NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

To:	Debbie Doggett, Chair of the Blanks (E) Working Group
	Steve Drutz, Vice Chair of the Blanks (E) Working Group
From:	Dale Bruggeman, Chair of the Statutory Accounting Principles (E) Working Group
Re:	Year-End 2024 Impacts to the Annual Statement Notes and Instructions
Date:	January 8, 2025

The purpose of this memo is to notify the Blanks (E) Working Group of revisions to the "Notes to Financial Statements" and annual statement instructions that have been adopted by the Statutory Accounting Principles (E) Working Group. As the items have already been adopted, and SSAPs and interpretations represent the first and the second level of authoritative guidance as promulgated by the Preamble, these revisions to the financial statement notes and instructions for 2024 reporting do not require approval from the Blanks (E) Working Group.

It is recommended that this memo detailing changes to existing reporting instructions and 2024 year-end disclosure requirements be posted to the NAIC website. This is consistent with the *NAIC Policy Statement on Coordination of the Accounting Practices and Procedures Manual, and the Annual Statement Blank* located within the *Accounting Practices & Procedures Manual*. A summary of the adopted revisions is provided below. Excerpts from the two agenda items reflecting disclosure revisions are included on the following pages; however, the full adopted revisions can be found on the Statutory Accounting Principles (E) Working Group web page under the documents tab at https://content.naic.org/cmte_e_app_sapwg.htm.

1. Ref #2023-26: ASU 2023-06, Disclosure Improvements - Adopted and effective August 13, 2024:

Adopted revisions, to *SSAP No. 15—Debt and Holding Company Obligations* and *SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* require the following summarized disclosures, which are further detailed on the following pages:

- The reporting entity shall separately disclose certain details for both short-term and long-term unused commitments and lines of credit.
- The reporting entity shall disclose its accounting policy for where cash flows associated with derivative instruments and their related gains and losses are presented in the statement of cash flow.

2. Ref #2024-11: ASU 2023-09, Improvements to Income Tax Disclosures - Adopted and effective November 17, 2024

Adopted revisions, to reject *ASU 2023-09 Improvements to Income Tax Disclosures in SSAP No. 101—Income Taxes* and delete the disclosure detailed in SSAP No. 101, paragraph 23.b. as this disclosure is no longer relevant due to changes in federal tax law.

The disclosure revisions adopted through each agenda item are shown on the following pages.

1. Ref #2023-26: ASU 2023-06, Disclosure Improvements – Adopted and effective August 13, 2024:

Adopted Revisions to *SSAP No. 15—Debt and Holding Company Obligations*

22. For unused commitments and lines of credit, the reporting entity shall separately disclose the following, disaggregated by short-term and long-term, in the notes to financial statements:

    a. The amount and terms of unused commitments for financing arrangements (including commitment fees and the conditions under which commitments may be withdrawn).

    b. The amount and terms of unused lines of credit for financing arrangements (including commitment fees and the conditions under which lines may be withdrawn) and the amount of those lines of credit that support commercial paper borrowing arrangements or similar arrangements.

Adopted Revisions to *SSAP No. 86—Derivatives*

Disclosure Requirements

63. Reporting entities shall disclose the following for all derivative contracts used:

    a. General disclosures:

        i. A description of the reporting entity's objectives for using derivatives, i.e., hedging, income generation or replication;

        ii. A description of the context needed to understand those objectives and its strategies for achieving those objectives;

        iii. The description for hedging objectives shall identify the category, e.g., fair value hedges, cash flow hedges, or foreign currency hedges, and for all objectives, the type of instrument(s) used;

        iv. A description of the accounting policies for derivatives including the policies for recognizing (or reasons for not recognizing) and measuring the derivatives used, and when recognized, where those instruments and related gains and losses are reported;

        v. Identification of whether the reporting entity has derivative contracts with financing premiums. (For purposes of this term, this includes scenarios in which the premium cost is paid at the end of the derivative contract or throughout the derivative contract.);

        vi. The net gain or loss recognized in unrealized gains or losses during the reporting period representing the component of the derivative instruments' gain or loss, if any, excluded from the assessment of hedge effectiveness;

        vii. The net gain or loss recognized in unrealized gains or losses during the reporting period resulting from derivatives that no longer qualify for hedge accounting. For portfolio layer method hedges, disclose circumstances that led to the breach; and

        viii. The reporting entity shall disclose its accounting policy for where cash flows associated with derivative instruments and their related gains and losses are presented in the statement of cash flow.

2. Ref #2024-11: ASU 2023-09, Improvements to Income Tax Disclosures – Adopted and effective Nov. 17, 2024

Adopted revisions, to reject *ASU 2023-09 Improvements to Income Tax Disclosures in SSAP No. 101—Income Taxes* and delete the disclosure detailed in SSAP No. 101, paragraph 23.b. as this disclosure is no longer relevant due to changes in federal tax law. The adopted disclosure revisions are shown below:

Disclosures

23. To the extent that DTLs are not recognized for amounts described in paragraph 31 of FAS 109, the following shall be disclosed:

a. A description of the types of temporary differences for which a DTL has not been recognized and the types of events that would cause those temporary differences to become taxable;

b. The amount of the unrecognized DTL for temporary differences related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration if determination of that liability is practicable or a statement that determination is not practicable; and

c. The amount of the DTL for temporary differences other than those in paragraph 23.b. that is not recognized in accordance with the provisions of paragraphs 31 of FAS 109.

Please contact NAIC staff Julie Gann (jgann@naic.org), Robin Marcotte (rmarcotte@naic.org), Jake Stultz (jstultz@naic.org); Wil Oden (woden@naic.org); or Jason Farr (jfarr@naic.org) if you have any questions.

Cc: Mary Caswell, Jill Youtsey, Julie Gann, Robin Marcotte, Jake Stultz, Wil Oden, Jason Farr