

AN ALERT FROM THE BDO INSURANCE INDUSTRY PRACTICE

# BDO KNOWS: INSURANCE



## ► SUBJECT STATUTORY ACCOUNTING PRINCIPLES

### ► DETAILS

The National Association of Insurance Commissioners ("NAIC") Statutory Accounting Principles (E) Working Group met via conference call December 7, 2011. During this meeting, the Working Group:

1. Adopted the following substantive revisions to statutory accounting:
  - a. *Issue Paper No. 145—Accounting for Transferable and Non-transferable State Tax Credits* and *Statement of Statutory Accounting Principles ("SSAP") No. 94R—Accounting for Transferable and Non-transferable State Tax Credits*: Revisions allow non-transferable state tax credits to be admitted assets if the successive holder of a state tax credit redeems the credit, by law, by April 15 subsequent to the year the entity purchased or acquired the credit and is not permitted to carry-over, carry-back, obtain a refund, sell or assign the credit. The substantively revised SSAP No. 94R has a Dec. 31, 2011, effective date.
2. Adopted the following nonsubstantive revisions to statutory accounting:
  - a. *SSAP No. 43R—Loan-backed and Structured Securities*: Revisions have been incorporated to reflect the most recent reporting guidance adopted by the Valuation of Securities (E) Task Force. The Working Group adopted the exposed revisions with minor modifications discussed during the call. In addition to the revisions to SSAP No. 43R, the Working Group adopted a flow chart to assist with applying the reporting guidance. This flow chart, which was recently adopted by the Valuation of Securities (E) Task Force and the Blanks (E) Working Group, will be posted to the NAIC website to provide informal reporting guidance.
  - b. *SSAP No. 47—Uninsured Plans* and *SSAP No. 62R—Property and Casualty Reinsurance*: Revisions to clarify the process and improve consistency among insurers with the reporting of flood insurance covered by the National Flood Insurance Program.
  - c. *SSAP No. 68—Business Combinations* and *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities, A Replacement of SSAP No. 88*: Placement revisions to move guidance from SSAP No. 97 into SSAP No. 68.
  - d. Revisions to *Issue Paper No. 99—Nonapplicable GAAP Pronouncements* to identify the following GAAP pronouncement that was rejected as not applicable for statutory accounting: *ASU 2011-07: Health Care Entities: Bad Debts and Allowance for Doubtful Accounts*.

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3. Adopted changes to the Maintenance Agenda to move the following to the nonsubstantive disposed listing:
  - a. Agenda Item #2011-27: Clarification of SSAP No. 100 – Level 3 Reconciliation. The Working Group moved this agenda item to the nonsubstantive disposed listing. The Working Group noted that this issue will be addressed as part of a future agenda item reviewing *ASU 2011-04: Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. It was noted that the new agenda item is planned for initial presentation to the Working Group during the 2012 Spring National Meeting.
4. Received an update on the following project:
  - a. *SSAP No. 1—Disclosure of Accounting Policies, Risks and Uncertainties, and Other Disclosures*: Deferred adoption of exposed revisions referencing liquidity risks and templates proposed for inclusion in the *Financial Condition Examiners Handbook* until finalized by the Financial Examiners Handbook (E) Technical Group.

The NAIC Blanks (E) Working Group met December 6, 2011, via conference call. During this meeting, the Working Group:

1. Adopted NAIC website guidance:
  - Schedule Y, Part 1A question-and-answer guidance document related to completion of the 2011 schedule.
  - Structured securities (SSAP No. 43R) flowchart to assist in identifying the appropriate reporting and compliance with *SSAP No. 43R—Loan-backed and Structured Securities*.
  - Delete the “SM” suffix references from the Schedule D, Part 1 instructions, as the suffix is no longer applicable.
2. Adopted 2011 instruction change:
  - Revision to Note 21 – Other Items, in accordance with the changes to *SSAP No. 94R—Accounting for Transferable and Non-transferable State Tax Credits, Revised*.

If you have any questions regarding the NAIC updates, or anything else related to the Insurance Industry, please contact Richard Bertuglia, Partner at 212-885-8342 or [rbertuglia@bdo.com](mailto:rbertuglia@bdo.com). Please refer to <http://www.bdo.com/industries/insurance> for more information on BDO's National Insurance Industry practice and a listing of the Insurance Industry leaders your area.

## BDO INSURANCE INDUSTRY PRACTICE

BDO's Insurance Industry practice ...

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