Superseded SSAPs and Nullified Interpretations

Interpretation of the Statutory Accounting Principles (E) Working Group

INT 16-01: ACA Section 9010 Assessment 2017 Moratorium

GUIDANCE DETERMINED TO BE NO LONGER RELEVANT

INT 16-01 Dates Discussed

February 22, 2016; April 3, 2016

INT 16-01 References

Current:
SSAP No. 106—Affordable Care Act Section 9010 Assessment

INT 16-01 Issue

1. Section 9010 of the Patient Protection and Affordable Care Act, *Imposition of Annual Fee on Health Insurance Providers*1 (“HIPF”), imposes a fee on each covered entity engaged in the business of providing health insurance for United States health risks. As originally enacted, HIPF applied to all calendar years beginning after December 31, 2013. The HIPF is also known as the Affordable Care Act (ACA) Section 9010 assessment which is addressed within SSAP No. 106—Affordable Care Act Section 9010 Assessment (SSAP No. 106). The Consolidated Appropriations Act, 2016 (Public Law No: 114-113), which was signed into law on December 18, 2015, imposes a moratorium on the HIPF for calendar year 2017 by amending the effective date of section 9010(j) of the Patient Protection and Affordable Care Act to exclude calendar year 2017.

2. The existing authoritative literature in SSAP No. 106 includes accounting and reporting guidance prior to the issuance of Public Law No: 114-113 (before the 2017 HIPF moratorium). The accounting guidance within SSAP No. 106 does not change with the 2017 Section 9010 assessment moratorium; however, this interpretation is to promote consistent application of SSAP No. 106 in reporting years 2016, 2017 and 2018.

3. SSAP No. 106 uses the following terms, which will be applied throughout this discussion:
   a. The term “data year” means the calendar year immediately before the fee year. For example, 2014 is the data year for fee year 2015.
   b. The term “fee year” means the calendar year in which the assessment must be paid to the U.S. Treasury.

4. SSAP No. 106 accounting issues to be addressed are as follows:
   a. Issue 1 - Should the liability for the ACA Section 9010 fee based on 2015 data year net written premiums be accrued on January 1, 2016 (the fee year)?
   b. Issue 2 - The ACA Section 9010 assessment does not apply to 2016 data year net premiums written, which includes calendar year and the portion of fiscal year policies written in 2016 data year. How does the moratorium for 2017 fee year impact accounting and disclosure for 2016 statutory financial statements?

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1 Public Law No: 114-113, Division P, Title II, Section 2
c. Issue 3 - What is the accounting for the amount related to the ACA Section 9010 assessment payment that was originally due on September 30, 2017 but is no longer required?

d. Issue 4 - Is there an accrual of the ACA Section 9010 assessment payment based on 2017 data year, which will be due on September 30, 2018?

e. Issue 5 - The 2018 ACA Section 9010 assessment payment will be based on 2017 data year net written premiums including calendar year and the portion of fiscal year policies.

INT 16-01 Discussion

5. The Working Group consensuses are included in the responses below.

Issue 1 and Response

6. Issue 1 - Should the liability for the ACA Section 9010 fee based on 2015 data year net written premiums be accrued on January 1, 2016 (the fee year)?

7. Yes, accrual of liability on January 1, 2016 for ACA Section 9010 assessment based on 2015 data year net written premiums shall be consistent with SSAP No. 106. Amounts that were segregated in special surplus at year-end 2015 should be reflected as a liability in the year of payment (fee year), in this case September 2016.

Issue 2 and Response

8. Issue 2 - The ACA Section 9010 assessment does not apply to 2016 data year net premiums written, which includes calendar year and the portion of fiscal year policies written in 2016 data year. How does the moratorium for 2017 fee year impact accounting and disclosure for 2016 statutory financial statements?

9. For 2016, there will be multiple reporting elements impacted.

a. As noted in Issue 1, a liability will be recognized on January 1, 2016 related to the 2015 data year premiums that will be paid in September 2016.

b. Because there will not be an ACA Section 9010 fee based on premium written in the data year of 2016 there will not be a monthly segregation of special surplus in 2016 for the 2016 data year net written premium.

c. At year-end 2016 the disclosures related to the fee payable immediately in the 2017 year and the related impact on Total Adjusted Capital (TAC) and Authorized Control Level (ACL) will report “zero” as the fee payable in 2017.

Issue 3 and Response

10. Issue 3 - What is the accounting for the amount related to the ACA Section 9010 assessment payment that was originally due on September 30, 2017, but is no longer required?

11. Because there is not an ACA Section 9010 fee due in September 2017, there is not an accrual of a liability on January 1, 2017 based on 2016 data year net written premiums.

Issue 4 and Response

12. Issue 4 - Is there an accrual of the ACA Section 9010 assessment payment based on 2017 data year, which will be due on September 30, 2018?

13. Yes, monthly segregation of amounts in special surplus for ACA Section 9010 assessment based on 2017 data year net written premiums resumes during 2017. Therefore, in the 2017 data year, the reporting entity is
required to reclassify from unassigned surplus to special surplus an amount equal to its estimated subsequent fee year assessment. This segregation in special surplus is accrued monthly throughout the data year.

Issue 5 and Response

14. Issue 5 - The 2018 ACA Section 9010 assessment payment will be based on 2017 data year net written premiums including calendar year and the portion of fiscal year policies.

15. Accrual of liability on January 1, 2018 for ACA Section 9010 assessment based on 2017 premiums will revert to the accounting prescribed in SSAP No. 106. The special surplus amount from year end 2017 is reversed and the full current fee year assessment liability shall be accrued as a liability for the amount payable in September 2018.

16. Monthly reclassification of amounts from unassigned surplus to segregation in special surplus related to data year amounts to be paid in 2019 will continue.

INT 16-01 Status

17. The consensuses of the Working Group in this interpretation were adopted to promote consistent reporting of the ACA 9010 Assessment in reporting periods 2016, 2017 and 2018 and be consistent with SSAP No. 106.

18. No further discussion is planned.