The Blanks (E) Working Group of the Accounting Practices and Procedures (E) Task Force met March 16, 2021. The following Working Group members participated: Jake Garn, Chair (UT); Kim Hudson, Vice Chair (CA); William Arfanis (CT); N. Kevin Brown (DC); Rylynn Brown and Tom Hudson (DE); Carolyn Morgan (FL); Daniel Mathis (IA); Roy Eft (IN); Dan Schaefer (MI); Debbie Doggett (MO); Lindsay Crawford and Justin Schrader (NE); Patricia Gosselin (NH); Nakia Reid (NJ); Dale Bruggeman and Tracy Snow (OH); Diane Carter (OK); Kimberly Rankin (PA); Trey Hancock (TN); Shawn Fredrick (TX); Steve Drutz (WA); Randy Milquet (WI); and Jamie Taylor (WV).

1. Adopted its Dec. 16 Minutes

The Working Group met Dec. 16 and adopted four proposals. Among these was: 1) removing the disclosure for the federal Affordable Care Act (ACA) Section 9010 Assessment from Note 22 – Events Subsequent; 2) removing the line category and reference to the NAIC Bond Fund List (Bond List) from the investment schedule instructions and blank; 3) moving the interrogatory question regarding Communication of Internal Control Related Matters Noted in Audit from the annual Supplemental Exhibits and Schedules Interrogatories to the quarterly Supplemental Exhibits and Schedules Interrogatories to be answered for the second quarter. For title, a new page in the quarterly statement is added for the Supplemental Exhibits and Schedules Interrogatories; and 4) replacing the Life, Health and Annuity Guaranty Association Model Act Assessment Base Reconciliation and the Adjustments to the Life, Health and Annuity Guaranty Association Model Act Assessment Base Reconciliation Exhibits with modernized exhibits. The Working Group exposed seven proposals for a 60-day public comment period ending Feb. 16, 2021. The Working Group also adopted its editorial listing.

Ms. Crawford made a motion, seconded by Mr. Hudson, to adopt the Working Group’s Dec. 16 minutes (Attachment Two-A). The motion passed unanimously.

2. Adopted Proposals Previously Exposed

a. Agenda Item 2020-32BWG – Effective Dec. 31, 2021

Mr. Garn stated that this proposal adds a new Exhibit 3 and Exhibit 3A Health Care Receivables Supplement to the life/fraternal annual statement. It adds a reference to the guidance document posted as part of the health annual statement health care receivables (HCR) reporting. He stated that there were no interested party comments received.

Mr. Arfanis made a motion, seconded by Mr. Snow, to adopt the proposal (Attachment Two-B). The motion passed unanimously.

b. Agenda Item 2020-33BWG – Effective Jan. 1, 2022

Mr. Schrader stated that this proposal modifies the annual statement lines used in the Underwriting and Investment Exhibits, the Exhibit of Premiums and Losses (State Page) and the Insurance Expense Exhibit (IEE) for consistency throughout the property/casualty (P/C) blank. The proposal changes the health line categories used in the property blank to be consistent with other statement types. The lines were updated in the crosscheck references and in the definitions section of the instructions.

The effective date has been changed to first-quarter 2022 at the suggestion of interested parties for consistency between the annual filings and quarterly statement filings. The size issue referenced by interested parties has also been resolved. Interested parties requested changes to Schedule H to be consistent with the changes being made in this proposal. NAIC staff have been working on another Schedule H proposal and will incorporate these suggestions as well to be presented for exposure in the near future. He stated that the modifications are highlighted within the proposal document.

Mr. Schrader made a motion, seconded by Mr. Milquet, to adopt the modifications to the proposal. The motion passed unanimously. Mr. Schrader made a motion, seconded by Mr. Milquet, to adopt the modified proposal (Attachment Two-C). The motion passed unanimously.
c. Agenda Item 2020-34BWG – Effective Dec. 31, 2021

Mr. Garn stated that this proposal includes a change to the P/C blank only. It adds additional definitions for occupational accident, fiduciary liability, premises and operations (OL&T and M&C), professional errors and omissions liability, kidnap and ransom liability, and tuition reimbursement plans products to the appropriate line of business in the appendix of the annual statement instructions. He stated that there were no interested party comments received for this proposal.

Mr. Hudson made a motion, seconded by Mr. Drutz, to adopt the proposal (Attachment Two-D). The motion passed unanimously.

d. Agenda Item 2020-35BWG – Effective Dec. 31, 2021

Mr. Hudson stated that this proposal expands the number of line characters used from seven to 10 in the investment categories for Schedules D, DA, DL and E, excluding Schedule D, Part 6, Section 1 and Section 2 and Schedule E, Part 1 and Part 3. It adds line categories for Unaffiliated Certificates of Deposit and Exchange Traded Funds (ETFs). It splits the line categories for Mutual Funds, Investment Unit Trusts and Closed-End Funds into lines indicating if the fund has been assigned a designation by the Securities Valuation Office (SVO). It makes changes to the Summary Investment Schedule, the Summary by Country and Schedule D, Part 1A, Section 1 and Section 2 to reflect the additional line categories. He stated that the purpose of this change is to accommodate more line categories and to allow for room in the numbering scheme for Schedules D, DA, DL and E to add additional lines in the future without major disruption of line numbering. It also adds new lines to address crosscheck issues and reporting questions that have been received in the past. Interested parties made some editorial corrections and suggestions, which are highlighted in the proposal.

Mr. Hudson made a motion, seconded by Ms. Gosselin, to adopt the modifications to the proposal. The motion passed unanimously. Mr. Hudson made a motion, seconded by Ms. Gosselin, to adopt the modified proposal (Attachment Two-E). The motion passed unanimously.

e. Agenda Item 2020-36BWG – Effective Dec. 31, 2021

Mr. Bruggeman stated that this agenda item reflects actions taken by the Statutory Accounting Principles (E) Working Group on March 15. The Working Group adopted its agenda item 2020-33, which provides a change in Statement of Statutory Accounting Principles (SSAP) for publicly traded preferred stock warrants. He stated that in general, warrants are in the scope of SSAP No. 86—Derivatives. However, there is a special carveout for publicly traded common stock warrants. They are in the scope of SSAP No. 30R—Unaffiliated Common Stock. With the only difference between the two instruments being the type of security one receives (i.e., public or common stock), the Working Group elected a similar carveout for publicly traded preferred stock warrants. This blanks proposal modifies the instructions for both the General Investment Schedules and for Schedule DB to reflect this change. He stated that interested parties did not have any comments on this proposal. (SAPWG Ref #2020-33.)

Mr. Bruggeman made a motion, seconded by Ms. Brown, to adopt the proposal (Attachment Two-F). The motion passed unanimously.

f. Agenda Item 2020-37BWG – Effective Dec. 31, 2021

Mr. Bruggeman stated that this agenda item reflects actions taken on March 15 by the Statutory Accounting Principles (E) Working Group regarding its agenda item 2019-34. In collaboration with interested parties, the Working Group adopted additional related party disclosure elements, specifically to capture instances where an entity, either directly or indirectly, owns greater than 10% of a reporting entity. While the Statutory Accounting Principles (E) Working Group agenda item clarified that ownership greater than 10% results in a related party classification, regardless of any disclaimer of control of affiliation, the blanks item proposed a new Schedule Y, Part 3 to data capture items such as owners with more than 10% and identification of an insurer’s ultimate controlling party. During this last Blanks (E) Working Group exposure, interested parties commented that terms of “ultimate controlling party” and “ultimate controlling entity(ies)/person(s)” were not being consistently referenced. The Statutory Accounting Principles (E) Working Group confirmed that in model laws Insurance Holding Company System Regulatory Act (#440) and Insurance Holding Company System Model Regulation with Reporting Forms and Instructions (#450), the terms are used interchangeably. Since this change was not made prior to the posting of materials, Mr. Bruggeman stated that he agrees with incorporating a notation in the instructions to indicate that the two terms, “ultimate controlling party” and “ultimate controlling entity(ies)/person(s),” may be used interchangeably. (SAPWG Ref #2019-34.)
Mr. Bruggeman made a motion, seconded by Mr. Hancock, to adopt the modifications to the proposal. The motion passed unanimously. Mr. Bruggeman made a motion, seconded by Mr. Hancock, to adopt the modified proposal (Attachment Two-G). The motion passed unanimously.

g. Agenda Item 2020-38BWG – Effective Dec. 31, 2021 (State Data Reporting Requirement Effective Dec. 31, 2022)

Mr. Garn stated that this proposal makes changes to the Accident and Health Policy Experience Exhibit, adding new columns, removing the lines “with and without contract reserves” in the individual section, and adding some new product lines. The summary tables are being eliminated; since reinsurance has been incorporated into the main exhibit, the summary tables are no longer needed. The proposal changes the reporting due date to a March 1 filing and requests the data to be reported by state. Interested parties requested the reporting date to remain as an April 1 filing. This modification, along with some editorial suggestions made by interested parties, has been incorporated into the proposal. Mr. Garn stated that the effective date of the state reporting will be annual 2022.

Tip Tipton (Thrivent Financial) stated that interested parties agree with the filing date of April 1 for the supplement, as well as deferring the reporting of state information until annual 2022.

Mr. Eft made a motion, seconded by Ms. Rankin, to adopt the modifications to the proposal. The motion passed unanimously. Mr. Eft made a motion, seconded by Mr. Hudson, to adopt the modified proposal (Attachment Two-H). The motion passed unanimously.

3. Exposed New Items

a. Agenda Item 2021-01BWG

Mr. Drutz stated that this proposal adds a reference to health care receivables in line 24 – Health Care and Other Amounts Receivable on the Assets page. It changes the description of line 0699999 to read Other Health Care Receivables on Exhibit 3 and modify column headers for Exhibit 3A. He stated that the Health Risk-Based Capital (E) Working Group continues to study health care receivables data. However, the reported data did not appear to be accurate. This change is intended to provide clarifying instructions to gain accuracy and consistency in the reporting of health care receivables.

Hearing no objection from the Working Group, the proposal was exposed with a 6-week public comment period ending April 27.

b. Agenda Item 2021-02BWG

Dan Daveline (NAIC) stated he is staff support for the Group Capital Calculation (E) Working Group, sponsor of this proposal. The purpose of this proposal is to obtain greater information relating to insurers that are regulated by the Federal Reserve System (FRS) and to gain consistent terminology with that used by the FRS. Regarding the terminology, one example is replacing the “holding company” with “depository institution holding company.” Mr. Daveline said to ensure that the entire population of such groups is picked up, the Group Capital Calculation (E) Working Group is proposing two distinct questions, 8.5 and 8.6, to identify the different types of groups likely to be subject to the Federal Reserve Group Capital, also known as the BBA. Mr. Daveline stated that these entities are not required to file the GCC. Having this more granular information will be helpful to the lead states of those groups. Having current information will also help in addressing questions that the Working Group and NAIC staff often receive from NAIC members about the insurers subject to regulation by the FRS.

Hearing no objection from the Working Group, the proposal was exposed with a 6-week public comment period ending April 27.

c. Agenda Item 2021-03BWG

Mr. Bruggeman stated that this agenda item is in response to the Statutory Accounting Principles (E) Working Group items 2020-37 and 2020-38. This proposal increases the reporting granularity in the Separate Accounts General Interrogatories, specifically for interrogatory questions 1.01, 1.01A, 2.5 and 4.2. In response to the recent and extensive growth of pension risk transfer (PRT) transactions and registered indexed linked annuity (RILA) products, state insurance regulators sought a method to more readily identify PRT transactions and RILA product features, reserves and the extent they pose a potential risk to the...
general account. From review of the 2019 separate account blanks, it was found that most separate account products were grouped into three or four broad categories. Thus, they were not very detailed when it came to specific product identification. This proposal adds separate and distinct reporting product identifiers for RILA products and PRT transactions, and the instructions to the general interrogatories have been slightly modified to require a disaggregated product identifier for each product represented. With that said, aggregation in reporting can still occur if the products are under the same product filing or policy form. However, to the extent they are not, it would require disaggregated reporting. A couple of additional notes: 1) the distinct product identifier requirements have been a long-standing instruction. However, most reporting entities have been grouping or aggregating reporting. This instruction change simply requires further detailed reporting; and 2) the proposal also includes instructions so that a company may eliminate proprietary or confidential information, but still require a unique reporting product identifier.

Hearing no objection from the Working Group, the proposal was exposed with a 6-week public comment period ending April 27.

d. **Agenda Item 2021-04BWG**

Mr. Bruggeman stated that this proposal is related to the Statutory Accounting Principles (E) Working Group agenda item 2019-24 regarding levelized commission guidance in SSAP No. 71—Policy Acquisition Costs and Commissions. This proposal was in response to state insurance regulators having a more readily available method to identify situations where an insurer used a third party to pay commission obligations. The general interrogatory has been written in such a way as to not require disclosure if the amounts are settled in full within 90 days, to hopefully scope out situations where an insurer uses a third party for typical accounts payable processing. Mr. Bruggeman said input from industry is welcome if any clarification edits would be helpful in drafting the general interrogatory. This item is a concurrent exposure with the Statutory Accounting Principles (E) Working Group.

Hearing no objection from the Working Group, the proposal was exposed with a 6-week public comment period ending April 27.

e. **Agenda Item 2021-05BWG**

Mr. Bruggeman stated that this proposal is related to Statutory Accounting Principles (E) Working Group agenda item 2021-03, which was derived from the ongoing SSAP No. 43R—Loan-Backed and Structured Securities project. This proposal is primarily to data capture existing PDF disclosures required in SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, specifically when a reporting entity has entered into a securitization, asset-backed financing or other similar transfer where a significant economic interest in the transferred asset is retained by the reporting entity. This item is a concurrent exposure with the Statutory Accounting Principles (E) Working Group.

Hearing no objection from the Working Group, the proposal was exposed with a 6-week public comment period ending April 27.

4. Received a Memorandum from the Valuation of Securities (E) Task Force

Mr. Garn stated that a memorandum was received from the Valuation of Securities (E) Task Force (Attachment Two-I) dated Feb. 3, 2021, referencing the proposed amendment to the Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual) to update the financial modeling instructions for residential mortgage-backed security/commercial mortgage-backed security (RMBS/CMBS) securities and to direct Investment Analysis Office (IAO) staff to produce NAIC designations and NAIC designation categories for non-legacy securities. This adds two new administrative symbols: 1) “FSR,” which identifies a non-legacy security RMBS that is subject to the financial modeling methodology and assignment of an NAIC designation and designation category by the Structured Securities Group (SSG); and 2) “FSC,” which indicates that the specific Committee on Uniform Security Identification Procedures (CUSIP) identifies a non-legacy security CMBS that is subject to the financial modeling methodology and assignment of an NAIC designation and designation category by the SSG. These codes will be added to the designation/modifier/administrative code list on the Blanks (E) Working Group website.

5. **Adopted the Editorial Listing**

Ms. Gosselin made a motion, seconded by Mr. Drutz, to adopt the editorial listing (Attachment Two-J). The motion passed unanimously.

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6. Discussed Other Matters

Joe Zolecki (Blue Cross and Blue Shield Association—BCBSA) stated that interested parties would be willing to work with a small group of state insurance regulators, NAIC staff and other interested parties as an ad hoc group to study and identify any current gaps, particularly in health filing information, to figure out what carriers can provide that would be meaningful and not redundant with all of the other filings that are already being made. He stated that the Risk-Focused Surveillance (E) Working Group has a charge to consider regulatory redundancies raised by interested parties and recommendations provided to other committees. He questioned whether the issues should be addressed by the Blanks (E) Working Group or by the Risk-Focused Surveillance (E) Working Group, which has a charge of reviewing regulatory redundancy issues.

Mr. Garn stated that this is a big project and that the Blanks (E) Working Group takes each issue one piece at a time, working to make improvements as well as trying to remove elements that are no longer needed while adding more relevant data elements. He stated that if there is something specific within the blanks reporting that interested parties would like to point out, the Blanks (E) Working Group can address that. He stated that a more comprehensive project would involve a number of other groups; for example, the investment issues would involve the Valuation of Securities (E) Task Force, and any statutory reporting issues would involve the Statutory Accounting Principles (E) Working Group.

Having no further business, the Blanks (E) Working Group adjourned.