# Interpretation of the Statutory Accounting Prin

a. Investment income due and accrued is assessed for collectibility. If in accordance with SSAP No. 5R, it is probable the investment income due and accrued balance is uncollectible, the amount shall be written off and shall be charged against investment income in the period the determination was made.

b. Any remaining investment income due and accrued (amounts considered probable for collection) representing either 1) amounts that are over 90-days past due (generated by any assets except mortgage loans in default) or 2) amounts designated elsewhere in the *NAIC Accounting Practices and Procedures Manual* as nonadmitted shall be considered nonadmitted. These items shall be subject to continuing assessments of collectibility and, if determined to be uncollectible, a write-off shall be recorded in the period such determination is made.

6. Pursuant to SSAP No. 34, accrued interest on mortgage loans in default shall only be recorded if deemed collectible. If uncollectible, accrued interest shall not be recorded and any previously accrued amounts shall be written off. If a mortgage loan in default has interest 180-days past due, which is assessed as collectible, all interest shall be recorded as a nonadmitted asset.

***FASB Staff Technical Inquiry***

7. The FASB staff received a technical inquiry regarding the recognition of interest income in response to COVID-19 when a "loan payment holiday" is provided that allows the borrowers to temporarily stop payments. The FASB Staff technical inquiry on interest income recognition was discussed April 17, 2020. In the scenario considered by the FASB staff:

a. Interest is not accrued when the loan payment holiday is in effect.

b. The loan modification did not represent a troubled debt restructuring.

c. The loan modification would be accounted for as a continuation of the original lending arrangement (not as an extinguishment with a new loan recognized).

8. With this inquiry two views were presented in how interest should be recognized when a payment holiday is given and interest is not accrued:

a. View 1 – Upon modification, a new effective interest rate is determined that equates to the revised remaining cash flows to the carrying amount of the original debt and is applied prospectively for the remaining term. That is, interest income is recognized during the payment period holiday.

b. View 2 – Upon modification, the institution should recognize interest income on the loan in accordance with the contractual terms. Under this view, the institution would not recognize interest income during the payment holiday and would resume recognizing interest income when the payment holiday.

9. The FASB staff reviewed the submission and concluded both views to be appropriate.

**INT 20-05 Consensus**

10. The Working Group considered limited time collectibility assessments and admittance exceptions for investment income due and accrued and reached the following consensus:

a. Continue with existing guidance in SSAP No. 34 that investment income shall be recorded when due (earned and legally due) or accrued (earned but not legally due until after the reporting date). If investments have been impacted by forbearance or other modification provisions, a reporting entity shall assess whether the investment income has been earned in accordance with the modified terms. Investment income shall only be recognized when earned.

b. Continue with existing guidance in SSAP No. 34 to require an assessment of whether recorded investment income due and accrued is uncollectible.

i. For mortgage loans, bank loans and investment products with underlying mortgage loans impacted by forbearance or modification provisions, reporting entities may presume that borrowers and investments that were current as of December 31, 2019, were not experiencing financial difficulties at the time of the forbearance or modification for purposes of determining collectibility. For these investments, further evaluation of collectibility is not required for the 1st and 2nd quarter 2020 financial statements unless other indicators that interest would not be collected are known (e.g., the entity has filed for bankruptcy).

ii. For investments not impacted by forb 13.0495 (oth3.9 (mesrep(thadeem049Tw 1

a. On August 17, 2020, the provisions in this INT were extended to be applicable for the September 30, 2020, (3rd quarter) financial statements. With this extension, this Interpretation will automatically expire as of December 30, 2020, (prior to the year-end 2020 financial statements). Subsequent consideration will occur to determine if an extension is needed beyond September 30, 2020.

**INT 20-05 Status**

13. On July 30, 2020, the Statutory Accounting Principles (E) Working Group exposed this interpretation for possible extension to September 30, 2020, (3rd quarter financial statements). If the extension were adopted, the proposed paragraph 12.a. would be incorporated into the INT. On August 17, 2020, the Statutory Accounting Principles (E) Working Group extended the provisions of this INT to be applicable for the September 30, 2020, (3rd quarter) financial statements, incorporating paragraph 12.a. into the INT.

14. The Statutory Accounting Principles (E) Working Group will subsequently review this interpretation to determine if an extension is needed to the effective date.

15. No further discussion is planned.

 