for IMR. The proposed effective date is January 1, 2027. Comments were due June 22, 2026.

The proposed revisions include guidance about:

Accounting highlights

- the types of realized gains and losses subject to IMR;
- methods for amortizing IMR;
- recognition of net negative IMR, including the proof of reinvestment test that was previously adopted;
- treatment of IMR for ceded and assumed reinsurance; and
- elimination of hypothetical IMR that was previously adopted.

The proposed SSAP also includes disclosure requirements.

Disclosure of funding agreements

Action. SAPWG adopted revisions to SSAP No. 52 to add new disclosures and a glossary for FABNs and other similar structures. The disclosures are effective for year-end 2026.

The revisions require insurers to disclose information about funding agreements that back special purpose vehicle (SPV) issuances, including:

- for each type of funding agreement backed transaction (as outlined below), the total balance, the balance where the transaction includes a put feature or embedded option, and the balance where the terms of the SPV issuance are different from the terms of the corresponding funding agreement;
- the BACV of invested assets pledged by the insurer by type of transaction including:
 - funding agreement backed notes;
 - funding agreement backed commercial paper;
 - funding agreement backed repurchase agreements;
 - funding agreement backed loans;
 - funding agreements issued into municipal prepay structures; and
 - other funding agreements backing SPV issuances.
- a narrative description of the different terms under the funding agreement when they are different from the terms of the corresponding SPV issuance;
- the maturity distribution of the funding agreements, separated by fixed and floating interest rates before execution of any interest rate swaps; and
- currency denominations for SPV issuances backed by funding agreements issued in a non-US currency, and whether all foreign currency exposure related to each currency denomination is hedged.

The revisions add a glossary to SSAP No. 52 that defines different types of funding agreement-backed structures, including those that back commercial paper, repurchase agreements, and loans.

Valuation of funds withheld

Action. SAPWG reexposed revisions to SSAP No. 61 and instructions to Schedule S in the Annual Statement to clarify that funds withheld liabilities are recorded at BACV of the funds withheld assets. Comments were due June 22, 2026.

The proposed revisions would add a statement that the funds withheld liability is recorded at the BACV, using applicable statutory accounting principles, of the assets held by the ceding insurer, to the extent that such funds were:

- included as a part of the total assets; and
- not offset by a directly related credit on the asset page.

The proposed revisions also clarify that the assets held on the ceding entity's balance sheet to support the funds withheld liability are accounted under the appropriate statutory accounting principles for the specific asset(s). This new clarification was added in response to comments received by interested parties.

Interested parties commented that:

- interpretations vary depending on the terms of insurers' specific agreements, resulting in the liability not always being equal to the carrying value of the invested assets held on the balance sheet; and
- some agreements do not associate the liability with a specific quota share of invested assets, do not segregate invested assets, or have timing considerations which would make interpretation of the exposed guidance difficult.

They requested that the revisions specify that the funds withheld liability be determined based on the terms of the reinsurance agreement. SAPWG did not incorporate this request because of their view that the funds withheld liability should match the assets held by the ceding insurer on its balance sheet.

Fair value disclosures

Action. SAPWG exposed revisions to SSAP No. 100 to remove the exclusion for investments accounted for under the equity method from the fair value financial of instruments disclosures. The proposed effective date is December 31, 2026. Comments were due June 22, 2026.

The proposed revisions would require investments accounted for under the equity method, under SSAP No. 48 and SSAP No. 97, to be included in the fair value of financial instruments disclosure.⁷ If adopted, this revision will create a difference between U.S. GAAP and statutory accounting.

⁷ SSAP No. 48, Joint Ventures, Partnerships and Limited Liability Companies; SSAP No. 97, Investments in Subsidiary, Controlled and Affiliated Entities

SAPWG also requested comments about other disclosures in SSAP No. 100, particularly those limited to items measured and reported at fair value, and how those disclosures are used by regulators, and if further revisions would provide enhanced benefits to regulators.

SAPWG stated that this revision is being proposed to eliminate questions, ensure consistency in reporting, and provide regulators with complete disclosures of financial instruments held as investments, including aggregate information on equity investments backed by level 3 fair values.

Derivatives used for asset-liability management

Action. SAPWG reexposed an issue paper and a proposed SSAP No. 109 for interest rate hedging derivatives that do not qualify as effective hedges under SSAP Nos. 86 or 108 but are used for ALM. The proposed effective date of SSAP No. 109 is January 1, 2027. Comments were due June 22, 2026.

The reexposure included changes to reflect recommendations by interested parties to:

- allow insurers with open derivatives in an existing approved program that qualify as a highly effective hedge to make a one-time adjustment to reclassify recognized unrealized gains and losses from derivative fair value changes to realized gains and losses in the statement of operations; and
- require the reported derivative asset or liability BACV at the date of transition to be amortized to income over the remaining life of the derivative instrument over a period not to exceed 10 years.

SAPWG stated the guidance in the proposed SSAP No. 109 aligns with the proposed revisions to SSAP No. 7 to eliminate a historical interpretation by some insurers that non-accounting effective hedges can be recognized and deferred through the IMR.

Background. The proposed SSAP provides special accounting for insurers to use a form of macro-hedging in which a portfolio of derivatives hedges the duration difference between an asset portfolio and a portfolio of product liabilities, including the entire book of business, under a Clearly Defined Hedging Strategy (CDHS). To use the guidance within the proposed SSAP No. 109, the insurers would be required to:

- obtain approval from the domiciliary state regulator allowing this treatment; and
- provide certification by a financial officer of the insurer that the hedging strategy meets the definition of a CDHS and that the CDHS is the hedging strategy being used by the insurer in its actual day-to-day risk mitigation efforts.

Under SSAP No. 109, insurers would:

Accounting highlights

- measure highly effective hedging instruments at amortized cost with excluded derivative components measured at fair value and changes recognized as unrealized gains or losses;
- recognize:
 - a deferred asset or a deferred liability when a derivative terminates or is rebalanced while part of a highly effective program;
 - an asset or liability offset by a deferred asset or a deferred liability equal to the fair value of the derivative at the time of de-designation or rebalancing;
- discontinue the amortized cost treatment for derivatives de-designated from, or captured within, a program that no longer qualifies as highly effective and record them at fair value, with the change in fair value recognized as an unrealized gain or loss;
- allocate an amount equal to the net deferred asset and deferred liability (the net amount from all hedging strategies or programs included in this guidance) from unassigned funds to special surplus;
- amortize all derivative deferred assets and liabilities on a straight-line basis for a period equal to the weighted average life of the hedged liability portfolio not to exceed 10 years; and
- allow all deferred losses recognized to be admitted.

The proposed SSAP No. 109 also includes:

- documentation requirements of a CDHS;
 - an assessment of hedge effectiveness; and
 - disclosure requirements.
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