ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE

Accounting Practices and Procedures (E) Task Force March 23, 2021, Minutes
- Statutory Accounting Principles (E) Working Group March 15, 2021, Minutes (Attachment One)
  - Statutory Accounting Principles (E) Working Group Jan. 25, 2021, Evote Minutes (Attachment One-A)
    - Comment Letter Dated Jan. 22, 2021, to Dale Bruggeman, Chair of the Statutory Accounting Principles (E) Working Group, From Interested Parties Regarding Exposed Items (Attachment One-A1)
    - Joint Comment Letter Dated Jan. 15, 2021, from Paul Graham (ACLI) and Mike Flood (MBA) to Dale Bruggeman, Chair of the Statutory Accounting Principles (E) Working Group Regarding INT 20-03 and INT 20-07 (Attachment One-A2)
    - Interpretation of the Statutory Accounting Principles (E) Working Group; *INT 20-03: Troubled Debt Restructuring Due to COVID-19* (Attachment One-A3)
    - Interpretation of the Statutory Accounting Principles (E) Working Group; *INT 20-07: Troubled Debt Restructuring of Certain Debt Investments Due to COVID-19* (Attachment One-A4)
  - Statutory Accounting Principles (E) Working Group Jan. 6, 2021, Evote Minutes (Attachment One-B)
  - Statutory Accounting Principles (E) Working Group Dec. 28, 2020, Evote Minutes (Attachment One-C)
    - Joint Comment Letter Dated Dec. 22, 2021, from Mike Monahan, American Council of Life Insurers (ACLI); Tracey Lindsey, NASVA; John Petchler on behalf of PP*i*A Board of Directors; John M. Garrison, Lease-Back Securities Working Group, to Dale Bruggeman, Chair of the Statutory Accounting Principles (E) Working Group, Regarding Ref #2020-24 INT 20-10, Reporting Nonconforming Credit Tenant Loans (CTLs) (Attachment One-C1
    - Interpretation of the Statutory Accounting Principles (E) Working Group; *INT 20-10: Reporting Nonconforming Credit Tenant Loans* (Attachment One-C2)
  - Statutory Accounting Principles (E) Working Group Dec. 18, 2020, Minutes (Attachment One-D)
    - Comments Letters on Previously Exposed Items (Attachment One-D1)
    - Interpretation of the Statutory Accounting Principles (E) Working Group; *INT 20-11: Extension of Ninety-Day Rule for the Impact of 2020 Hurricanes, California Wildfires and Iowa Windstorms* (Attachment One-D2)
    - Statutory Accounting Principles (E) Working Group Nov. 18, 2020, Evote Minutes (Attachment One-D3)
  - Statutory Accounting Principles (E) Working Group Dec. 8, 2020, Evote Minutes (Attachment One-E)
  - Comment Letters on Previously Exposed Items (Attachment One-F)
  - Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2020-32; SSAP No. 26 – Disclosure Update (Attachment One-G)
  - Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2020-33; SSAP No. 32R – Publicly Traded Preferred Stock Warrants (Attachment One-H)
  - Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2020-34; SSAP No. 43R – Government-Sponsored Enterprises – Credit Risk Transfer Transactions (Attachment One-I)
  - Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2020-35; SSAP No. 97 – Audit Opinions (Attachment One-J)
  - Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2020-41; ASU 2020-06 – Convertible Instruments (Attachment One-K)
  - Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2020-42; ASU 2020-07 – Presentation and Disclosures by Not-for-Profit Entitles (Attachment One-L)
  - Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2020-22; Accounting for Perpetual Bonds (Attachment One-M)
  - Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2020-39; Interpretation Policy Statement Updates (Attachment One-N)
  - Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2020-40; Clarification of Pre3scribed Practices (Attachment One-O)
  - Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2019-34; Related Parties, Disclaimers of Affiliation and Variable Interest Entities (Attachment One-P)
  - Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2019-24; Levelized and Persistency Commission (Attachment One-Q)
- Blanks (E) Working Group March 16, 2021, Minutes (Attachment Two)
  - Blanks (E) Working Group Dec. 16, 2020, Minutes (Attachment Two-A)
    - Blanks (E) Working Group Agenda Item Submission Form 2020-28BWG; Effective Annual 2021; Remove the Disclosure for the Affordable Care Act Section 9010 Assessment from Note 22 – Events Subsequent (Attachment Two-A1)

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Blanks (E) Working Group Agenda Item Submission Form 2020-29BWG; Effective Annual 2021; Remove the Line Category and Reference to the NAIC Bond Fund List (Bond List) from the Investment Schedule Instructions and Blank (Attachment Two-A2)

Blanks (E) Working Group Agenda Item Submission Form 2020-30BWG Modified; Effective Annual 2021; Move 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 2nd Quarter (Attachment Two-A3)

Blanks (E) Working Group Agenda Item Submission Form 2020-31BWG; Effective Annual 2021; Replaces 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 in Order to Promote Consistent Reporting of Assessable Premiums Among Industry Members and Reflect Changes in Guaranty Association Laws Adopted Over the Past Two Decades (Attachment Two-A4)

Blanks (E) Working Group Editorial Revisions to the Blanks and Instructions (Attachment Two-A5)

Blanks (E) Working Group Agenda Item Submission Form 2020-32BWG; Effective Annual 2021; Add New Health Care Receivables Supplement to the Life/Fraternal Annual Statement that Adds Exhibits 3 and 3A from the Health Annual Statement to the Life/Fraternal Annual Filings; Add Guidance Document Reference to Exhibit 3A of the Health Annual Statement (Attachment Two-B)

Blanks (E) Working Group Agenda Item Submission Form 2020-33BWG Modified; Effective First Quarter 2022; Modify Annual Statement Lines (ASLs) Used on Underwriting and Investment (U&I) Exhibits, State Page and Insurance Expense Exhibit (IEE); Change Health ASL Categories Used in Property to be Consistent with Other Statement Types; Update ASL References Used in Crosschecks; Update Definitions Used in the Appendix for the Health ASLs (Attachment Two-C)

Blanks (E) Working Group Agenda Item Submission Form 2020-34BWG; Effective Annual 2021; Add Definitions for the Occupational Accident, Fiduciary Liability Premises and Operations (OL&T and M&C), Professional Errors and Omissions Liability, Kidnap & Ransom Liability and Tuition Reimbursement Plans Products to the Appropriate Line of Business in the Appendix (Attachment Two-D)

Blanks (E) Working Group Agenda Item Submission Form 2020-35BWG Modified; Effective First Quarter 2022; Expand the Number of Characters Used from Seven to Ten in the Investment Line Categories for Schedules D, DA, DL and E Excluding Schedule D, Part 6 (Sections 1 and 2) and Schedule E (Part 1 and 3); Add Line Categories for Unaffiliated Certificates of Deposit and Exchange Traded Funds; Split 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 SVO; Make Changes to Summary Investment Schedule, Summary by Country and Schedule D, Part 1A (Sections 1 and 2) to Reflect the Additional Line Categories. (Attachment Two-E)

Blanks (E) Working Group Agenda Item Submission Form 2020-36BWG; Effective Annual 2021; Modify the General Schedules Investment Instructions and Schedule DB General Instructions to Reflect Treatment of Publicly Traded Stock Warrants as Being in the Scope of *SSAP No. 30R—Unaffiliated Common Stock* or *SSAP No. 32R—Preferred Stock* and Reporting as Common and Preferred Stock (Attachment Two-F)

Blanks (E) Working Group Agenda Item Submission Form 2020-37BWG; Effective Annual 2021; Add New Schedule Y, Part 3, to Capture all Entities with Ownership Greater than 10%, the Ultimate Controlling Parties of those Owners and Other Entities that the Ultimate Controlling Party Controls (Attachment Two-G)

Blanks (E) Working Group Agenda Item Submission Form 2020-38BWG Modified; Effective Annual 2021 (Except State Level Detailed Which will be Effective Annual 2022); Make Changes to the Accident and Health Policy Experience Exhibit by Adding New Columns, Removing Lines Distinguishing with and without Contract Reserves; Add New Product Lines; Eliminate Summary Tables; Change the Date that the Exhibit is Due and have it Reported by State (Attachment Two-H)

Memorandum Dated Feb. 3, 2021, to Kevin Fry, Chair of the Valuation of Securities (E) Task Force, From Charles A. Therriault, Director of NAIC Securities Valuation Office (SVO), and Eric Kolchinsky, Director of NAIC Structured Securities Group (SSG) and Capital Markets Bureau, Regarding Proposed Amendment to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) to Update the Financial Modeling Instructions for RMBS/CMBS Securities and Direct IAO Staff to Produce NAIC Designation and NAIC Designations Categories for Non-Legacy Securities (Attachment Two-I)

Blanks (E) Working Group Editorial Revisions to the Blanks and Instructions; (Attachment Two-J)

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Draft: 3/29/21

Accounting Practices and Procedures (E) Task Force
Virtual Meeting *(in lieu of meeting at the 2021 Spring National Meeting)*
March 23, 2021

The Accounting Practices and Procedures (E) Task Force met March 23, 2021. The following Task Force members participated: Doug Slape, Chair, represented by Jamie Walker (TX); Trinidad Navarro, Vice Chair, represented by Rylynn Brown, Dave Lonchar and Tom Hudson (DE); Lori K. Wing-Heier and David Phifer (AK); Jim L. Ridling represented by Sheila Travis (AL); Evan G. Daniels represented by Kurt Regner (AZ); Alan McClain represented by Mel Anderson (AR); Ricardo Lara represented by Kim Hudson (CA); Andrew N. Mais represented by William Arfanis and Kathy Belfi (CT); Karima M. Woods represented by N. Kevin Brown (DC); David Altmaier represented by Carolyn Morgan and Virginia Christy (FL); Doug Ommen represented by Kevin Clark (IA); Dean L. Cameron represented by Eric Fletcher (ID); Stephen W. Robertson and Roy Eft (IN); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Bill Clark (KY); James J. Donelon represented by Caroline Fletcher, Melissa Gibson and Denise Gardner (LA); Gary D. Anderson represented by John Turchi (MA); Eric A. Cioppa and Vanessa Sullivan (ME); Anita G. Fox represented by Judy Weaver (MI); Grace Arnold represented by Kathleen Orth (MN); Chlora Lindley-Myers represented by Shannon Schmoeger and John Rehagen (MO); Troy Downing (MT); Mike Causey represented by Jackie Obusek (NC); Jon Godfread represented by Colton Schulz (ND); Bruce R. Ramge represented by Lindsay Crawford and Justin Schrader (NE); Chris Nicolopoulos represented by Patricia Gosselin and Doug Bartlett (NH); Russell Toal represented by Leatrice Geckler (NM); Linda A. Lacewell represented by Bob Kasinow (NY); Judith L. French represented by Dale Bruggeman (OH); Glen Mulready represented by Eli Snowbarger (OK); Jessica K. Altman represented by Kimberly Rankin and Melissa Greiner (PA); Elizabeth Kelleher Dwyer represented by Jack Broccoli and John Tudino (RI); Raymond G. Farmer represented by Michael Shull (SC); Larry D. Deiter represented by Johanna Nickelson (SD); Carter Lawrence represented by Trey Hancock (TN); Jonathon T. Pike represented by Jake Garn (UT); Scott A. White represented by Doug Stolte and David Smith (VA); Michael S. Pieciak represented by Karen Ducharme (VT); Mike Kreidler represented by Steve Drutz (WA); Mark Afable represented by Amy Malm (WI); James A. Dodrill represented by Jamie Taylor (WV); and Jeff Rude, Linda Johnson and Doug Melvin (WY).

1. Adopted its 2020 Fall National Meeting Minutes

Ms. Walker directed the members to the Task Force's 2020 Fall National Meeting minutes. Ms. Walker also noted that the Task Force met March 16, 2021, in regulator-to-regulator session, pursuant to paragraph 3 (discussion of specific companies, entities or individuals) and paragraph 6 (consultations with NAIC staff related to NAIC technical guidance of the Accounting Practices and Procedures Manual) of the NAIC Policy Statement on Open Meetings. No actions were taken during this meeting, and the discussion was limited to the Spring National Meeting agenda.

Ms. Malm made a motion, seconded by Ms. Obusek, to adopt the Task Force's Nov. 19, 2020, minutes (*see NAIC Proceedings – Fall 2020, Accounting Practices and Procedures (E) Task Force*). The motion passed unanimously.

2. Adopted the Report of the Statutory Accounting Principles (E) Working Group

Mr. Bruggeman provided the report of the Statutory Accounting Principles (E) Working Group, which met March 15, except for 2019-24 related to levelized commissions which will be discussed separately. During this meeting, the Working Group adopted its Jan. 25, 2021; Jan. 6, 2021; Dec. 28, 2020; Dec. 18, 2020; Dec. 8, 2020; and Nov. 12, 2020, minutes. The interim minutes included the following adoptions to Appendix B—Interpretations (INTs) of statutory accounting principles (SAP):

a. Extended *INT 20-03: Troubled Debt Restructuring Due to COVID-19* and *INT 20-07: Troubled Debt Restructuring for Certain Debt Instruments Due to COVID-19* through Jan. 1, 2022, or the date that is 60 days after the date on which the national emergency concerning the COVID-19 outbreak terminates.

b. *INT 20-10: Reporting Nonconforming Credit Tenant Loans (CTLs)*: This INT allows nonconforming CTLs to continue to be reported on Schedule D Part 1 – Long-Term Bonds if filed with the NAIC Securities Valuation Office (SVO) by Feb. 15, 2021. The provisions within this INT and the ability to continue reporting nonconforming CTLs on Schedule D Part 1 with an SVO-assigned NAIC designation are limited time exceptions that extend only to Oct. 1, 2021.

c. *INT 20-11: Extension of Ninety-Day Rule for the Impact of 2020 Hurricanes, California Wildfires and Iowa Windstorms*: This INT provides a 60-day extension from the 90-day rule for uncollected premium balances, bills

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receivable and amounts due from agents and for policies directly affected by the noted events. This INT expires Feb. 28, 2021.

Mr. Bruggeman stated that the Working Group adopted the following nonsubstantive revisions to statutory accounting guidance:

a. *Statement of Statutory Accounting Principles (SSAP) No. 5R—Liabilities, Contingencies and Impairments of Assets*, *SSAP No. 72—Surplus and Quasi-Reorganizations* and *SSAP No. 86—Derivatives*: Revisions reject *Accounting Standards Update (ASU) 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* for statutory accounting. (Ref #2020-41)

b. *SSAP No. 25—Affiliates and Other Related Parties*: Revisions clarify that an ownership greater than 10% in a reporting entity results in a related party designation, regardless of any disclaimer of control or affiliation. Additionally, the agenda item requires disclosure of such instances and identification of an insurer's ultimate controlling party, as requested by the Group Solvency Issues (E) Working Group. (Ref #2019-34)

c. *SSAP No. 26R—Bonds*:

   i. Revisions clarify that perpetual bonds are within the scope of SSAP No. 26R, and they are subject to the yield-to-worst concept. Additionally, perpetual bonds that possess a future call date will retain bond accounting—i.e., accounted for at amortized cost. However, if a perpetual bond does not possess a future call date, fair value accounting is required regardless of NAIC designation. (Ref #2020-22)

   ii. Revisions expand the current called bond disclosures to also include bonds terminated early through a tender offer. (Ref #2020-32)

d. *SSAP No. 32R—Preferred Stock* and SSAP No. 86: Revisions direct that publicly traded preferred stock warrants are in the scope of SSAP No. 32R, and they shall be reported at fair value. (Ref #2020-33)

e. *SSAP No. 43R—Loan-Backed and Structured Securities*: Revisions incorporate minor scope modifications to reflect recent changes to the Federal Home Loan Mortgage Corporation (Freddie Mac) Structured Agency Credit Risk (STACR) and Federal National Mortgage Association (Fannie Mae) Connecticut Avenue Securities (CAS) programs, which allow credit risk transfer securities from these programs to remain in the scope of SSAP No. 43R when issued through a real estate mortgage investment conduit (REMIC) structure. (Ref #2020-34)

f. *Appendix D—Nonapplicable GAAP Pronouncements*: Revisions reject *ASU 2020-07, Not-for-Profit Entities (Topic 958)*: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* as not applicable for statutory accounting. (Ref #2020-42)

g. *Appendix F—Policy Statements*: Revisions to the *NAIC Policy Statement on Maintenance of Statutory Accounting Principles* clarify the existing process regarding the Working Group's issuance and adoption of accounting interpretations. (Ref #2020-39)

h. *Preamble*: Revisions clarify that while any state in which a company is licensed can issue prescribed practices, the prescribed practices directed by the domiciliary state: 1) shall be reflected in the financial statements filed with the NAIC; and 2) are the financial statements subject to independent audit requirements. (Ref #2020-40)

Mr. Bruggeman stated that the Working Group exposed the following nonsubstantive revisions to statutory accounting guidance:

a. Exposed *INT 21-01T: Statutory Accounting Treatment for Cryptocurrencies*, which clarifies that cryptocurrencies do not meet the definition of cash, and they are nonadmitted assets for statutory accounting. The Working Group requested comments on the level of interest and ownership of cryptocurrencies. (Ref #2021-05)

b. Revisions reject:

   i. ASU 2020-08, Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs for statutory accounting. (Ref #2021-02)

   ii. ASU 2021-02, Franchisors – Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient. (Ref #2021-07).

   iii. ASU 2020-11, Financial Services—Insurance (Topic 944): Effective Date and Early Application (Ref #2021-08).

c. Exposed revisions to *INT 20-01: ASU 2020-04 – Reference Rate Reform*. INT 20-01 exposes a temporary (optional) expedient and exception guidance for *ASU 2021-01, Reference Rate Reform (Topic 848): Scope* with an expiration date of Dec. 31, 2022. The optional expedients would expand the current exceptions to allow for the continuation of the existing hedge relationship and thus not require hedge dedesignation for derivative instruments affected by changes to interest/reference rates due to reference rate reform, regardless of whether they reference the London Interbank Offered Rate [LIBOR] or another rate that is expected to be discontinued. The exception in INT 20-01 would apply for affected derivatives used for discounting, margining or contract price alignment. (Ref #2021-01)

d. *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*: Exposed this agenda item with the intent to dispose without statutory edits. NAIC staff note that the long-standing, required statutory adjustments to SSAP No. 97, paragraph 8.b.iv. – Foreign Insurance SCA Entities could result in negative equity valuation, as assets held in a foreign subsidiary should not be valued in a more favorable manner than had they been held directly by the insurer. Industry comments are requested regarding detailed instances of negative value subsidiary, controlled and affiliated entities (SCAs). (Ref #2021-04)

e. *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*: Revisions propose data-captured templates for existing disclosures in SSAP No. 103R, which are currently only completed in narrative form. Data-capturing of such items will permit state insurance regulators to submit system inquiries to determine the extent to which reporting entities have transferred (sold), but still retain, a material participation with said assets. A blanks proposal will be concurrently exposed with the Working Group's exposure. (Ref #2021-03)

f. *SSAP No. 107—Risk-Sharing Provisions of the Affordable Care Act*: Revisions include state Affordable Care Act (ACA) reinsurance programs, which are using Section 1332 waivers in the scope of SSAP No. 107. The revisions continue to follow the hybrid accounting approach for the state ACA programs, as they operate in a similar manner. (Ref #2021-09)

g. *SSAP No. 108—Derivatives Hedging Variable Annuity Guarantees*: Re-exposed this agenda item to provide additional time for interested parties to develop a proposal for establishing accounting and reporting guidance for derivatives hedging the growth in interest for fixed indexed products. (Ref #2020-36)

Mr. Bruggeman stated that the Working Group exposed the following blanks proposals:

a. Re-exposed this agenda item for a concurrent exposure with the Blanks (E) Working Group. The Working Group is sponsoring blanks agenda item 2021-03BWG to modify the current General Interrogatory instructions and require that a distinct disaggregated product identifier be used for each product represented. The disaggregation will require that each separate account product filing or policy form be separately identified. The instructions will also indicate that companies may eliminate proprietary information. However, the elimination will still require the use of a unique reporting identifier. (Ref #2020-37)

b. Re-exposed this agenda item for a concurrent exposure with the Blanks (E) Working Group. The Working Group is sponsoring blanks agenda item 2021-03BWG to clarify reporting by each separate product filing or policy form and add product identifiers, specifically for pension risk transfer (PRT) and registered index linked annuity (RILA) transactions in the Separate Account General Interrogatories. (Ref #2020-38)

Mr. Bruggeman stated that the Working Group exposed the following editorial revisions (Ref #2021-06EP):

a. *SSAP No. 53—Property Casualty Contracts–Premiums:* Revisions retitle the statement to *SSAP No. 53—Property and Casualty Contracts–Premiums.*

b. SSAP No. 97: Revisions correct grammatical errors in paragraph 54.

c. SSAP Glossary: Revisions remove the footnote in the Glossary title and replace it as an opening paragraph with updated verbiage.

Mr. Bruggeman stated that the Working Group disposed agenda item 2020-35: SSAP No. 97 – Audit Opinions without statutory revisions, as the issue of nonadmittance due to the inability to quantify a departure from U.S. generally accepted accounting principles (GAAP) was not deemed prevalent. (Ref #2020-35)

Mr. Bruggeman stated that the Working Group received an update on the following projects and referrals:

a. Received an update that NAIC staff, industry and key state insurance regulators have made significant progress on agenda item 2019-21: SSAP No. 43R – Investment Classification Project. While discussions remain ongoing, it is anticipated that a public exposure will occur via an interim meeting prior to the Summer National Meeting. The exposure will include additional principle concepts on which investments are eligible for reporting on Schedule D as a bond.

b. Received an update that *INT 19-02: Freddie Mac Single Security Initiative* remains in full effect. The Freddie Mac Single Security Initiative remains an ongoing program, and it does not appear to be subject to termination in the foreseeable future.

c. Received an update on agenda item 2019-49: Retroactive Reinsurance Exception. This agenda item addresses a referral from the Committee on Property and Liability Financial Reporting (COPLFR) of the American Academy of Actuaries (Academy), which noted diversity in reporting regarding companies applying the retroactive reinsurance exception, which allows certain contracts to be reported prospectively. NAIC staff have held preliminary discussion with Casualty Actuarial and Statistical (C) Task Force members, with a preliminary recommendation that the premium and losses transferred under such transactions should be allocated to the prior Schedule P calendar year premiums and the losses allocated to the prior accident year incurred losses.

d. Received an update on the reporting and extinguishment of loans received from the Paycheck Protection Program (PPP). For statutory accounting, the authoritative guidance in *SSAP No. 15—Debt and Holding Company Obligations,* paragraph 11 provides that debt is recognized until extinguished, including formally being forgiven. In addition, per SSAP No. 15, paragraph 25 gains on termination of debt are recognized as capital gains.

e. Received an update on the Valuation of Securities (E) Task Force discussion regarding revisions to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) as coordination regarding the revisions to *SSAP No. 105R—Working Capital Finance Investments* adopted by the Working Group in May 2020 (agenda item 2019-25). At its Nov. 18, 2020, meeting, the Task Force directed a referral to the Working Group, which is still pending. NAIC staff anticipate addressing this referral when received.

f. Received an update on current U.S. GAAP exposures/invitations to comment, noting that no comments by the Working Group are planned during the exposure periods.

Mr. Bruggeman stated that the public comment period for all exposed agenda items ends April 30.

Mr. Bruggeman made a motion, seconded by Ms. Rankin, to adopt the Working Group's report except for agenda item 2019-24 on levelized commission, which will have a separate vote (Attachment One). The motion passed unanimously.

3. Adopted Agenda Item 2019-24

Mr. Bruggeman provided an overview of Statutory Accounting Principles (E) Working Group agenda item 2019-24 regarding levelized commission, which affects *SSAP No. 71—Policy Acquisition Costs and Commissions*. He stated that the Working

Group has been discussing this item since August 2019, when it was brought to the Working Group by a domiciliary state. Mr. Bruggeman stated that after six public discussions, the nonsubstantive revisions that clarify the guidance in SSAP No. 71 regarding levelized commissions were adopted on March 15, 2021, with a Dec. 31, 2021, effective date. Thirteen Working Group members voted in favor of adoption, and one member was opposed. At the March 15 meeting, the Working Group affirmed the nonsubstantive classification of these revisions as consistent with the original intent of SSAP No. 71. In addition, the Working Group exposed a new annual statement general interrogatory to identify the use of a third party for the payment of commission expenses, which will be concurrently exposed with the Blanks (E) Working Group.

Mr. Bruggeman stated that both U.S. GAAP and SAP would calculate acquisition costs in a similar manner. However, one of the major financial reporting differences between SAP and GAAP is that GAAP capitalizes acquisition costs and expenses them over time to match revenue and expenses. SAP expenses policy acquisitions costs as incurred.

Mr. Bruggeman stated that at the heart of this issue is that a small number of reporting entities are using third parties to pay their sales commission costs and not recognizing the full liability of what is in essence a loan to repay the third parties as required under SSAP No. 71. He said that the Working Group has had extensive discussion on this topic and has noted that the revisions clarify the long-standing principles in SSAP No. 71, which have existed since even prior to codification. He stated that the revisions were classified as nonsubstantive because the revisions emphasize the original principles regarding funding agreements and the impact to a minor number of companies do not determine the classification of the revisions.

Mr. Bruggeman noted that state insurance regulators and consumer representative also voiced concerns about the illusory surplus and unlevel playing field such arrangements create. He stated that because of the unfair competitive advantages that are perceived, the Working Group was not in favor of grandfathering the practices. He noted that the Working Group did discuss that companies could have discussions with their domiciliary states regarding obtaining a permitted practice for phasing in the financial impact. He stated that a permitted practice approach was favored because the impact to the affected companies may vary.

Ms. Fletcher noted that Commissioner James J. Donelon could not attend the meeting, but he wanted his comments that this is a substantive change noted and also that he is in favor of a phase-in period. Mr. Snowbarger noted that Oklahoma also supports the comments from Louisiana.

Lynn Kelley (Delaware Life) stated that their position is also that the revisions are substantive and that they appreciate the time that the Working Group has spent discussing this issue even if not all of the edits they submitted were incorporated. She also stated support for an effective date at least as late as Dec. 31, 2021.

Elly Nettleton (Guggenheim Life and Annuity) highlighted two points from their prior comment letters: 1) levelized commissions are not a new concept and date back several decades. She noted that a 2010 U.S. Securities and Exchange Commission (SEC) complaint against another carrier identified levelized commissions as a common practice in the industry. She said Guggenheim is not aware that the accounting treatment was determined not to be in accordance with statutory accounting principles; and 2) traditional commissions such as those tied to policy persistency are carved out of the proposals. Ms. Nettleton said Guggenheim believes it is a dangerous precedent to remove persistency as a factor in the accrual of commissions as it is a key insurance element.

Mr. Bruggeman noted that similar comments as Ms. Nettleton's were made at the Working Group. He stated that the Working Group did hear the comments but did not agree with them.

Thomas Considine (National Council of Insurance Legislators—NCOIL) stated that NCOIL members feel strongly that the revisions are substantive but are willing to put that aside and do not feel the need to debate that classification again at this time. He stated that this is a practice that has been going on for decades. He stated that to implement this change during a period of great economic turmoil seems not only short-sighted, but also it is dangerous to require entities to make such a change in a period of a year. He stated that NCOIL recommends a significant phase-in period with a proposed effective date of Dec. 31, 2025. He noted prior Working Group discussions have recommended that reporting entities seeking a phase-in period should seek a permitted practice from their domiciliary regulators. He stated that a permitted practice does not reflect positively on the state granting the practice or the reporting entity receiving the practice. He stated that accreditation reviews note the permitted practices granted by a jurisdiction. He stated that the most fair and equitable solution and a way to avoid the debate of change classification is to add a four- or five-year phase-in.

Mr. Bruggeman stated that funding agreements to levelized commission costs are not prohibited. He said the issue is that the full liability for the funding agreement must be recognized for the inherent loan. In other words, it is a financing arrangement; it does not delay the timing of recognition of the acquisition costs. He stated that a permitted practice may not have a positive perception. However, permitted practice disclosure requirements allow state insurance regulators to understand the surplus impact of the arrangement. He stated that a permitted practice provides transparency and noted that if there were any decisions to extend the effective date beyond Dec. 31, 2021, there would need to be a disclosure of the impact. Ms. Walker agreed, noting that consistency, meaning the ability to compare reporting entities' financial positions, is a fundamental concept that statutory accounting is based on. She noted its importance for solvency regulation.

Mr. Considine noted that to address Mr. Bruggeman's point about state insurance regulators' information, he is confident that if there were a four- or five-year phase-in, legislators would be supportive of a reasonably tailored data call. Mr. Rehagen asked if Mr. Considine envisioned a confidential data call or one that would be publicly produced. Mr. Considine indicated he assumed if it were for the state insurance regulators, then such a data call would be confidential. However, he said NCOIL would be open to discussion. Mr. Bruggeman stated his intent was for a disclosure to be part of the public statutory accounting filing.

Mr. Stolte stated that the Task Force is discussing noncompliant statutory accounting by a handful of companies. He stated that in 1991, Virginia had an insurance receivership of a large life insurance company that had a deferred commission funding arrangement. He said that the insurer had not booked the liability, but when the company was put into receivership, the funding entity/financier filed with the receivership a request for payment of $16 million. He said that the reporting entity prior to the receivership was reporting $120 million in surplus, but true surplus ended up being approximately $4 million. He said he disagreed with the statement that what the handful of companies are doing is an acceptable SAP practice. He said it is noncompliance with statutory accounting in SSAP No. 71, and also with the statutory accounting guidance that existed even prior to codification. He said from a level playing field perspective, he does not want to be forced to approve such agreements for his companies to be able to compete with reporting entities employing this practice. He stated that not recording the full liability for the funding agreements creates illusory surplus. He stated that if a reporting entity needs more time to implement the revisions, a permitted practice is what should be employed. He noted that he received notification of more than 100 permitted practices in an average year. He stated that the permitted practices are designed to provide transparent disclosure for all state insurance regulators.

Mr. Considine stated that what Mr. Stolte is terming "noncompliance" has been accepted in the regulatory community for 20 years. He said if reporting entities have been doing so for 20 years, it seems unreasonable to require a change in one year. Mr. Stole said that in Virginia, they have not accepted such practices. He noted that there may be some that they were unaware of, but they do not view it as an acceptable practice. He stated that this has been noted as problematic in a formal examination report, and he respectfully disagrees with Mr. Considine's statement that it was an acceptable practice. Ms. Walker also noted that she has been a Texas state insurance regulator for 20 years and is not aware of any entities that are using funding agreements to defer the recognition of acquisition costs. She noted that she would also take exception to doing so if it were identified in an examination or other regulatory review.

Brendon Bridgeland (Center for Insurance Research—CIR) stated support for the proposal as adopted by the Working Group. He stated that one of the top priorities for state insurance regulators was ensuring that the insurers are solvent. He stated that part of that is also ensuring that there is a level playing field. He stated that in this case, there are a handful of companies using a technique that, by their own admission, is enhancing surplus. He noted that as a consumer advocate, he does not want to see insurers have illusory surplus.

Mr. Bruggeman made a motion, seconded by Mr. Stolte to adopt the nonsubstantive revisions to SSAP No. 71 with a Dec. 31, 2021, effective date as adopted by the Working Group (Attachment One-Q). The motion passed with 41 in favor and the states of Louisiana and Oklahoma opposed.

Ms. Walker stated that agenda item 2019-24 will next be discussed by the Financial Condition (E) Committee, which is scheduled to meet April 13.

4. Adopted the Report of the Blanks (E) Working Group

Mr. Garn provided the report of the Blanks (E) Working Group, which met March 16. He stated that the Working Group adopted its Dec. 16, 2020, minutes, which included the following action:

a. Adopted four blanks proposals: 1) 2020-28BWG – remove Note 22; 2) 2020-29BWG – remove a line category from the investment schedules; 3) 2020-30BWG – move an interrogatory question from the annual blank to the quarterly blank; and 4) 2020-31BWG – changes to the Life, Health and Annuity Guaranty Association Model Act Assessment Base Reconciliation Exhibits.

b. Exposed seven proposals for a 60-day public comment period ending Feb. 16.

c. Adopted its editorial listings.

Mr. Garn stated that the Working Group adopted its editorial listing and the following seven proposals:

a. 2020-32BWG – Add a new Health Care Receivables Supplement to the Life\Fraternal Annual Statement that adds Exhibit 3 and Exhibit 3A from the Health Annual Statement to the Life\Fraternal annual filings. Add a guidance document reference to Exhibit 3A of the Health Annual Statement.

b. 2020-33BWG – Modify Annual Statement Lines (ASLs) used on Underwriting and Investment (U&I) Exhibits, State Page and Insurance Expense Exhibit (IEE). Change Health ASL categories used in Property to be consistent with other statement types. Update ASL references used in crosschecks. Update definitions used in the appendix for the Health ASLs.

c. 2020-34BWG – Add definitions for the Occupational Accident, Fiduciary Liability, Premises and Operations (OL&T and M&C), Professional Errors and Omissions Liability, Kidnap & Ransom Liability and Tuition Reimbursement Plans products to the appropriate Line of Business in the appendix.

d. 2020-35BWG – Expand the number of characters used from seven to 10 in the investment line categories for Schedules D, DA, DL and E excluding Schedule D, Part 6 (Sections 1 and 2) and Schedule E (Part 1 and 3). Add line categories for Unaffiliated Certificates of Deposit and Exchange Traded Funds (ETFs). Split 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 SVO. Make changes to Summary Investment Schedule, Summary by Country and Schedule D, Part 1A (Section 1 and Section 2) to reflect the additional line categories.

e. 2020-36BWG – Modify the General Schedules Investment Instructions and Schedule DB General Instructions to reflect treatment of publicly traded stock warrants as being in the scope of *SSAP No. 30R—Unaffiliated Common Stock* or SSAP No. 32R and reporting as common and preferred stock (SAPWG 2020-33).

f. 2020-37BWG – Add a new Schedule Y, Part 3 to capture all entities with ownership greater than 10%, the ultimate controlling parties of those owners and other entities that the ultimate controlling party controls (SAPWG 2020-34).

g. 2020-38BWG – Make changes to the Accident and Health Policy Experience Exhibit by adding new columns, removing lines distinguishing with and without contract reserves, adding some new product lines, eliminating summary tables, changing the date that the exhibit is due and having it reported by state.

Mr. Garn stated that the Working Group exposed five new proposals for a six-week public comment period ending April 27 and received a memorandum from the Valuation of Securities (E) Task Force regarding the addition of two new residential mortgage-backed securities (RMBS)/commercial mortgage-backed securities (CMBS) administrative codes.

Mr. Garn made a motion, seconded by Mr. Eft, to adopt the report of the Blanks (E) Working Group (Attachment Two). The motion passed unanimously.

Having no further business, the Accounting Practices and Procedures (E) Task Force adjourned.

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Draft: 3/22/21

Statutory Accounting Principles (E) Working Group
Virtual Meeting *(in lieu of meeting at the 2021 Spring National Meeting)*
March 15, 2021

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force met March 15, 2021. The following Working Group members participated: Dale Bruggeman, Chair (OH); Carrie Mears and Kevin Clark, Vice Chairs (IA); Shelia Travis (AL); Kim Hudson (CA); William Arfanis and Kathy Belfi (CT); Tom Hudson (DE); Eric Moser, Cindy Andersen and Kevin Fry (IL); James J. Donelon, Stewart Guerin, Melissa Gibson and Caroline Fletcher (LA); Judy Weaver (MI); Doug Bartlett (NH); Bob Kasinow (NY); Melissa Greiner and Kimberly Rankin (PA); Jamie Walker (TX); Doug Stolte and David Smith (VA); and Amy Malm (WI). Also participating was: Glen Mulready (OK).

1. Adopted its Jan. 25, 2021; Jan. 6, 2021; Dec. 28, 2020; Dec. 18, 2020; Dec. 8, 2020; and Nov. 12, 2020 Minutes

Ms. Malm made a motion, seconded by Mr. Kim Hudson, to adopt the Working Group's Jan. 25, 2021 (Attachment One-A); Jan 6, 2021 (Attachment One-B); Dec. 28, 2020 (Attachment One-C); Dec. 18, 2020 (Attachment One-D); Dec. 8, 2020 (Attachment One-E); and Nov. 12, 2020 *(See NAIC Proceedings – Fall 2020 – Accounting Practices and Procedures (E) Task Force, Attachment One)* minutes. The motion passed unanimously.

The Working Group met in regulator-to-regulator session on March 9. This regulator session was pursuant to the NAIC Open Meetings Policy paragraph 3 (discussion of specific companies, entities or individuals) and paragraph 6 (consultations with NAIC staff related to NAIC technical guidance of the *Accounting Practices and Procedures Manual*). No actions were taken during this meeting and the discussion was limited to its March 15 agenda.

2. Adopted Non-Contested Positions

The Working Group held a public hearing to review comments (Attachment One-F) on previously exposed items.

Mr. Bartlett made a motion, seconded by Ms. Weaver, to adopt the statutory accounting revisions detailed below as non-contested statutory accounting revisions. Included in this motion was the disposal of agenda item 2020-35: SSAP No. 97 – Audit Opinions. The motion passed unanimously.

a. Agenda Item 2020-32

Mr. Bruggeman directed the Working Group to agenda item 2020-32: SSAP No. 26R – Disclosure Update (Attachment One-G). He stated that this nonsubstantive agenda item expands a current disclosure element in *Statement of Statutory Accounting Principles (SSAP) No. 26R—Bonds* to include securities terminated early through a tender offer. This disclosure will require securities that are sold, redeemed or disposed of through either a call or tender offer to be specifically identified.

b. Agenda Item 2020-33

Mr. Bruggeman directed the Working Group to agenda item 2020-33: SSAP No. 32R – Publicly Traded Preferred Stock Warrants (Attachment One-H). He stated that this nonsubstantive agenda item expands the scope of *SSAP No. 32R—Preferred Stock* to include publicly traded preferred stock warrants, and it will require these warrants to be reported at fair value.

c. Agenda Item 2020-34

Mr. Bruggeman directed the Working Group to agenda item 2020-34: SSAP No. 43R – GSE CRT Program (Attachment One-I). He stated that this nonsubstantive agenda item incorporates modifications to reflect recent changes to the Freddie Mac Structured Agency Credit Risk (STACR) and Fannie Mae Connecticut Avenue Securities (CAS) programs. The modifications will allow credit risk transfer (CRT) securities from these programs to remain in scope of *SSAP No. 43R—Loan-Backed and Structured Securities* when issued through a real estate mortgage investment conduit (REMIC) trust structure.

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d. Agenda Item 2020-35

Mr. Bruggeman directed the Working Group to agenda item 2020-35 (Attachment One-J). He stated that this nonsubstantive agenda item was recommended for disposal without changes to statutory accounting, as feedback from interested parties indicated that the nonadmittance of an *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* 8.b.iii entity (non-insurance subsidiary, controlled and affiliated [SCA]) due to the inability to quantify a U.S. generally accepted accounting principles (GAAP) departure was not prevalent. Accordingly, additional admittance exceptions are not deemed to warrant further consideration.

e. Agenda Item 2020-41

Mr. Bruggeman directed the Working Group to agenda item 2020-41: *ASU 2020-06, Convertible Instruments* (Attachment One-K). He stated that this nonsubstantive agenda item rejects Accounting Standards Update (ASU) 2020-06 in *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets, SSAP No. 72—Surplus and Quasi-Reorganizations*, and *SSAP No. 86—Derivatives*, as this ASU references accounting models for convertible debt instruments not reflected in statutory accounting.

f. Agenda Item 2020-42

Mr. Bruggeman directed the Working Group to agenda item 2020-42: *ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities* (Attachment One-L). He stated that this nonsubstantive agenda item rejects ASU 2020-07 as not applicable for statutory accounting. Reference to this ASU will be reflected in *Appendix D—Nonapplicable GAAP Pronouncements*.

3. Reviewed Comments on Exposed Items

The Working Group held a public hearing to review comments (Attachment One-F) on previously exposed items.

a. Agenda Item 2020-22

Mr. Bruggeman directed the Working Group to agenda item 2020-22: Accounting for Perpetual Bonds. Jim Pinegar (NAIC) stated that this agenda item addresses the accounting treatment for perpetual bonds in SSAP No. 26R. This agenda item incorporates guidance to clarify that the premium associated with a perpetual bond that has an effective call option shall be amortized using the yield-to-worst concept. Perpetual bonds that do not have an effective call option are to be reported at fair value. The proposed revisions to the exposure include clarification regarding the use of the yield to worst concept provided in the interested parties. Diane Bellas (Allstate), representing interested parties, stated that interested parties support adoption of the proposed edits to SSAP No. 26R, and further exposure is not necessary.

Mr. Kim Hudson made a motion, seconded by Mr. Bartlett, to adopt the nonsubstantive revisions to SSAP No. 26R, modified from the exposure to include proposed edits received from interested parties during the exposure period (Attachment One-M). The motion passed unanimously.

b. Agenda Items 2020-37 and 2020-38

Mr. Bruggeman directed the Working Group to agenda item 2020-37: Separate Account Product Mix and agenda item 2020-38: Pension Risk Transfer Disclosure. Mr. Pinegar stated that these agenda items were drafted at the request of state insurance regulators due to the recent growth of pension risk transfers (PRTs) and registered indexed linked annuities (RILAs). These agenda items initially requested input on the degree of product identifying details in the separate account blanks. Mr. Pinegar stated that as a result of the prior exposure, interested parties suggested general interrogatory reporting of PRTs and RILAs, and state insurance regulators have requested additional reporting granularity in the separate account general interrogatories to ensure consistent reporting of products. He stated that based on these comments, a blanks proposal has been developed to add PRT and RILA reporting categories and modify the general interrogatory instructions to require disaggregated product reporting, using unique product identifiers for each product represented. He stated that aggregation in reporting can still occur if the products are under the same product filing or policy form; otherwise, the instructions require disaggregation in reporting. Mr. Bruggeman stated that as noted in the meeting materials, while disaggregated reporting is proposed to be required, companies will have the ability to eliminate proprietary information in reporting.

Ms. Malm made a motion, seconded by Ms. Weaver, to expose agenda item 2020-37 and agenda item 2020-38 with detail on the proposed general interrogatory reporting changes. The motion passed unanimously. It was noted that the blanks proposal is expected to be concurrently exposed by the Blanks (E) Working Group.

c. Agenda Item 2020-39

Mr. Bruggeman directed the Working Group to agenda item 2020-39: Interpretation Policy Statement. Mr. Pinegar stated that this agenda item was drafted in response to questions received last year as the Working Group and the Accounting Practices and Procedures (E) Task Force considered *Interpretation (INT) 20-08: COVID-19 Premium Refunds, Limited-Time Exception, Rate Reductions and Policyholder Dividends*. The agenda item clarifies the voting requirements of the Working Group for INTs that do or do not amend, supersede or conflict with existing statutory accounting principles (SAPs). Additionally, it clarifies existing options of the Working Group, such as the deferral of adoption until the INT has had an opportunity to be reviewed by the Task Force. Mr. Pinegar stated that interested parties responded with a few edits, primarily to clarify the purpose or ability to issue INTs that conflict with SAPs. He stated that the guidance proposed for adoption does integrate a majority of the edits proposed by interested parties, except for edits that would have restricted the issuance of INTs to emergency situations. He stated that those edits would have restricted the Working Group's current ability to make INTs for time-sensitive, but not emergency items, such as the issuance of *INT 20-01: ASU 2020-04 - Reference Rate Reform*.

Michael M. Monahan (American Council of Life Insurers—ACLI) stated that the ACLI agrees with the edits as proposed by NAIC staff, and an additional exposure of this agenda item is not necessary.

Mr. Kim Hudson made a motion, seconded by Mr. Bartlett, to adopt nonsubstantive revisions, modified from the exposure with edits as proposed by NAIC staff and interested parties, to the *NAIC Policy Statement on Maintenance of Statutory Accounting Principles* regarding the issuance and adoption of accounting interpretations (Attachment One-N). The motion passed unanimously.

d. Agenda Item 2020-40

Mr. Bruggeman directed the Working Group to agenda item 2020-40: Prescribed Practices. Julie Gann (NAIC) stated that this agenda item was drafted in response to questions received last year as the Working Group considered INT 20-08. She stated that this agenda item clarifies that while any state in which a company is licensed can issue prescribed practices, the prescribed practices directed by the domiciliary state shall be reflected in the financial statements filed with the NAIC, and they are the ones subject to independent audit requirements. The revisions clarify that non-domiciliary states may require supplemental financial information that details different accounting practices pursuant to the prescribed practices of the non-domiciliary state. Ms. Gann stated that in response to comments received from interested parties, references to financial statements in both the agenda item and the proposed authoritative guidance have been corrected to reflect supplemental financial information when referring to submissions to the non-domiciliary state.

Keith Bell (Travelers), representing interested parties, agreed that the edits proposed by NAIC staff reflect the request of interested parties, and an additional exposure of this agenda item is not necessary.

Mr. Smith made a motion, seconded by Mr. Kasinow, to adopt nonsubstantive revisions, modified from the exposure to incorporate edits as proposed by NAIC staff and interested parties, to the Preamble Implementation Questions and Answers regarding prescribed accounting practices. (Attachment One-O). The motion passed unanimously.

e. Agenda Item 2020-36

Mr. Bruggeman directed the Working Group to agenda item 2020-36: Derivatives Hedging Fixed Indexed Products. Ms. Gann stated that this agenda item proposes the development of new substantive guidance for the accounting and reporting of derivatives that effectively hedge the growth in interest credited for fixed indexed products that are reported in the general account. Interested parties provided a comment letter requesting additional time for the development of a proposal. Ms. Gann stated that NAIC staff recommend re-exposure of this agenda item with the direction to work with interested parties in the development of applicable guidance.

Rosemarie Albrizio (Equitable), representing interested parties, stated that interested parties appreciates the opportunity to jointly collaborate on this project, and now that year-end reporting has concluded, its staff have the capacity to focus on this proposal.

Mr. Kim Hudson made a motion, seconded by Ms. Weaver, to re-expose agenda item 2020-36 and direct NAIC staff to continue to collaborate with industry on a proposal to account for derivatives that effectively hedge the growth in interest credited for fixed indexed products. The motion passed unanimously.

4. Reviewed Comments on Exposed Items

a. Agenda Item 2019-34

Mr. Bruggeman directed the Working Group to agenda item 2019-34: Related Parties, Disclaimer of Affiliation and Variable Interest Entities. Jake Stultz (NAIC) stated that this agenda item proposes several nonsubstantive revisions to *SSAP No. 25—Affiliates and Other Related Parties.* He stated that the agenda item clarifies: 1) the definition of related parties; 2) that a non-controlling ownership over 10% results in a related party classification, regardless of any disclaimer of control or affiliation; and 3) that a disclaimer of control or affiliation does not eliminate the classification as a related party for the disclosure of material transactions, as is required under SSAP No. 25. This agenda item also rejects several Financial Accounting Standards Board (FASB) ASUs regarding variable interest entities. Mr. Stultz stated that the agenda item requires increased disclosure of related parties, and it will provide information on minority ownership interests, as well as significant relationships between minority owners and other U.S. domestic insurers and groups. He stated that in collaboration with interested parties, a few additional minor modifications have been proposed, primarily clarifying that ownership includes both direct or indirect ownership. He stated that in conjunction with the Working Group's agenda item, the Blanks (E) Working Group has a concurrent exposure that includes a new Schedule Y, Part 3, which will be considered for adoption pending the action taken by the Working Group.

Mr. Bell stated that Travelers agrees that the edits proposed by NAIC staff are consistent with the requests of interested parties, and an additional exposure of this agenda item is not necessary.

Mr. Bartlett made a motion, seconded by Ms. Travis, to adopt the exposed nonsubstantive revisions to SSAP No. 25, with modifications to incorporate the minor edits as proposed by NAIC staff and interested parties (Attachment One-P). The motion passed unanimously.

b. Agenda Item 2019-24

Mr. Bruggeman directed the Working Group to agenda item 2019-24: Levelized and Persistency Commissions. Robin Marcotte (NAIC) stated that the Working Group has been discussing this topic since August 2019 with this being the sixth public discussion. This agenda item was drafted in response to a specific state insurance regulator request to address an accounting practice identified during a financial examination. Ms. Marcotte stated that a few insurers are utilizing a disputed practice by using third parties to pay policy acquisition costs, and they are not recognizing the full liability to repay those third parties. Not recognizing the full liability to repay the parties who are paying acquisition costs on an insurer's behalf is inconsistent with the guidance in *SSAP No. 71—Policy Acquisition Costs and Commissions.* SSAP No. 71, which has been in place prior to 1998, provides statutory accounting guidance and identifies such agreements as funding agreements, which require full liability recognition. Ms. Marcotte stated that in November 2020, the Working Group exposed additional edits to clarify that the SSAP No. 71 updates would be effective immediately upon adoption and apply to all contracts that are in effect as of the date of adoption. The Working Group has also previously determined that the revisions to SSAP No. 71 have met the due process for either a substantive or nonsubstantive revision; however, it concluded that the revisions are to be classified as nonsubstantive. Ms. Marcotte stated that the Working Group has previously reiterated that under the *NAIC Policy Statement on Maintenance of Statutory Accounting Principles*, it is not the impact of a change on an individual entity that determines whether a change is substantive or nonsubstantive but whether the revision is consistent with the original intent of the SSAP. In addition, the Working Group directed the development of an issue paper to document the historical discussion on this topic.

Ms. Marcotte stated that NAIC staff are recommending that the Working Group: 1) adopt the previously exposed updates to SSAP No. 71 after consideration regarding the effective date; and 2) concurrently expose with the Blanks (E) Working Group a proposal to incorporate a new general interrogatory to assist with the identification of the use of funding agreements. She stated that NAIC staff have drafted an issue paper to document the historical discussions regarding this topic. She stated that

an issue paper is not authoritative, so there is no need to delay the SSAP No. 71 effective date for the adoption of the issue paper. She recommended that the Working Group direct NAIC staff to update the issue paper for actions from this meeting and determine when to expose the issue paper. Additionally, NAIC staff did not recommend further edits to SSAP No. 71, as revisions proposed by interested parties and other commentors either do not concur with the principles of SSAP No. 71 or have been rejected by the Working Group in prior discussions. Mr. Bruggeman stated that NAIC staff have provided a summary of comments received, which includes a response to each position. Accordingly, NAIC staff are not recommending additional modifications.

Commissioner Mulready stated that he had provided a comment letter to the NAIC president and the Financial Condition (E) Committee. He inquired as to whether actions taken by the Working Group regarding this project would go through the complete NAIC committee process, including reporting to the Accounting Practices and Procedures (E) Task Force and the Financial Condition (E) Committee and review by the Executive (EX) Committee and Plenary. Mr. Bruggeman stated that due to the controversial nature of this topic, this agenda item will be specifically considered through all levels of the committee process.

Commissioner Mulready further inquired regarding the expense recognition and payment of cashflows for using a third party to pay policy acquisition costs compared to insurers who directly pay commission expense. Mr. Bruggeman stated that traditional life insurance policies typically have a larger commission in the first year the policy is written. Through the use of a third party, some insurers have used a levelized repayment plan, so the first-year commission is repaid over several years. Additionally, the immediate expense recognition for this first year commission, as is required under SSAP No. 71, is not being properly recognized by some insurers in the year of acquisition. As a third party has remitted funds on behalf of an insurer, the insurer needs to properly recognize the loan as a liability. Commissioner Mulready queried about lapse risk, which is a common element built into these financing agreements. Mr. Bruggeman commented that lapse risk cannot be transferred to a noninsurance entity; and SSAP No. 71 still requires the liability to be recognized, even if repayment to the third party is not guaranteed. Mr. Bruggeman further stated that by not recognizing the full commission financing liability, an insurance company is asserting a 100% lapse rate, which is not an appropriate assumption and not consistent with the reserving methodology used for these products.

Elly Nettleton (Guggenheim) stated that levelized commissions are not a new concept. She noted that a 2010 U.S. Securities and Exchange Commission (SEC) complaint against another carrier notes that levelized commissions were common practice before Issue Paper No. 71 was finalized. She stated that the concept of persistency remains a concern, as Guggenheim believes expense recognition will occur earlier than has traditionally been required. She stated that Guggenheim does feel it is a dangerous practice to remove persistency in the treatment of levelized commission. Mr. Bruggeman stated that the concepts regarding traditional persistency commission are not a part of the proposed edits, as this agenda item is to clarify that initial acquisition costs should not be deferred through the use of a funding agreement.

Mr. Stolte stated that in 1991, Virginia had an insolvency in which the company participated in a structure where it utilized a levelized commission financing arrangement and did not properly recognize a liability for the amounts paid by the third party. However, as the insurer was liquidated, the third-party financier sought reimbursement for commission amounts previously forwarded on behalf of the insurer. Mr. Stolte stated that the insurer had not recorded the full amount of the liability, and this overstated surplus. He stated that if these amounts due are not recorded, they are in essence off book, unrecorded liabilities. He stated that the concept of recognizing commission expenses when incurred has been a long-standing concept of statutory accounting, which was noted even prior to codification. He noted that acquisition costs are expensed as incurred upfront.

Commissioner Donelon responded that the insurer referenced by Mr. Stolte did a levelized commission practice; however, he perceived the accounting practice was fully transparent, and the $16 million amount of the off-balance sheet liability only represented a fraction of the $120 million insolvency. He stated that earlier exposures of this item, involved other large life insurers; however their earlier concerns appear to have been accommodated. He inquired regarding the nature of this accommodation. Mr. Bruggeman stated that the referenced was clarification that true persistency commissions—i.e., subsequent year commissions—were not intended to be captured in the scope of levelized commissions revisions in SSAP No. 71. He said the initial revisions that were perceived by the broader insurance industry as affecting traditional persistency commission and the Working Group subsequently clarified that that was not the intent of the revisions. Ms. Gann stated that SSAP No. 71 is a common area SSAP, so it is applicable to all insurer and product types. She stated that the intent of SSAP No. 71 revisions is to capture initial acquisition costs, not traditional persistency commissions as are common in many insurance products.

Thomas B. Considine (National Council of Insurance Legislators—NCOIL) stated that NCOIL believes that the changes proposed are substantive in nature and the timing of an adoption is less than prudent, especially in light of the current economic environment. He noted that the revisions will have adverse capital consequences on some companies. Companies utilizing levelized commission structures have done so for decades, and in conjunction with this requiring a significant financial impact, NCOIL would recommend a four or five-year phase-in of expense recognition. Mr. Stolte stated that in response to a multi-year phase-in request, insurers affected could request a permitted practice from their state of domicile. In doing so, a multi-year phase-in could be granted; however, the financial and capital impact could be appropriately disclosed. Mr. Considine stated that permitted practices are not viewed as favorably as uniform treatment, and this would not be a preferred solution.

Lynn Kelley (Delaware Life), on behalf of interested parties, stated that they do not agree with the proposed edits, and they believe the edits are substantive in nature. She stated that interested parties believe that their accounting practices have been in compliance with SSAP No. 71 and have been subject to numerous insurance exams and independent financial audits. If adopted by the Working Group, an effective date no earlier than Dec. 31, 2021, is requested. She stated her agreement with a multi-year phase-in.

Brendan Bridgeland (Center for Insurance Research—CIR), NAIC consumer representative, stated that the most important function of statutory accounting is to ensure solvency and a level playing field among similar insurers. He stated that an insurer's financial statements should reflect capital available to pay policyholder claims and not include off-balance sheet liabilities. Despite this requiring material adjustments to a few insurers, he stated that adoption was recommended to ensure that financial statements appropriately reflect an insurer's financial position. He stated that deferring the recognition of commissions is what is maintaining a company in the appropriate risk-based capital (RBC) range, then the company may warrant additional scrutiny for other areas as well.

Mr. Bruggeman stated that as the edits proposed do not change the original intent of SSAP No. 71, he views the edits as nonsubstantive in nature. He stated that the concept of requiring immediate expense recognition of initial acquisition costs meets the spirit of statutory accounting concepts, as well as the concept of conservatism as referenced in the preamble. Commissioner Donelon stated that he believes this issue to be substantive in nature, even if it is not in the technical accounting sense. He indicated that the reporting entity that contacted him indicated that it will not have a materially adverse impact on them. However, he has been told that there are reporting entities that will have a significant financial impact on some small companies, and it will jeopardize members of the ACLI and the National Alliance of Life Companies (NALC). He stated recommendation for grandfathering of existing practices or a multi-year phase-in of any recognition requirements. He stated his agreement with Mr. Considine that a permitted practice is not preferred. Mr. Smith stated that when referencing the definitions of substantive versus nonsubstantive in the *Accounting Practices and Procedures Manual* (AP&P Manual), the exposed edits are nonsubstantive in nature.

Commissioner Mulready stated that this practice has been in place for decades, and to classify this as nonsubstantive signifies to him that all prior insurance exams and independent audits are incorrect. Ms. Andersen stated that the proposed edits are only clarifying in nature, as they do not change the intent of SSAP No. 71. She stated that this practice has only been employed by a small subset of insurance entities, and it results in liabilities that are not recorded in the financial statements. Mr. Stolte stated that commission financial arrangements are difficult to discover; in the prior insolvency example referenced by Mr. Stolte, it was not until the company was in receivership that the issue was discovered. He noted that such arrangements create illusory surplus and violate the concepts of statutory accounting. He noted that audits do not review every single contract.

Mr. Smith made a motion, seconded by Mr. Kim Hudson, to classify the edits as nonsubstantive in nature. The motion passed, with Louisiana voting opposed.

Mr. Bruggeman stated that nonsubstantive agenda items are generally effective immediately; however, due to the nature of this topic, it will need to be approved by the Accounting Practices and Procedures (E) Task Force, the Financial Condition (E) Committee, and the Executive (EX) Committee and Plenary. With the Executive (EX) Committee and Plenary not meeting until the Summer National Meeting, the earliest this adoption could take effect is likely the third quarter of 2021. Mr. Smith stated that due to the length that this agenda item has been discussed, they would support an immediate effective date. Ms. Belfi, Mr. Fry, Mr. Clark and Mr. Kim Hudson stated that due to the likelihood of a significant financial impact combined with the requirement for adoption by the Executive (EX) Committee and Plenary, a Dec. 31, 2021, effective date is recommended. In an inquiry from Mr. Bruggeman, no one opposed to a Dec. 31, 2021, effective date.

Ms. Gann stated that in accordance with *SSAP No. 3—Accounting Changes and Corrections of Errors*, as this agenda item directs that any adjustments be accounted for as a change in accounting principle, the effective date will not have a material impact, as any required cumulative adjustments calculated as of Jan. 1, 2021, will impact unassigned funds (surplus). Mr. Bruggeman stated in response to a query that upon adoption, insurers will be required to record a liability for outstanding amounts due to a third-party funding agent as a cumulative effect adjustment to surplus as of Jan. 1. He noted that activities throughout the year after Jan. 1 are recorded through income.

Mr. Kim Hudson made a motion, seconded by Mr. Smith, to adopt the previously exposed nonsubstantive edits to SSAP No. 71 with a Dec. 31, 2021, effective date discussed in the meeting (Attachment One-Q). Included in this motion was a recommendation to support a concurrent Blanks (E) Working Group agenda item requiring a general interrogatory to identify, in certain instances, companies who use third parties to pay commission expenses. The motion passed, with Louisiana voting opposed.

Ms. Marcotte asked whether the Working Group wants to plan an interim vote for exposure after the issue paper is updated for today's actions or wait until a later date to consider for exposure. Mr. Bruggeman noted that the issue paper will be updated for the Working Group's and the Task Force's final actions, and it will be considered for exposure at a later date.

5. Considered Maintenance Agenda – Pending Listing – Exposures

Mr. Kim Hudson made a motion, seconded by Mr. Kasinow, to move agenda items 2021-01 through 2021-09, all of which are classified as nonsubstantive, to the active listing and expose all items for a public comment period ending April 30. The motion passed unanimously.

a. Agenda Item 2021-01

Mr. Bruggeman directed the Working Group to agenda item 2021-01: *ASU 2021-01, Reference Rate Reform*. Mr. Pinegar stated that in March 2020, the FASB issued *ASU 2020-04 – Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* He stated that the Working Group adopted ASU 2020-04 in its entirety, where applicable, through its adoption of INT 20-01*: ASU 2020-04 – Reference Rate Reform.* ASU 2020-04 and INT 20-01 provided temporary, optional and expedient relief in that a qualifying contract modification (because of reference rate reform) should not be considered an event that requires contract remeasurement. This exception guidance applies to both general business and derivative contracts. Mr. Pinegar stated that since the issuance of ASU 2020-04, questions have arisen regarding the accounting for changes in reference rates (that do not specifically reference the London Interbank Offered Rate (LIBOR) or another rate that is expected to be discontinued) that are specifically used for margining, discounting, or contract price alignment. He stated that these items are generally referred to as "basis swaps," and basis swaps were specifically addressed by the Working Group through *INT 20-09: Basis Swaps as a Result of the LIBOR Transition*. He stated that INT 20-09 requires basis swaps to be reported as "hedging other," and they are recorded at fair value, unless the entity can prove hedge effectiveness, as is required per SSAP No. 86. However, ASU 2021-01 directs that basis swaps and other derivative instruments affected by changes to the interest rates used for discounting, margining, or contract price alignment (regardless of whether they reference LIBOR or another rate that is expected to be discontinued as a result of reference rate reform) are eligible for the optional relief provided for in ASU 2020-04. Mr. Pinegar stated that NAIC staff recommend minor modifications to INT 20-01 to reflect the additional financial instruments affected by ASU 2021-01.

b. Agenda Item 2021-02

Mr. Bruggeman directed the Working Group to agenda item 2021-02: *ASU 2020-08 – Premium Amortization on Callable Debt Securities*. Mr. Pinegar stated that ASU 2020-08 clarifies the amortization of premium associated with callable debt securities, and while the guidance closely mimics existing guidance in SSAP No. 26R, it does preclude the statutory accounting's yield-to-worst concept. Accordingly, there may be scenarios for statutory accounting where application of the yield-to-worst concept will result in a lower asset value than amortizing callable debt premium in accordance with ASU 2020-08. Mr. Pinegar stated that this agenda item proposes to reject ASU 2020-08 in SSAP No. 26R.

c. Agenda Item 2021-03

Mr. Bruggeman directed the Working Group to agenda item 2021-03: SSAP No. 103R – Disclosures. Mr. Pinegar stated that this agenda item was drafted as a result of ongoing discussions with industry and state insurance regulators regarding the current

SSAP No. 43R project. One of the topics discussed was the state insurance regulators' desire to identify situations in which a reporting entity has entered into a securitization, asset-backed financing, or similar transfer transaction where a significant economic interest in the transferred asset is retained by the reporting entity. Mr. Pinegar stated that one of the primary concerns is where an asset has been self-securitized, but the economic benefits have been retained. This agenda item proposes additional disclosures and data capturing certain existing disclosures required in *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.* Data capturing of these disclosure elements will permit state insurance regulators to have the ability to perform system inquiries to identify which reporting entities have such transactions and the extent to which they occur. This agenda item proposes a concurrent blanks exposure for possible inclusion in the 2021 year-end financial statements.

d. Agenda Item 2021-04

Mr. Bruggeman directed the Working Group to agenda item 2021-04: SSAP No. 97 – Valuation of Foreign Insurance SCAs. Fatima Sediqzad (NAIC) stated that this agenda item is in response to the Working Group's previously adopted guidance in SSAP No. 97, indicating that equity method losses stop at zero (preventing a negative equity value) except in scenarios in which limited statutory adjustments result in a negative asset value. She noted that interested parties have requested that the Working Group consider an agenda item to reevaluate whether the ability to go negative from the limited statutory basis of accounting adjustments should remain applicable for SSAP No. 97, paragraph 8.b.iv (foreign insurance SCA) entities. She stated that these long-standing adjustments have historically been viewed as necessary in order to prevent non-admitted assets held by an SCA from receiving more favorable treatment than had the assets been held directly by the reporting entity. She stated that after a review of foreign SCA filings, there were no noted instances of negative value SCAs; therefore, revisions to SSAP No. 97 are not recommended. She stated that this agenda item is proposed to be disposed of without edits to statutory accounting.

Mr. Bruggeman stated that while this agenda item was brought forth as a theoretical exercise, industry is requested to demonstrate examples, specifically those that may not be subject to SCA filing requirements and, as a result, were not a part of the review performed by NAIC staff.

Angelica Tamayo-Sanchez (New York Life) stated that only reviewing foreign insurance SCAs that are subject to SSAP No. 97 filing requirements may not be representative of all foreign insurance SCAs captured in scope of *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies*. Additionally, while negative valuation has not been an issue to date, requiring a potential negative equity valuation of a solvent foreign insurance subsidiary does not seem appropriate. Ms. Tamayo-Sanchez stated that a foreign insurance subsidiary should be treated in a similar manner as a domestic insurance subsidiary. Mr. Bruggeman requested that additional details and comments to be submitted during the exposure period.

e. Agenda Item 2021-05

Mr. Bruggeman directed the Working Group to agenda item 2021-05: Cryptocurrencies. Mr. Stultz stated that this agenda item has been drafted in response to inquiries received on the statutory accounting treatment for cryptocurrencies, specifically whether Bitcoin is an admitted asset and within the definition of *SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments.* This agenda item proposes *INT 21-01T: Accounting for Cryptocurrencies* to clarify that cryptocurrencies do not meet the definition of cash in SSAP No. 2R or any other admitted asset that is included in the AP&P Manual. Mr. Stultz stated that the exposure also requests information on the current ownership and potential future acquisition of cryptocurrencies.

f. Agenda Item 2021-06EP

Mr. Bruggeman directed the Working Group to agenda item 2021-06EP: Editorial Maintenance Update. Mr. Stultz stated that this agenda item provides nonsubstantive editorial corrections in accordance with the maintenance process. The revisions propose a minor update to the title of *SSAP No. 53—Property Casualty Contracts–Premiums,* correct grammatical errors in SSAP No. 97, and relocate an existing footnote in the Glossary.

g. Agenda Item 2021-07

Mr. Bruggeman directed the Working Group to agenda item 2021-07: *ASU 2020-11, Financial Services—Insurance (Topic 944): Effective Date and Early Application.* Mr. Stultz stated that ASU 2020-11 updates effective dates of the amendments in *ASU 2019-09, Financial Services – Insurance* and *ASU 2018-12, Targeted Improvements to the Accounting for Long-Duration*

Contracts. However, both ASU 2019-09 and ASU 2018-12 have previously been rejected for statutory accounting. He noted that the proposed nonsubstantive revisions to Appendix D reject ASU 2020-11 as not applicable to statutory accounting.

h. Agenda Item 2021-08

Mr. Bruggeman directed the Working Group to agenda item 2021-08: *ASU 2021-02, Franchisors Revenue from Contracts with Customers.* Mr. Stultz stated that ASU 2021-08 slightly amends the guidance that was previously issued in *ASU 2014-09, Revenue from Contracts with Customers* as it relates to franchisors. The Working Group has previously rejected ASU 2014-09 and several other ASUs related to revenue recognition in *SSAP No. 47—Uninsured Plans*. He noted that the nonsubstantive revisions propose to reject ASU 2021-02 in SSAP No. 47.

i. Agenda Item 2021-09: State ACA Reinsurance Programs

Mr. Bruggeman directed the Working Group to agenda item 2021-09: State ACA Reinsurance Programs. Ms. Marcotte stated that *SSAP No. 107—Risk-Sharing Provisions of the Affordable Care Act* provides guidance regarding the three federal Affordable Care Act (ACA) risk-sharing programs that had the intent to stabilize insurance rates in the marketplace. She stated that although the risk corridors program and the federal transitional reinsurance program have ended, several states have received approval from the U.S. Department of Health and Human Services (HHS) to run state ACA reinsurance programs under "Section 1332" waivers, which are similar to the federal transitional reinsurance program. This agenda item proposes nonsubstantive revisions to SSAP No. 107 to direct a hybrid accounting approach for the state ACA programs, which is similar to the federal transition reinsurance program. The hybrid accounting approach will divide the accounting into three broad categories, and depending on the characteristics of the plan, a reporting entity will account for the program per S*SAP No. 63—Underwriting Pools*, *SSAP No. 35R—Guaranty Fund and Other Assessments*, or SSAP No. 47.

6. Discussed Other Matters

a. Agenda Item 2020-21: SSAP No. 43R – Update

Ms. Gann stated that since December 2020, Iowa state insurance regulators, NAIC staff, and a small subset of interested parties have been meeting weekly to discuss the exposed Iowa Insurance Proposal to define what should be captured in scope of Schedule D, Part 1: Long-Term Bonds. The decision to review investments eligible for Schedule D, Part 1 reporting was determined an appropriate first step, as this schedule entails investments in scope of both SSAP No. 26R and SSAP No. 43R. Significant progress has been made during these meetings, and it is anticipated that an initial exposure will occur in May 2021, potentially to allow comments prior to the Summer National Meeting. Ms. Gann stated that the initial focus has been on principal concepts to differentiate between issuer credit obligations and asset-backed securities. It is anticipated that there will be investments that have been previously reported on Schedule D, Part 1 that will no longer qualify for bond reporting. At this time, it is anticipated that these investments will be captured on Schedule BA as an other long-term invested asset. However, despite potential Schedule BA reporting, consideration will be given to the proper accounting for these investments, and referrals to the Capital Adequacy (E) Task Force will occur to ensure appropriate consideration for RBC charges.

Mr. Clark stated that while this topic remains complex, all parties have approached the discussions in good faith, and as a result, significant progress has been made. He stated that the concern of state insurance regulators are investments that have been legally structured as a bond but do not reflect the characteristics of a bond that state insurance regulators would anticipate for Schedule D, Part 1 reporting. This structuring could result in a more favorable RBC charge than had the assets been held directly. Mr. Clark stated that the discussions with NAIC staff and the subset of interested parties remain principles-based and are anticipated for initial exposure in the near future.

Mr. Monahan, on behalf of the ACLI and interested parties, stated appreciation for the Iowa state insurance regulators, NAIC staff, and interested parties for assisting with the ongoing SSAP No. 43R project. Mr. Bruggeman stated that remaining principles-based is an important aspect of the project, and he noted that beginning with the review of Schedule D, Part 1 was appropriate, as its implications may affect investments captured in both SSAP No. 26R and SSAP No. 43R.

b. INT 19-02: Freddie Mac Single Security Initiative

Ms. Gann stated that INT 19-02 remains applicable as long as securities are exchanged under the Freddie Mac Single Security Initiative. She stated that NAIC staff researched this item, and as the Freddie Mac Single Security Initiative remains an ongoing

program, INT 19-02 remains in full effect. Subsequent reviews will continue to assess continued applicability.

c. Agenda Item 2019-49: Retroactive Reinsurance Exception – Update

Ms. Marcotte stated that this agenda item was to address a referral from the Committee on Property and Liability Financial Reporting (COPLFR) of the American Academy of Actuaries (Academy) that noted diversity in reporting for companies applying the retroactive reinsurance exception by allowing certain contracts to be reported prospectively. She stated that NAIC staff have held some preliminary discussion with members of the Casualty Actuarial and Statistical (C) Task Force on this topic, and they anticipate additional discussions with industry. A proposal is anticipated for Working Group review for exposure either in the interim or at the Summer National Meeting.

d. Paycheck Protection Program (PPP) – SAP Guidance

Ms. Marcotte stated that in response to questions received, statutory accounting guidance for the forgiveness of Paycheck Protection Program (PPP) loans is addressed in *SSAP No. 15—Debt and Holding Company Obligations,* paragraph 11, and it provides that debt is recognized until extinguished, including formally being forgiven. In addition, per SSAP No. 15, paragraph 25, gains on termination of debt are recognized as capital gains.

e. VOSTF Referral Regarding WCFI

Ms. Marcotte stated that a referral from the Valuation of Securities (E) Task Force regarding revisions to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) in response to the Working Group's May 2020 revisions to *SSAP No. 105R—Working Capital Finance Investments* is expected. NAIC staff anticipate addressing this referral when received.

f. Review of GAAP Exposures:

Ms. Sediqzad stated that NAIC staff have reviewed the outstanding U.S. GAAP exposure, and she noted that comments during the exposure period are not recommended; however, a review will occur once the new ASU is issued as final.

Mr. Bruggeman stated that the comment deadline for all exposed agenda items is April 30.

Having no further business, the Statutory Accounting Principles (E) Working Group adjourned.

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Draft: 1/27/21

Statutory Accounting Principles (E) Working Group
E-Vote
January 25, 2021

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force conducted an e-vote that concluded Jan. 25, 2021. The following Working Group members participated: Dale Bruggeman, Chair (OH); Kevin Clark, Vice Chair (IA); Richard Ford (AL); Kim Hudson (CA); William Arfanis (CT); Eric Moser (IL); Stewart Guerin (LA); Judy Weaver (MI); Doug Bartlett (NH); Bob Kasinow (NY); David Smith (VA); and Amy Malm (WI).

1. Extended INT 20-03 and INT 20-07

As directed by the Working Group during its Jan. 6 e-vote, as public comments (Attachments One-A1 and One-A2) were supportive of extending two previously adopted interpretations (INTs), the Working Group conducted an e-vote to consider extension of *INT 20-03: Troubled Debt Restructuring Due to COVID-19* and *INT 20-07: Troubled Debt Restructuring for Certain Debt Instruments Due to COVID-19.* A summary of the INTs is as follows:

1) INT 20-03 – This INT clarifies that a modification of mortgage loan or bank loan terms in response to COVID-19 shall follow the provisions detailed in the April 7, 2020, "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus" and the provisions of the federal Coronavirus Aid, Relief and Economic Security (CARES) Act in determining whether the modification shall be reported as a troubled debt restructuring. This INT had an effective date that mirrored the original CARES Act, and it originally terminated on Dec. 31, 2020. As extended, the INT is now applicable through whichever date is earlier—Jan. 1, 2022, or the date that is 60 days after the date on which the national emergency concerning the COVID-19 outbreak terminates.

2) INT 20-07 – This INT provides temporary practical expedients in assessing whether modifications in response to COVID-19 are insignificant under *Statement of Statutory Accounting Principles (SSAP) No. 36—Troubled Debt Restructuring* and whether a modification shall be considered an exchange under *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. This INT had an effective date that mirrored the original CARES Act, and it originally terminated on Dec. 31, 2020. As extended, the INT is now applicable through whichever date is earlier—Jan. 1, 2022, or the date that is 60 days after the date on which the national emergency concerning the COVID-19 outbreak terminates.

Mr. Guerin made a motion, seconded by Mr. Smith, to extend INT 20-03 (Attachment One-A3) and INT 20-07 (Attachment One-A4). The motion passed unanimously.

Having no further business, the Statutory Accounting Principles (E) Working Group adjourned.

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January 22, 2021

Mr. Dale Bruggeman, Chairman
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RE: Items Exposed for Comment by the Statutory Accounting Principles Working Group on November 12, 2020 with Comments due January 22, 2021

Dear Mr. Bruggeman:

Interested parties appreciate the opportunity to comment on the exposure drafts released for comment by the NAIC Statutory Accounting Principles (E) Working Group (the Working Group). We offer the following comments:

INT 20-03: Troubled Debt Restructuring Due to COVID-19

This interpretation was effective for the specific purpose to address loan modifications in response to COVID-19. Consistent with the CARES act, this interpretation was only applicable for the term of the loan modification, but solely with respect to any modification, including a forbearance arrangement, interest rate modification, a repayment plan and other similar arrangement that defer or delays the payment of principal or interest for a loan that was not more than 30 days past due as of December 31, 2019. As determined in the CARES Act, this interpretation was originally only applicable for the period beginning on March 1, 2020 and ending on the earlier of December 31, 2020, or the date that was 60 days after the date on which the national emergency concerning the novel coronavirus disease (COVID–19) outbreak declared by the President on March 13, 2020 under the National Emergencies Act (50 U.S.C. 1601 et seq.) terminates.

On December 27, 2020, President Trump signed into law the *Consolidated Appropriations Act, 2021,* which slightly modified and extended the original CARES Act. These modifications included extending the provisions for temporary relief from troubled debt restructurings. Accordingly, on January 6, 2021, the provisions in this INT were tentatively extended to be applicable through the earlier of January 1, 2022 or the date that is 60 days after the date on which the national emergency concerning the novel coronavirus disease (COVID–19), outbreak declared by the President on March 13, 2020 under the National Emergencies Act terminates. With this extension, this INT's effective date corresponds with the current effective dates of the CARES Act. Unless the outbreak under the National Emergencies Act terminates, this INT will automatically expire on January 2, 2022 (to include year-end 2021 financial statements reporting).

Interested parties support the continued consistency with the Cares Act.

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INT 20-07: Troubled Debt Restructuring of Certain Debt Investments Due to COVID-19

This interpretation was originally effective for the specific purpose to provide practical expedients in assessing whether modifications in response to COVID-19 are insignificant under SSAP No. 36 and in assessing whether a change is substantive under SSAP No. 103R. This interpretation will only be applicable for the period beginning on March 1, 2020 and ending on the earlier of December 31, 2020, or the date that is 60 days after the date on which the national emergency concerning the novel coronavirus disease (COVID–19) outbreak declared by the President on March 13, 2020 under the National Emergencies Act (50 U.S.C. 1601 et seq.) terminates. For clarity, this effective timeframe specifies when modifications in response to COVID-19 can be incorporated using the provisions of this interpretation. Once incorporated, the provisions of this interpretation will continue for the duration of the modification.

On December 27, 2020, President Trump signed into law the *Consolidated Appropriations Act, 2021,* which slightly modified and extended the original CARES Act. These modifications included extending the provisions for temporary relief from troubled debt restructurings. Accordingly, on January 6, 2021, the provisions in this INT were tentatively extended to be applicable through the earlier of January 1, 2022 or the date that is 60 days after the date on which the national emergency concerning the novel coronavirus disease (COVID–19), outbreak declared by the President on March 13, 2020 under the National Emergencies Act terminates. With this extension, this INT's effective date corresponds with the current effective dates of the CARES Act. Unless the outbreak under the National Emergencies Act terminates, this INT will automatically expire on January 2, 2022 (to include year-end 2021 financial statements reporting).

Interested parties support the continued consistency with the Cares Act.

Ref #2019-24: Levelized and Persistency Commission

On November 12, 2020, the Working Group held a hearing to receive comments and based on those comments, took the following actions:

- Re-exposed the prior version of SSAP #71 with certain edits: – (1) the proposed effective date of Jan.1, 2021 was changed to be effective upon adoption, and (2) the revised text made explicit that the proposed revisions will apply to contracts in effect as of the date of adoption.

- Determined that the revisions to SSAP #71 met the due process for either a substantive or a non-substantive revision but concluded to keep the revision classified as nonsubstantive. The Working Group reiterated that it is not the impact of a change on an individual entity that determines whether a change is substantive or non-substantive, but whether the revision is in line with the original intent of the SSAP. The Working group noted that this is a clarification of existing guidance consistent with original intent. (Commissioner Donelon noted an objection to the classification as non-substantive.)

- Directed NAIC Staff to draft an Issue Paper to document the discussion on this topic for historical purposes.

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Interested parties would like to again thank the Working Group for the opportunity to continue to comment on the most recent revisions to exposure Ref #2019-24 – Levelized and Persistency Commission (SSAP No. 71, Policy Acquisition Costs and Commissions) discussed on November 12, 2020 (the "Exposure").

These comments begin with industry comments regarding the Working Group's most recent revisions to the Exposure:

Paragraph #5 new comments pertain to the sentence below:
Having a third party pay commission costs to the selling agent is strong evidence of a potential funding arrangement which shall be recognized as a liability because the substance of the arrangement indicates that repayment is reasonable and probable, even if a contingency has been incorporated into the funding arrangement, until ~~unless~~the underlying policy has been cancelled.

The Working Group has made a change to the last phrase of this sentence that still does not provide clarity as to its meaning and to the sentence as a whole. Assuming that the phrase refers to the contingency noted in the previous phrase within the sentence, industry disagrees with wording that creates a blanket statement across all third-party agreements with regard to recognizing a liability similar to a funding agreement. During the entire exposure/revision process, interested parties has consistently stated that agreements which include traditional elements such as persistency as part of a legally binding commission contract should be excluded from the funding agreement treatment as was provided in the original (current) SSAP No. 71 wording. If the last phrase "until the underlying policy has been cancelled" pertains to the recognition of the liability, it seems that the wording does not contemplate even a partial repayment of the liability during the period when the policy is active.

Paragraph #7 new comments pertain to the following:
The nonsubstantive revisions adopted TBD date regarding levelized commission are to clarify the original intent of this statement and apply to existing contracts ~~are effective~~ in effect on the date of adoption of the revisions ~~January 1, 2021~~.

Industry has consistently maintained that there has been a long-standing industry practice to link third party contracts to insurance elements such as persistency, including commission arrangements, reinsurance contracts, etc. Removing this link as has been indicated in the Working Group revisions is a substantive change. As such, we do not agree with the language in paragraph #7 that calls the revisions nonsubstantive and we disagree that such changes should be put in effect immediately upon adoption since they are substantive in nature and require further evaluation.

Certain of the third-party contracts noted above are complex and not quite as simple as the description of levelized commissions in the most recent draft of the Exposure. The Exposure depicts a simple arrangement whereby the insurer repays a third party over time, with interest, for making upfront heaped commissions to agents. This does not consider, for example, certain third-party contracts for which the insurer pays the third-party trail commissions based upon account value in-force in exchange for performing many contractual agency services other than simply funding and making upfront payments to selling agents. Such complex contracts require sufficient time to allow insurers to work with their state of domicile to determine the correct application of the revised guidance with respect to contracts which the regulator has already approved. Then, if establishment of a liability is indeed required,

additional time would be necessary to calculate such an accrual and review with external auditors prior to reporting the change on a quarterly or annual statement. For these reasons, and as you suggested, Chairman Bruggeman, we propose that the revisions within the Exposure be adopted with an effective date no sooner than 12/31/21.

Comments previously made on existing revisions included for purposes of documentation:

Paragraph #4, most recent exposure:

4. Levelized commissions occur in situations where agents receive normal (non-level) commissions with payments made by a third party. It is intended, but not necessarily guaranteed, that the amounts paid to the agents by the third party would ultimately be repaid (with interest explicit or implied) to the third party by levelized payments (which are less than the normal first year commissions but exceed the normal renewal commissions) from the reporting entity. (Note: levelized repayments made by the reporting entity extend the repayment period but might not be a straight-line repayment.) These transactions are, in fact, funding agreements between a reporting entity and a third party, regardless of how the payment to the third party is characterized. The continuance of the stream of payments specified in the levelized commission contract is a mechanism which attempts to bypass recognition of those expenses which are ordinarily charged to expense in the first year of the contract. Consequently, the normal link between the persistency of the policy, the continuance of the premium payment or the maintenance of the agent's license with the reporting entity is not maintained with respect to the payment stream.

Paragraph #4, most recent exposure with highlighted edits:

4. Levelized commissions occur in situations where agents receive normal (non-level) commissions with payments made by a third party. It is intended, but not necessarily guaranteed, that the amounts paid to the agents by the third party would ultimately be repaid (with interest explicit or implied) to the third party by levelized payments (which are less than the normal first year commissions but exceed the normal renewal commissions) from the reporting entity over time. (Note: levelized repayments made by the reporting entity ~~extend the repayment period~~ but might not be a straight-line repayment.) In instances where the levelized commission is not tied to, or contingent upon, traditional elements such as policy persistency or premium payments, these transactions are, in fact, funding agreements between a reporting entity and a third party, ~~regardless of how the payment to the third party is characterized~~ when the contract between the reporting entity and the third party has no substance but to defer commission payments by the reporting entity. The continuance of the stream of payments specified in the levelized commission contract in these situations is a mechanism ~~which attempts~~ to bypass recognition of those expenses which are ordinarily charged to expense in the first year of the contract. Consequently, the normal link between the persistency of the policy, the continuance of the premium payment or the maintenance of the agent's license with the reporting entity is not maintained with respect to the payment stream.

Industry proposes to replace a large section of paragraph #5, including the Working Group recent revisions, with more concise language that expresses the need to establish a liability when an arrangement is in substance a funding agreement. The current revisions are lengthy and somewhat redundant. Industry continues to disagree with the current revisions which too broadly state that all third-party arrangements, even those with traditional insurance elements, are considered funding arrangements. Industry retained the concept of the link between the accrual of commissions and traditional elements such as policy persistency.

Excerpt from paragraph #5, most recent exposure requested to be deleted:
~~Arrangements that use a third party to pay agents who write policies for the reporting entity and the insured can be an attempt to de-link the relationship between the insurer and those agents and defer or levelize the acquisition commissions. The insurance reporting entity is required to recognize the full amount of earned commission costs to the direct policy writing agents even if those costs are paid indirectly to the agents by a third party through the use of levelized commission, or similar arrangement, which is in substance a funding arrangement. Having a third party pay commission costs to the selling agent is strong evidence of a potential funding arrangement which shall be recognized as a liability because the substance of the arrangement indicates that repayment is reasonable and probable, even if a contingency has been incorporated into the funding arrangement, until the underlying policy has been cancelled. A third-party structure cannot recharacterize (e.g. by referencing policy persistency) and delay recognition of liabilities for initial sales commission owed from the writing of policies regardless of how a third-party arrangement is structured with regards to the timing of payment from the insurer. The amount owed for full initial sales commission shall be recognized immediately as the writing of an insurance contract is the event that obligates the insurer, and such action shall occur consistently among insurers. As such, this recognition is required regardless if the insurer owes a selling agent directly or if a third-party has been contracted to provide payment to the selling agent.~~

Interested parties highlighted wording to replace the above excerpt from paragraph #5:
The reporting entity is required to recognize the full repayment amount of earned commission costs by the direct policy writing agents even if those costs are paid indirectly by a third party through the use of levelized commission, or similar arrangement, which is in substance a funding arrangement. Recognition of those commission costs and recording a liability is required in such arrangements that are not linked to or contingent upon traditional elements. Such treatment shall occur consistently among insurers.

Summary:

Since its initial exposure in August 2019, industry has had concerns with the substantive nature of the proposed revisions and has consistently expressed these concerns.

- The last paragraph of the current SSAP No. 71 states: "The use of an arrangement where commission payments are not linked to traditional elements such as premium payments and policy persistency, but rather are linked to the repayment of an advance amount requires the establishment of a liability for the full amount of the unpaid principal and accrued interest which is payable to a third party related to levelized commissions." This wording was revised to instead explicitly include arrangements linked to traditional elements with those that have no substance other than to link to the repayment of an advance amount. This is clearly a substantive change and not clarifying the original intent. It is a change to the intent.

- The current revisions require the accrual of a liability in situations that are inconsistent with the guidance SSAP No. 5R. Under a levelized commission program a third party has the obligation for the full initial sales commission. The insurer's obligation under a levelized commission program that incorporates persistency should be accrued to the extent of legally contracted amounts owed. We do not believe the original intent of the SSAP required accruing for amounts

that are not yet due and that may never be due. We strongly feel that the recognition of an obligation based on persistency is in accordance with the principles of SSAP 5R.

- The interpretation of SSAP No.71 that persistency is the obligating event for accrual of the levelized/persistency commissions is long standing industry practice that has been subject to both independent audits and state insurance department examinations without this interpretation being raised as an issue nor requiring adjustments to the companies' financial statements.

- The current proposed language does not address the many varying product/distribution compensation arrangements in the industry and interested parties continue to believe this will cause unintended consequences.

- The existing SSAP No. 71 guidance is consistent in the application of persistency being part of the transfer of the risk(liability) to another party. If the lapse risk(persistency) is transferred to another party, the liability that the insurance company may have is also transferred to that party and the insurance company has no liability. Removing persistency as a factor in the accrual of commissions is a dangerous precedent. The differentiation between commissions based on real insurance risks versus payments based solely upon the passage of time in SSAP No. 71 goes directly to the risk transfer issue of one type of level commissions versus another. The proposed additional language eliminates this differentiation.

Conclusion:

Industry continues to maintain that the revisions exposed have changed the original intent of SSAP No. 71 and do not believe that they are nonsubstantive. Removing insurance elements from the determination of obligating events of third-party commission contracts may set a precedent that will have significant unintended consequences. As such, interested parties request that the Working Group consider these comments and proposed revisions. In addition, we request that this exposure be categorized as substantive, and given due process and an effective date.

Ref #2019-34: Related Parties, Disclaimers of Affiliation and Variable Interest Entities

The Working Group exposed this agenda item, with detailed revisions to SSAP No. 25, as detailed in a draft labeled with the date of November 12, 2020.

That draft contained proposed revisions intended to address the following key aspects:

- Clarify the identification of related parties and ensure that any related party identified under U.S. GAAP or SEC reporting requirements would be considered a related party under statutory accounting principles.

- Clarify that non-controlling ownership over 10% results in a related party classification regardless of any disclaimer of control or disclaimer of affiliation.

- Clarify the impact of a disclaimer of control or disclaimer of affiliate under SAP. As detailed, such disclaimers impact holding company group allocation and reporting as an SCA under SSAP No. 97, but do not eliminate the classification as a "related party" and the disclosure of material transactions as required under SSAP No. 25.

- Proposes rejection of several U.S. GAAP standards addressing variable interest entities.

On December 10, 2020, some members of interested parties and NAIC staff had a conference call to discuss the November 12th draft and possible edits to address concerns that the draft unintentionally impacted passive investments held by insurers in addition to investment in insurers. Staff amended the draft to address these concerns and is taking the updated draft back to the Working Group for its consideration.

Interested parties thank the staff for meeting with industry and in working to address our concerns.

Ref #2020-22: Accounting for Perpetual Bonds

The Working Group exposed revisions to *SSAP No. 26R—Bonds* to clarify that perpetual bonds are within scope as a "bond," and shall apply the yield-to-worst concept. Additionally, perpetual bonds that do not possess or no longer possess a call feature shall follow fair value reporting.

Interested parties appreciated the opportunity to work directly with NAIC staff on this topic. After reviewing the modified proposal, we have one remaining comment, which has already been discussed with NAIC Staff. In paragraph 9, the proposal reads as follows:

> "New Footnote: For perpetual bonds with an effective call option, any applicable premium shall be amortized to the next effective call date. For perpetual bonds purchased at a discount, any applicable discount shall be accreted utilizing the yield-to-worst concept."

We recommend the language be "fine-tuned" as it implies those with a remaining premium would be amortized to the next effective call date. The language regarding amortization should be aligned with other bonds and reference the use of the yield to worst method, not the next effective call date. We suggest the following wording:

> "New footnote: For perpetual bonds with an effective call option, any applicable premium shall be amortized utilizing the yield-to-worst method."

Ref #2020-32: SSAP No. 26R - Disclosure Update

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *SSAP No. 26R—Bonds* to expand the called bond disclosures to also include bonds terminated early through a tender offer.

Interested parties have no comments on this item.

Ref #2020-33: SSAP No. 32R – Publicly Traded Preferred Stock Warrants

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *SSAP No. 32R—Preferred Stock* and *SSAP No. 86—Derivatives* to scope publicly traded preferred stock warrants into SSAP No. 32R with accounting at fair value.

Interested parties have no comments on this item.

Ref #2020-34: SSAP No. 43R – Government-Sponsored Enterprises – Credit Risk Transfer Transactions

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *SSAP No. 43R—Loan-Backed and Structures Securities* to incorporate minor scope modifications to reflect recent changes to the STACR and CAS programs. The proposed edits would allow credit risk transfer securities from Freddie Mac and Fannie Mae to remain in scope of SSAP No. 43R when a REMIC structure is used in the STACR program or CAS program.

Interested parties have no comments on this item.

Ref #2020-35: SSAP No. 97 – Audit Opinions

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed this agenda item with a request for comments on the extent in which situations exist that hinder admittance of 8.b.iii. entities due to the inability to quantify a departure from U.S. GAAP.

Interested parties is not aware of any situations that hinder admittance of 8.b.iii entities due to the departure of U.S. GAAP as a result of the inability to quantify the departure.

Ref #2020-37: Separate Account – Product Identifiers

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed the agenda item to solicit comments from state insurance regulators and industry regarding the degree of product identifying details needed to adequately assess the product features and reserve liabilities in the separate account. Particularly, this is requesting feedback on how to obtain increased product identifier reporting granularity in question 1.01 (product mix) of the separate account general interrogatories (GI 1.01). Additionally, feedback is requested regarding if a threshold should be established for when aggregate reporting would be permitted.

In response to the solicitation of feedback on additional product identifiers specifically for PRT and RILA transactions in the Separate Account General Interrogatories, the ACLI suggests adding a PRT and RILA product identifier. See example identifiers in bold:

1 Product Identifier	Not Registered with SEC		
	2 Private Placement Variable Annuity	3 Private Placement Life Insurance	4 Other (Not PPVA or PPLI)
Pension Risk Transfer Group Annuities			
All Other Group Annuities			
Registered Index Linked Annuities Individual Annuities			
All Other Individual Annuities			
Life Insurance			
Totals			

The addition of these identifiers would bifurcate out PRT and RILA transactions. Further, the use of these additional identifiers would show in General Interrogatory 1.01 if there were guarantees associated with these different products.

Ref #2020-38: Pension Risk Transfer – Separate Account Disclosure

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed the agenda item to solicit comments from state insurance regulators and industry regarding possible modifications to *SSAP No. 56—Separate Accounts* specific to pension risk transfer (PRT) products. Depending upon the feedback received, the Working Group would have several options available including, but not limited to, requiring the separate identification of pension risk transfer products (including transactions, guarantees, reserve assumptions, etc.) within existing disclosure requirements or the addition of a new general interrogatory (and perhaps new separate accounting reporting schedules / exhibits) to separate specific product detail that was previously reported in an aggregated format.

Pension risk transfer transactions differ from other separate account transactions in that PRT products are group products, not individual products. The American Council of Life Insurers believes that these differences are adequately addressed in the current disclosure requirements of SSAP No. 56 – Separate Accounts. Specifically, paragraphs 31c and 33a include disclosure requirements for products with guarantees, which may include PRT transactions. Further, these disclosure requirements extend to the General Account Annual Statement Note 35B. Additionally, the proposal above on Ref# 2020-37 will provide additional detail for PRT products in the General Interrogatories.

We believe that the current disclosures sufficiently capture PRT transactions however, we defer to the Working Group and regulators if these groups voice concern that they are not able to discern something specific.

Ref #2020-39: Interpretation Policy Statement Updates

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *NAIC Policy Statement on Maintenance of Statutory Accounting Principles* in *Appendix F—Policy Statements* regarding the issuance and adoption of accounting interpretations.

Based upon interested parties' discussion with NAIC staff and our understanding of the objective of the changes to *NAIC Policy Statement on Maintenance of Statutory Accounting Principles* in *Appendix F—Policy Statements* (Appendix F), we've marked up Appendix F with edits that clarify the policy for issuing interpretations which amend, supersede, or conflict with existing SSAPs (please see attached). Specifically, the interested parties' proposed revisions clarify that such interpretations are temporary and restricted to circumstances requiring immediate, temporary guidance such as catastrophes or other emergencies. We believe the marked Appendix F is consistent with the intent to use interpretations in limited circumstances. Our proposed revisions explicitly establish that interpretations are not intended as a shortcut to bypass the deliberative process for amending existing statutory accounting guidance or developing new guidance.

Ref #2020-40: Clarification of Prescribed Practices

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed proposed revisions to the Preamble Implementation Questions and Answers to clarify prescribed practices. These revisions clarify that while any state in which a company is licensed can issue prescribed practices, the prescribed practices directed by the domiciliary state shall be reflected in the financial statements filed with the NAIC and are the financial statements subject to the independent audit requirements.

Interested parties are concerned that the discussion of prescribed and permitted practices in this proposal are likely to cause confusion. An insurer's annual and quarterly statutory statements that are filed with the state of domicile and all states the insurer is licensed are prepared in accordance with the accounting practices prescribed or permitted by the state of domicile. However, in addition to the financial statements required by the domiciliary state, a non-domiciliary state in which the company is licensed may require an insurer to file supplemental financial information that require or allow the use of different accounting practices in the supplementary filing than provided in the AP&P manual. We believe the proposal should be amended to clarify that if a non-domiciliary state in which the company is licensed requires or allows a practice by state statute / bulletin (or other state-wide provision) in such **supplemental financial information** that is different from NAIC SAP, that practice(s) is also considered a prescribed practice. We recommend changes to the proposed wording to clarify these points (please see attached).

Ref #2020-41: ASU 2020-06 - Convertible Instruments

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets*, *SSAP No. 72—Surplus and Quasi-Reorganizations* and *SSAP No. 86—Derivatives*, to reject *ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's*

Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own Equity for statutory accounting.

Interested parties have no comment on this item.

Ref #2020-42: ***ASU 2020-07 - Presentation and Disclosures by Not-for-Profit Entities***

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject *ASU 2020-07, Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* as not applicable to statutory accounting.

Interested parties have no comment on this item.

* * *

Thank you for considering interested parties' comments. If you have any questions in the interim, please do not hesitate to contact us.

Sincerely,

D. Keith Bell Rose Albrizio

cc: NAIC staff
Interested parties

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ACLI
Financial Security for Life
Paul S. Graham III
SVP, Policy Development

MBa
MORTGAGE BANKERS ASSOCIATION
Mike Flood
SVP, CMF, Policy & Member Engagement

January 15, 2021

Mr. Dale Bruggeman
Chair, Statutory Accounting Principles (E) Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Re: Working Group's Recent Action on INT 20-03 and INT 20-07

Dear Mr. Bruggeman:

The Mortgage Bankers Associations (MBA)[1] and the American Council of Life Insurers (ACLI),[2] on behalf of our respective member insurers, express their support for the Statutory Accounting Principles (E) Working Group's proposed extensions of the periods covered by INT 20-03 and INT 20-07, to conform them to the period covered by section 4013 of the CARES Act, *Temporary Relief from Troubled Debt Restructurings (TDR)*, as amended on December 27, 2020.

We believe it is appropriate for SAPWG to continue to harmonize insurers' financial reporting of modifications of mortgage loans and certain other debt instruments under statutory accounting standards and financial reporting of the same modifications under United States Generally Accepted Accounting Principles (US GAAP).

[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Its membership of over 2,300 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, credit unions, thrifts, REITs, Wall Street conduits, 70 life insurance companies engaged in real estate finance, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org

[2] The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 95 percent of industry assets in the United States. Learn more at acli.com.

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We want to take this opportunity to express on behalf our members our appreciation for how quickly and effective the SAPWG has operated throughout this pandemic to provide insurers with certainty as to these important accounting issues.

Sincerely,

Mike Flood

Paul Graham

cc:Julie Gann, Assistant Director-Solvency Policy
Robin Marcotte, Senior Manager, Accounting Policy
Jim Pinegar, Manager II – Accounting Policy
Fatima Sediqzad, Senior SCA Valuation & Accounting Policy Advisor
Jake Stultz, Senior Accounting and Reinsurance Policy Advisor

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Interpretation of the Statutory Accounting Principles (E) Working Group

INT 20-03: Troubled Debt Restructuring Due to COVID-19

INT 20-03 Dates Discussed

March 26, 2020; April 15, 2020; January 6, 2021; January 25, 2021

INT 20-03 References

SSAP No. 36—Troubled Debt Restructuring

INT 20-03 Issue

1. A previously unknown virus began transmitting between October 2019 and March 2020, with the first deaths in the U.S. reported in early March 2020. The disease caused by the virus is known as Coronavirus Disease 2019 (COVID-19). Several states and cities have issued "stay home" orders and forced all non-essential businesses to temporarily close. This led to a significant increase in unemployment and the potential permanent closure of many businesses. Total economic damage is still being assessed however the total impact is likely to exceed $1 trillion in the U.S. alone.

2. In response to COVID-19, Congress and federal and state prudential banking regulators have considered provisions pertaining to mortgage loans as a result of the effects of the COVID-19. These provisions are intended to be applicable for the term of the loan modification, but solely with respect to a modification, including a forbearance arrangement, an interest rate modification, a repayment plan, and any other similar arrangement that defers or delays the payment of principal or interest, that occurs during the applicable period for a loan that was not more than 30 days past due as of December 31, 2019.

3. Furthermore, guidance has been issued by the Financial Condition (E) Committee to all U.S. insurers filing with the NAIC in an effort to encourage insurers to work with borrowers who are unable, or may become unable, to meet their contractual payment obligations because of the effects of COVID-19. As detailed in that guidance, the Committee, which is the NAIC parent committee of all the solvency policy making task forces and working groups of the NAIC, supports the use of prudent loan modifications that can mitigate the impact of COVID-19.

4. This interpretation considers the interagency guidance issued by federal and state prudential banking regulators on March 22, 2020, addressing whether the modification of mortgage loan or bank loan terms in response to COVID-19 shall be considered a troubled debt restructuring.

INT 20-03 Discussion

5. *SSAP No. 36—Troubled Debt Restructuring* provides guidance, predominantly adopted from U.S. GAAP, in determining whether a debt restructuring is considered a troubled debt restructuring. Additionally, SSAP No. 36 provides accounting and disclosure guidance when a troubled debt restructuring has been deemed to occur. Pursuant to existing guidance in SSAP No. 36, a debt restructuring is not necessarily considered a troubled debt restructuring and a creditor must assess whether the debtor is experiencing financial difficulties. The guidance also indicates that a delay in payment that is insignificant is not a concession.

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6. On March 22, 2020, the federal and state prudential banking regulators issued a joint statement that included guidance on their approach to the accounting for loan modifications in light of the economic impact of the coronavirus pandemic. The guidance was developed in consultation with the staff of the FASB who concur with the approach and indicated that they stand ready to assist stakeholders with any questions. This interagency statement is provided below and is accessible through the FASB response via the following link:

https://fasb.org/cs/Satellite?c=FASBContent_C&cid=1176174374016&pagename=FASB%2FFASBContent_C%2FNewsPage

Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus

The Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), the Consumer Financial Protection Bureau (CFPB),and the State Banking Regulators (hereafter, the agencies), are issuing this interagency statement to provide additional information to financial institutions who are working with borrowers affected by the Coronavirus Disease 2019 (also referred to as COVID-19). The United States has been operating under a presidentially declared emergency since March 13, 2020, and financial institutions and their customers are affected by COVID-19. The agencies understand that this unique and evolving situation could pose temporary business disruptions and challenges that affect banks, credit unions, businesses, borrowers, and the economy. The agencies will continue to communicate with the industry as this situation unfolds, including through additional statements, webinars, frequently asked questions, and other means, as appropriate.

Working with Customers

The agencies encourage financial institutions to work prudently with borrowers who are or may be unable to meet their contractual payment obligations because of the effects of COVID-19. The agencies view loan modification programs as positive actions that can mitigate adverse effects on borrowers due to COVID-19. The agencies will not criticize institutions for working with borrowers and will not direct supervised institutions to automatically categorize all COVID19 related loan modifications as troubled debt restructurings (TDRs). The agencies will not criticize financial institutions that mitigate credit risk through prudent actions consistent with safe and sound practices. The agencies consider such proactive actions to be in the best interest of institutions, their borrowers, and the economy. This approach is consistent with the agencies' longstanding practice of encouraging financial institutions to assist borrowers in times of natural disaster and other extreme events. The agencies also will not criticize institutions that work with borrowers as part of a risk mitigation strategy intended to improve an existing non-pass loan.

Accounting for Loan Modifications

Modifications of loan terms do not automatically result in TDRs. According to U.S. GAAP, a restructuring of a debt constitutes a TDR if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The agencies have confirmed with staff of the Financial Accounting Standards Board (FASB) that short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief, are not TDRs. This includes short-term (e.g., six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant. Borrowers considered current are those that are less than 30 days past due on their contractual payments at the time a modification program is implemented.

Working with borrowers that are current on existing loans, either individually or as part of a program for creditworthy borrowers who are experiencing short-term financial or operational problems as a result of COVID-19, generally would not be considered TDRs. For modification programs designed to provide temporary relief for current borrowers affected by COVID-19, financial institutions may presume that borrowers that are current on payments are not experiencing financial difficulties at the time of the modification for purposes of determining TDR status, and thus no further TDR analysis is required for each loan modification in the program.
Modification or deferral programs mandated by the federal or a state government related to COVID-19 would not be in the scope of ASC 310-40, e.g., a state program that requires all institutions within that state to suspend mortgage payments for a specified period.

The agencies' examiners will exercise judgment in reviewing loan modifications, including TDRs, and will not automatically adversely risk rate credits that are affected by COVID-19, including those considered TDRs. Regardless of whether modifications result in loans that are considered TDRs or are adversely classified, agency examiners will not criticize prudent efforts to modify the terms on existing loans to affected customers.

In addition, the FRB, the FDIC, and the OCC note that efforts to work with borrowers of one-to four family residential mortgages as described in the modification section of this document, where the loans are prudently underwritten, and not past due or carried in nonaccrual status, will not result in the loans being considered restructured or modified for the purposes of their respective risk-based capital rules.

Past Due Reporting

With regard to loans not otherwise reportable as past due, financial institutions are not expected to designate loans with deferrals granted due to COVID-19 as past due because of the deferral. A loan's payment date is governed by the due date stipulated in the legal loan documents. If a financial institution agrees to a payment deferral, this may result in no contractual payments being past due, and these loans are not considered past due during the period of the deferral.

Nonaccrual Status and Charge-Offs

Each financial institution should refer to the applicable regulatory reporting instructions, as well as its internal accounting policies, to determine if loans to stressed borrowers should be reported as nonaccrual assets in regulatory reports. However, during the short-term arrangements discussed in this statement, these loans generally should not be reported as nonaccrual. As more information becomes available indicating a specific loan will not be repaid, institutions should refer to the charge-off guidance in the instructions for the Consolidated Reports of Condition and Income.

Discount Window Eligibility

Institutions are reminded that loans that have been restructured as described under this statement will continue to be eligible as collateral at the FRB's discount window based on the usual criteria.

7. On March 27, 2020, President Donald Trump signed into law the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act). The provisions in Section 4013 specifically address temporary relief from troubled debt restructurings. On December 27, 2020, President Trump signed into law the *Consolidated Appropriations Act, 2021*, which slightly modified and extended the original CARES Act as shown below:

SEC. 4013. TEMPORARY RELIEF FROM TROUBLED DEBT RESTRUCTURINGS.

(a) DEFINITIONS.—In this section:

(1) APPLICABLE PERIOD.—The term ''applicable period'' means the period beginning on March 1, 2020 and ending on the earlier of ~~December 31, 2020~~ January 1, 2022 or the date that is 60 days after the date on which the national emergency concerning the novel coronavirus disease (COVID–19) outbreak declared by the President on March 13, 2020 under the National Emergencies Act (50 U.S.C. 1601 et seq.) terminates.

(2) APPROPRIATE FEDERAL BANKING AGENCY.—The term ''appropriate Federal banking agency''— (A) has the meaning given the term in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813); and (B) includes the National Credit Union Administration.

(b) SUSPENSION.—

(1) IN GENERAL.—During the applicable period, a financial institution including an insurance company may elect to— (A) suspend the requirements under United States generally accepted accounting principles for loan modifications related to the coronavirus disease 2019 (COVID–19) pandemic that would otherwise be categorized as a troubled debt restructuring; and (B) suspend any determination of a loan modified as a result of the effects of the coronavirus disease 2019 (COVID–19) pandemic as being a troubled debt restructuring, including impairment for accounting purposes under United States Generally Accepted Accounting Principles.

(2) APPLICABILITY.—Any suspension under paragraph (1)—

(A) shall be applicable for the term of the loan modification, but solely with respect to any modification, including a forbearance arrangement, an interest rate modification, a repayment plan, and any other similar arrangement that defers or delays the payment of principal or interest, that occurs during the applicable period for a loan that was not more than 30 days past due as of December 31, 2019; and

(B) shall not apply to any adverse impact on the credit of a borrower that is not related to the coronavirus disease 2019 (COVID–19) pandemic.

(c) DEFERENCE.—The appropriate Federal banking agency of the financial institution including an insurance company shall defer to the determination of the financial institution, including an insurance company, to make a suspension under this section.

(d) RECORDS.—For modified loans for which suspensions under subsection (a) apply—

(1) financial institutions, including insurance companies, should continue to maintain records of the volume of loans involved; and

(2) the appropriate Federal banking agencies may collect data about such loans for supervisory purposes.

8. On April 7, 2020, the federal and state prudential banking regulators issued a revised joint statement to reflect the issuance of the CARES Act:

https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20200407a1.pdf

INT 20-03

Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised)

The Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), and the Consumer Financial Protection Bureau (CFPB) (hereafter, the agencies), in consultation with the state financial regulators, are issuing this revised interagency statement to provide additional information to financial institutions that are working with borrowers affected by the Coronavirus Disease 2019 (also referred to as COVID19). The United States has been operating under a presidentially declared emergency since March 13, 2020 (National Emergency). The agencies understand that this unique and evolving situation could pose temporary business disruptions and challenges that affect banks, credit unions, businesses, borrowers, and the economy.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. As discussed in more detail below, the CARES Act creates a forbearance program for federally backed mortgage loans, protects borrowers from negative credit reporting due to loan accommodations related to the National Emergency, and provides financial institutions the option to temporarily suspend certain requirements under U.S. generally accepted accounting principles (GAAP) related to troubled debt restructurings (TDR) for a limited period of time to account for the effects of COVID-19.

The agencies originally issued a statement on March 22, 2020, to encourage financial institutions to work prudently with borrowers and to describe the agencies' interpretation of how current accounting rules under U.S. GAAP apply to certain COVID-19-related modifications. This revised interagency statement clarifies the interaction between the March 22, 2020, interagency statement and section 4013 of the CARES Act, Temporary Relief from Troubled Debt Restructurings (section 4013), as well as the agencies' views on consumer protection considerations. The agencies will continue to communicate with the industry as this situation unfolds, including through additional statements, webinars, frequently asked questions, and other means, as appropriate.

Working with Customers: General Safety and Soundness Considerations

The agencies encourage financial institutions to work prudently with borrowers who are or may be unable to meet their contractual payment obligations because of the effects of COVID-19. The agencies view loan modification programs as positive actions that can mitigate adverse effects on borrowers due to COVID-19. The agencies will not criticize institutions for working with borrowers in a safe and sound manner. As described below, institutions generally do not need to categorize COVID-19-related modifications as TDRs, and the agencies will not direct supervised institutions to automatically categorize all COVID-19 related loan modifications as TDRs.

The agencies will not criticize financial institutions that mitigate credit risk through prudent actions consistent with safe and sound practices. The agencies consider such proactive measures to be in the best interest of institutions, their borrowers, and the economy. This approach is consistent with the agencies' longstanding practice of encouraging financial institutions to assist borrowers in times of natural disaster and other extreme events although the agencies recognize that the effects of this event are particularly extreme and broad-based. The agencies also will not criticize institutions that work with borrowers as part of a risk mitigation strategy intended to improve an existing non-pass loan.

Financial institutions have broad discretion to implement prudent modification programs consistent with the framework included in this statement.

Accounting and Reporting Considerations

As provided for under the CARES Act, a financial institution may account for an eligible loan modification either under section 4013 or in accordance with ASC Subtopic 310-40.5 If a loan modification is not eligible under section 4013, or if the institution elects not to account for the loan modification under section 4013, the financial institution should evaluate whether the modified loan is a TDR.

Accounting for Loan Modifications under Section 4013

To be an eligible loan under section 4013 (section 4013 loan), a loan modification must be (1) related to COVID-19; (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the National Emergency or (B) December 31, 2020 (applicable period).

Financial institutions accounting for eligible loans under section 4013 are not required to apply ASC Subtopic 310-40 to the section 4013 loans for the term of the loan modification. Financial institutions do not have to report section 4013 loans as TDRs in regulatory reports. However, consistent with section 4013, financial institutions should maintain records of the volume of section 4013 loans. Data about section 4013 loans may be collected for supervisory purposes. Institutions do not need to determine impairment associated with certain loan concessions that would otherwise have been required for TDRs (e.g., interest rate concessions, payment deferrals, or loan extensions). For the most recent information on reporting requirements for section 4013 loans, refer to the Federal Financial Institutions Examination Council Instructions.

Accounting for Other Loan Modifications Not under Section 4013

There are circumstances in which a loan modification may not be eligible under Section 4013 or in which an institution elects not to apply Section 4013. For example, a loan that is modified after the end of the applicable period would not be eligible under Section 4013. For such loans, the guidance below applies.

Modifications of loan terms do not automatically result in TDRs. According to ASC Subtopic 310-40, a restructuring of a debt constitutes a TDR if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The agencies have confirmed with staff of the Financial Accounting Standards Board (FASB) that short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief are not TDRs under ASC Subtopic 310-40. This includes short-term (e.g., six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or delays in payment that are insignificant. Borrowers considered current are those that are less than 30 days past due on their contractual payments at the time a modification program is implemented.

Accordingly, working with borrowers who are current on existing loans, either individually or as part of a program for creditworthy borrowers who are experiencing short-term financial or operational problems as a result of COVID-19 generally would not be considered TDRs. More specifically, financial institutions may presume that borrowers are not experiencing financial difficulties at the time of the modification for purposes of determining TDR status, and thus no further TDR analysis is required for each loan modification in the program, if:

- The modification is in response to the National Emergency;
- The borrower was current on payments at the time the modification program is implemented; and
- The modification is short-term (e.g., six months).

Government-mandated modification or deferral programs related to COVID-19 would not be in the scope of ASC Subtopic 310-40, for example, a state program that requires institutions to suspend mortgage payments within that state for a specified period.

Credit Risk

The agencies' examiners will exercise judgment in reviewing loan modifications and will not automatically adversely risk rate credits that are affected by COVID-19. All loan modifications should comply with applicable laws and regulations and be consistent with safe and sound practices (including maintenance of appropriate allowances for loan and lease losses or allowances for credit losses, as applicable). Regardless of whether modifications result in loans that are considered TDRs, section 4013 loans, or are adversely classified, agency examiners will not criticize prudent efforts to modify the terms on existing loans to affected customers.

Regulatory Capital

The FRB, the FDIC, and the OCC note that efforts to work with borrowers of one-to-four family residential mortgages as described above, where the loans are prudently underwritten, and not 90 days or more past due or carried in nonaccrual status, will not result in the loans being considered restructured or modified for the purposes of their respective risk-based capital rules.

Past Due Reporting

With regard to loans not otherwise reportable as past due, financial institutions are not expected to designate loans with deferrals granted due to COVID-19 as past due because of the deferral. A loan's payment date is governed by the due date stipulated in the legal agreement. If a financial institution agrees to a payment deferral, this may result in no contractual payments being past due, and these loans are not considered past due during the period of the deferral.
Nonaccrual Status and Charge-Offs

Each financial institution should refer to the applicable regulatory reporting instructions, as well as its internal accounting policies, to determine if loans to stressed borrowers should be reported as nonaccrual assets in regulatory reports. However, during the short-term arrangements discussed in this statement, these loans generally should not be reported as nonaccrual. As more information becomes available indicating a specific loan will not be repaid, institutions should refer to the charge-off guidance in the instructions for the Consolidated Reports of Condition and Income.

Discount Window Eligibility

Institutions are reminded that loans that have been restructured as described under this statement will generally continue to be eligible as collateral at the FRB's discount window based on the usual criteria.

Working with Customers: Consumer Protection Considerations

The agencies encourage financial institutions to consider prudent arrangements that can ease cash flow pressures on affected borrowers, improve their capacity to service debt, increase the potential for financially stressed residential borrowers to keep their homes, and facilitate the financial institution's ability to collect on its loans. Additionally, such prudent arrangements may mitigate the long-term impact of this emergency on consumers by avoiding delinquencies and other adverse consequences.

When working with borrowers, lenders and servicers should adhere to consumer protection requirements, including fair lending laws, to provide the opportunity for all borrowers to benefit from these arrangements. When exercising supervisory and enforcement responsibilities, the agencies

> will take into account the unique circumstances impacting borrowers and institutions resulting from the National Emergency. The agencies will take into account an institution's good-faith efforts demonstrably designed to support consumers and comply with consumer protection laws. The agencies expect that supervisory feedback for institutions will be focused on identifying issues, correcting deficiencies, and ensuring appropriate remediation to consumers. The agencies do not expect to take a consumer compliance public enforcement action against an institution, provided that the circumstances were related to the National Emergency and that the institution made good faith efforts to support borrowers and comply with the consumer protection requirements, as well as responded to any needed corrective action.

INT 20-03 Consensus

9. The Statutory Accounting Principles (E) Working Group reached a consensus to clarify that a modification of mortgage loan or bank loan terms in response to COVID-19 shall follow the provisions detailed in the April 7, 2020, "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus" (detailed in paragraph 8) and the provisions of the CARES Act (detailed in paragraph 7) in determining whether the modification shall be reported as a troubled debt restructuring within SSAP No. 36.

10. Original Effective Date: This interpretation is effective for the specific purpose to address loan modifications in response to COVID-19. Consistent with the CARES act, this interpretation is only applicable for the term of the loan modification, but solely with respect to any modification, including a forbearance arrangement, interest rate modification, a repayment plan and other similar arrangement that defer or delays the payment of principal or interest for a loan that was not more than 30 days past due as of December 31, 2019. As determined in the CARES Act, this interpretation will only be applicable for the period beginning on March 1, 2020, and ending on the earlier of December 31, 2020, or the date that is 60 days after the date on which the national emergency concerning the novel coronavirus disease (COVID–19) outbreak declared by President Trump on March 13, 2020, under the National Emergencies Act (50 U.S.C. 1601 et seq.) terminates.

11. Extension of Effective Date: On December 27, 2020, President Trump signed into law the *Consolidated Appropriations Act, 2021,* which slightly modified and extended the original CARES Act. These modifications included extending the provisions for temporary relief from troubled debt restructurings. Accordingly, on January 25, 2021, the provisions in this INT were extended to be applicable through the earlier of January 1, 2022, or the date that is 60 days after the date on which the national emergency concerning the novel coronavirus disease (COVID–19), outbreak declared by the President on March 13, 2020, under the National Emergencies Act terminates. With this extension, this INT's effective date corresponds with the current effective dates of the CARES Act. Unless the outbreak under the National Emergencies Act terminates, this INT and will automatically expire on January 2, 2022 (to include year-end 2021 financial statements reporting).

INT 20-03 Status

12. No further discussion is planned.

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Interpretation of the Statutory Accounting Principles (E) Working Group

INT 20-07: Troubled Debt Restructuring of Certain Debt Investments Due to COVID-19

INT 20-07 Dates Discussed

May 5, 2020; May 20, 2020; January 6, 2021; January 25, 2021

INT 20-07 References

SSAP No. 26R—Bonds
SSAP No. 36—Troubled Debt Restructuring
SSAP No. 43R—Loan-Backed and Structured Securities
SSAP No. 103R—Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

INT 20-07 Issue

1. A previously unknown virus began transmitting between October 2019 and March 2020, with the first deaths in the U.S. reported in early March 2020. The disease caused by the virus is known as Coronavirus Disease 2019 (COVID-19). Several states and cities issued "stay at home" orders and forced non-essential businesses to temporarily close. This led to a significant increase in unemployment and the potential permanent closure of many businesses. Total economic damage is still being assessed; however, the total impact is likely to exceed $1 trillion in the U.S. alone.

2. In response to COVID-19, Congress and federal and state prudential banking regulators issued provisions pertaining to loan modifications as a result of the effects of COVID-19. These provisions are intended to be applicable for the term of the loan modification, but solely with respect to a modification, including a forbearance arrangement, interest rate modification, repayment plan, or other similar arrangements that defers or delays the repayment of principal and/or interest, that occurs during the applicable period for a loan that was not more than 30 days past due as of December 31, 2019.

3. On April 15, the Statutory Accounting Principles (E) Working Group issued *INT 20-03T: Troubled Debt Restructuring Due to COVID-19*. This interpretation provides guidance for mortgage loans and bank loans, consistent with the CARES Act and an April 7 interagency statement in recognizing troubled debt restructurings in response to COVID-19. Although the original comment letter received from interested parties proposed an expansion to all SSAP No. 26R and SSAP No. 43R debt securities, during the April 15 discussion, the comments presented from interested parties clarified their request to expand the interpretation, which was primarily related to private placement debt securities. The Working Group requested that interested parties provide more detail on this request.

4. On April 23, the interested parties submitted a comment letter requesting expansion consideration to all debt instruments in scope of SSAP No. 26R and SSAP No. 43R. In making these expanded requests, the interested parties' comment letter stated that from a practical standpoint, actual relief will almost exclusively apply to private placement debt securities. However, by referencing "all debt securities," it will not be necessary to provide a precise definition of a private placement debt security. In addition to considering edits for troubled debt restructuring, the comment letter also requested exceptions to impairment recognition for these securities.

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5. The issues addressed in this interpretation include:

   a. Should exceptions be provided to the determination of troubled debt restructurings and impairment for all debt securities in response to COVID-19?

   b. Should exceptions be considered in the determination of troubled debt restructurings for non-public debt instruments in which the reporting entity is a direct, active, participant in the modification negotiations?

   c. Should exceptions be considered to assist with the determination of insignificant modifications in accordance with SSAP No. 36, paragraph 10?

INT 20-07 Discussion

Consideration of Exceptions for All Debt Securities

6. After evaluating the April 23 interested parties' comment letter, this interpretation considers statutory accounting exceptions to minimize documentation and assessment requirements for specific debt securities. However, due to the importance of state regulators having accurate and reliable financial statement information, this interpretation does not propose the following:

   a. Exceptions to the recognition of a troubled debt restructuring for debt securities with modifications that result in non-insignificant concessions to a debtor that is experiencing financial difficulties.

   b. Exceptions to the assessment or recognition of impairment for debt instruments.

7. With the conclusion in paragraph 6, this interpretation does not eliminate a reporting entity's responsibility to recognize modifications in debt instruments that to a debtor that is experiencing financial difficulties that qualify as concessions under SSAP No. 36. Furthermore, this interpretation does not delay the assessment and recognition of impairment for debt instruments that are not captured in scope of INT 20-04. As detailed above, these exceptions are not granted due to the importance of state regulators having timely, accurate and reliable financial information.

Consideration of Exceptions if the Reporting Entity is a Direct, Active Participant in Negotiating Modifications

8. Consideration was given as to whether exceptions should be provided for troubled debt restructuring and impairment assessments for situations in which the reporting entity is a direct, active participant in negotiating debt instrument modifications. However, due to the vast nature of non-public instruments that are currently classified as debt instruments that are designed in response to specific insurance reporting entity needs (such as collateralized fund obligations, principal protected notes, and other non-traditional securitizations), using direct, active participation as the sole threshold in determining whether exceptions should be granted was viewed as too expansive to ensure appropriate recognition of non-insignificant concessions and/or known impairments in the statutory financial statements.

Consideration of Provisions to Assist with Existing Troubled Debt Restructuring Guidance

9. Pursuant to existing guidance in SSAP No. 36, not all modifications are considered a troubled debt restructuring. In order to be troubled debt restructuring, a creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise. As such, in order to be considered a troubled debt restructuring, the debtor must be having financial difficulties and the modification must

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be considered a concession. Pursuant to paragraph 10 of SSAP No. 36, a restructuring that results in only a delay in payment that is insignificant is not a concession. The guidance also indicates that the following factors, when considered together, may indicate that a restructuring results in a delay in payment that is insignificant:

a. The amount of the restructured payments subject to the delay is insignificant relative to the unpaid principal or collateral value of the debt and will result in an insignificant shortfall in the contractual amount due.

b. The delay in timing of the restructured payment period is insignificant to any one of the following:

i. frequency of payments due under the debt

ii. debt's original contractual maturity,

iii. debt's original expected duration.

10. Although this interpretation does not support exceptions that would result with "significant" modifications (concessions) not being recognized, from information received, differing assessments of what could be considered insignificant, and the required documentation, may be prohibitive in providing modifications. Particularly, it has been noted that the assessments are subject to auditor assessment and there are concerns that a modification considered insignificant by a reporting entity may be subsequently assessed as a significant modification by the reporting entity's auditor.

Practical Expedients to Assessing Concessions

11. This interpretation, as a means of assisting with troubled debt restructuring assessments, provides limited-time practical-expedient determinants that can be used in accordance with existing SSAP No. 36 provisions in determining whether a modification shall be considered a troubled debt restructuring. These provisions are intended to assist reporting entities and auditors when considering whether a modification is insignificant. If a modification is considered insignificant, then the modification is not a concession, and recognition of a troubled debt restructuring, and disclosure is not required. If a modification does not meet the practical expedient provisions provided within this interpretation, the modification shall not automatically be considered a "non-insignificant" modification (concession). Rather, the reporting entity can continue to apply the existing guidance in SSAP No. 36 in assessing whether the modification is insignificant and is therefore not a concession. Modifications that qualify as concessions (do not qualify as insignificant) are required to follow the existing guidance in SSAP No. 36 as a troubled debt restructuring.

12. Specifically, this interpretation provides the following limited-time practical expedients:

a. Paragraph 10.a. of SSAP No. 36 identifies that restructured payments are considered insignificant if the delay is insignificant to the unpaid principal or collateral value of the debt and will result in an insignificant shortfall in the contractual amount due. For the duration of this interpretation, debt security restructurings in response to COVID-19 are considered to be insignificant if the restructuring results with a change that reflects a 10% or less shortfall amount in the contractual amount due.

b. Paragraph 10.b. of SSAP No. 36 identifies that restructured payments are considered insignificant if the delay in timing of the restructured payment period is insignificant to the frequency of payments due under the debt, debt's original contractual maturity or the debt's original expected duration. For the duration of this interpretation, debt security restructurings in response to COVID-

19 are considered to be insignificant if the restructuring does not result in an extension of the maturity of the debt by more than three years.

13. For the duration of this interpretation, debt security restructurings in response to COVID-19 that solely impact covenant requirements are not considered troubled debt restructurings.

Practical Expedients on Debt Extinguishments and Exchanges

14. In addition to the limited-time practical expedients to SSAP No. 36, this interpretation provides an exception to assess modifications as an exchange of debt instruments under paragraph 22 of *SSAP No. 103R—Transfer and Servicing of Financial Assets and Extinguishments of Liabilities.* Pursuant to the guidance in SSAP No. 103, debt instruments that are exchanged with substantially different terms are reported as an extinguishment and a new debt instrument. Pursuant to the provisions in this interpretation:

a. Modifications that reflect a 10% or less change in contractual cash flows considered insignificant pursuant to paragraph 12.a. do not need to be further evaluated to determine whether the modification is more than minor based on the specific facts and circumstances (and other relevant considerations) surrounding the modification. As such, these investments shall not be reported as an extinguishment and a new debt instrument.

INT 20-07 Consensus

15. The Working Group reached a consensus in response to requests to consider exceptions to statutory accounting guidance for troubled debt restructurings and impairment for all debt instruments. Pursuant to this consensus:

a. This interpretation does not provide exceptions to the recognition of a troubled debt restructuring for debt securities with modifications that result in non-insignificant concessions to a debtor that is experiencing financial difficulties.

b. This interpretation does not provide exceptions to the assessment or recognition of impairment for debt instruments. Pursuant to the guidance in SSAP No. 26R, after a modification for a debt instrument, assessment of OTTI shall be based on the current terms of the debt instrument.

16. In response to assessments on the application of existing SSAP No. 36 provisions, particularly in determining whether a modification is a concession (insignificant), this consensus provides the following limited-time practical expedients in determining whether a modification is a concession under SSAP No. 36:

a. Paragraph 10.a. of SSAP No. 36 identifies that restructured payments are considered insignificant if the delay is insignificant to the unpaid principal or collateral value of the debt and will result in an insignificant shortfall in the contractual amount due. For the duration of this interpretation, debt security restructurings in response to COVID-19 are considered to be insignificant if the restructuring results with a change that reflects a 10% or less shortfall amount in the contractual amount due.

b. Paragraph 10.b. of SSAP No. 36 identifies that restructured payments are considered insignificant if the delay in timing of the restructured payment period is insignificant to the frequency of payments due under the debt, debt's original contractual maturity or the debt's original expected duration. For the duration of this interpretation, debt security restructurings in response to COVID-

19 are considered to be insignificant if the restructuring does not result in an extension of the maturity of the debt by more than three years.

17. For the duration of this interpretation, debt security restructurings in response to COVID-19 that solely impact covenant requirements are not considered troubled debt restructurings.

18. In response to assessments on the application of existing SSAP No. 103R provisions, particularly in determining whether a modification that is not a troubled debt restructuring needs to be assessed as an exchange, this consensus provides the following exceptions to SSAP No. 103R:

a. Modifications that reflect a 10% or less change in contractual cash flows considered insignificant under this interpretation do not need to be further evaluated to determine whether the modification is more than minor based on the specific facts and circumstances (and other relevant considerations) surrounding the modification. As such, these investments shall not be reported as an extinguishment and a new debt instrument.

b. Modifications in response to COVID-19 that exceed the practical expedient of a 10% shortfall in contractual cash flows permitted in this interpretation that were assessed and deemed insignificant under paragraph 10 of SSAP No. 36 shall not be considered an exchange of debt instruments with substantially different terms under SSAP No. 103, paragraph 22. (Under SSAP No. 103, an exchange of debt instruments (in a nontroubled debt situation) is accomplished with debt instruments that are substantially different if the present value of cash flows under the terms of the new instruments is at least 10% different from the present value of the remaining cash flows under the terms of the original instrument.) Reporting entities shall work with auditors and regulators with the application of paragraph 10 of SSAP No. 36 to confirm that a change in contractual cash flows in excess of 10% qualifies as insignificant.

19. The Working Group highlights that modifications that would be considered troubled debt restructurings, particularly as they provide a non-insignificant concession, may be presented to the domiciliary state regulatory for a permitted practice exception to prevent troubled debt restructuring recognition and disclosure. However, the Working Group concluded that the need for reliable and accurate financial information does not permit exceptions that would allow wide-spread non-insignificant restructurings to occur and not be recognized on the statutory financial statements.

20. Original Effective Date: This interpretation is effective for the specific purpose to provide practical expedients in assessing whether modifications in response to COVID-19 are insignificant under SSAP No. 36 and in assessing whether a change is substantive under SSAP No. 103R. This interpretation will only be applicable for the period beginning on March 1, 2020, and ending on the earlier of December 31, 2020, or the date that is 60 days after the date on which the national emergency concerning the novel coronavirus disease (COVID–19) outbreak declared by President Donald Trump on March 13, 2020, under the National Emergencies Act (50 U.S.C. 1601 et seq.) terminates. For clarity, this effective timeframe specifies when modifications in response to COVID-19 can be incorporated using the provisions of this interpretation. Once incorporated, the provisions of this interpretation will continue for the duration of the modification.

21. Extension of Effective Date: On December 27, 2020, President Trump signed into law the *Consolidated Appropriations Act, 2021,* which slightly modified and extended the original CARES Act. These modifications included extending the provisions for temporary relief from troubled debt restructurings. Accordingly, on January 25, 2021, the provisions in this INT were extended to be applicable through the earlier of January 1, 2022, or the date that is 60 days after the date on which the national emergency concerning the novel coronavirus disease (COVID–19) outbreak declared by President Trump on March 13, 2020, under the National Emergencies Act

terminates. With this extension, this INT's effective date corresponds with the current effective dates of the CARES Act. Unless the outbreak under the National Emergencies Act terminates, this INT will automatically expire on January 2, 2022 (to include year-end 2021 financial statements reporting).

INT 20-07 Status

22. No further discussion is planned.

Application of the INT 20-07 Consensus

Example 1: Payment Holiday with Extension of Payment Term for SSAP No. 26R Instrument

A. Insurer modifies a debt instrument captured in scope of SSAP No. 26R to provide a payment holiday for 6-months in response to COVID-19. For the duration of the payment holiday, no payments are due, however the original maturity of the debt instrument has been extended from 10 years to 10 years and 6 months, with all terms and conditions remaining the same except for the payment holiday.

B. The amount of restructuring is considered insignificant as it results in a less than 10% shortfall in the contractual amount due.

C. At the time of the restructuring, fair value has dropped below amortized cost.

D. At the time of the restructuring, the reporting entity believes it is probable that the reporting entity will collect all amounts due in accordance with the modified terms of the debt instrument. Furthermore, the reporting entity does not intend to sell the instrument.

Example 1 - Application of INT 20-07

1. As this modification only extends the duration 6-months and results in a less than 10% shortfall in the contractual amount due, pursuant to the practical expedients in INT 20-07, the modification is considered insignificant and not a concession under SSAP No. 36. As this modification is not a concession, accounting and reporting as a troubled debt restructuring is not required.

2. As this modification is less than 10% of the contractual cash flows, pursuant to the practical expedients in INT 20-07, further assessment is not required to determine whether the modification is more than minor under SSAP No. 103R. As such, the modification shall not be reported as an extinguishment and a new debt instrument.

3. As the reporting entity believes it is probable that they will collect all amounts due in accordance with the modified terms of the debt instrument, no other-than-temporary impairment recognition is required under SSAP No. 26R. Future assessments of impairment will be based on the modified terms of the debt instrument.

Example 2: Reduction of Covenant Terms for SSAP No. 43R Instrument

A. Insurer modifies a debt instrument captured in scope of SSAP No. 43R to eliminate covenant terms in response to COVID-19. For the remainder of the maturity of the debt instrument, the covenant terms will reflect the modification incorporated in response to COVID-19. There has been no changes to the debt instrument with the exception of the covenant requirements.

B. At the time of the restructuring, fair value has dropped below amortized cost.

C. At the time of the restructuring, the reporting entity has the intent and ability to hold debt instrument to recover the amortized cost basis. Additionally, the reporting entity has not identified that a non-interest related decline exists.

Example 2 - Application of INT 20-07

1. As this modification only pertains to covenant components (and not the amount or timing of payments), pursuant to the practical expedients in INT 20-07, the modification is considered insignificant and not a concession under SSAP No. 36. As this modification is not a concession, accounting and reporting as a troubled debt restructuring is not required.

2. As this modification does not change the contractual cash flows, pursuant to the practical expedients INT 20-07, further assessment is not required to determine whether the modification is more than minor under SSAP No. 103R. As such, the modification shall not be reported as an extinguishment and a new debt instrument.

3. As the reporting entity has the intent and ability to hold the debt security to recover the amortized cost basis, and they have not identified a non-interest related decline, an other-than-temporary impairment is not required under SSAP No. 43R.

Example 3: Reduction in Interest Rate and Covenants for SSAP No. 26R Debt Security

A. Insurer modifies a debt instrument captured in scope of SSAP No. 26R in response to COVID-19 to eliminate interest payments for a 12-month timeframe, and to eliminate covenant requirements for the same 12-month timeframe. This change will represent an 11% shortfall of the contractual amount due.

B. At the time of the restructuring, fair value has dropped below amortized cost.

C. At the time of the restructuring, the reporting entity believes it is probable that the reporting entity will collect all amounts due in accordance with the modified terms of the debt instrument. Furthermore, the reporting entity does not intend to sell the instrument.

Example 3 - Application of INT 20-07

1. As this modification results with a 11% shortfall in the contractual amount due, the reporting entity cannot assume the change is insignificant, and therefore not a concession, under the practical expedients provided within this interpretation.

2. The reporting entity may continue to assess whether this modification is an insignificant change under paragraph 10 of SSAP No. 36. (If the reporting entity elects not to further assess for insignificance, then would proceed with considering the change as a concession.) If the reporting entity concludes that the change is insignificant, and therefore not a concession, then recognition as a troubled debt restructuring is not required. If the change is assessed as insignificant, although the change in cash flows exceeds 10%, the instrument does not need to be assessed as an exchange of debt instruments pursuant to SSAP No. 103R, paragraph 22. An OTTI is not required at the time of the modification if the reporting entity has the intent and ability to hold to recover the modified amortized cost basis and if the reporting entity has not identified that a non-interest related decline exists. Future assessments of impairment will be based on the modified terms of the debt instrument.

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3. If the reporting entity concludes that the change is not insignificant under paragraph 10 of SSAP No. 36, then the modification is a concession and further assessment as a troubled debt restructuring is required. Assuming there is no collateral, a realized loss shall be recognized for the difference between fair value and amortized cost. Subsequent to this realized loss recognition, future assessments of impairment will be based on the modified terms of the debt security.

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Draft: 1/8/21

Statutory Accounting Principles (E) Working Group
E-Vote
January 6, 2021

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force conducted an e-vote that concluded Jan. 6, 2021. The following Working Group members participated: Dale Bruggeman, Chair (OH); Kevin Clark, Vice Chair (IA); Richard Ford (AL); Kim Hudson (CA); William Arfanis (CT); Rylynn Brown (DE); Eric Moser (IL); Stewart Guerin (LA); Judy Weaver (MI); Doug Bartlett (NH); Bob Kasinow (NY); David Smith (VA); and Amy Malm (WI).

1. Exposed Agenda Item INT 20-03 and INT 20-07

On Dec. 27, 2020, the federal Consolidated Appropriations Act of 2021 was signed into law, which extended certain provisions of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. As the Working Group previously adopted two interpretations (INTs) specifically tied to the CARES Act, on Jan. 6, it conducted an e-vote to expose a possible extension of *INT 20-03: Troubled Debt Restructuring Due to COVID-19* and *INT 20-07: Troubled Debt Restructuring for Certain Debt Instruments Due to COVID-19* for a public comment period ending Jan. 22. A summary of the exposed INTs is as follows:

1) INT 20-03 – This INT clarifies that a modification of mortgage loan or bank loan terms in response to COVID-19 shall follow the provisions detailed in the April 7, 2020, "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus," and the provisions of the CARES Act in determining whether the modification shall be reported as a troubled debt restructuring. This INT has an effective date that mirrors the original CARES Act, and it terminated on Dec. 31, 2020. With a possible extension, the INT will be applicable through the earlier of Jan. 1, 2022, or the date that is 60 days after the date on which the national emergency concerning the COVID-19 outbreak terminates.

2) INT 20-07 – This INT provides temporary practical expedients in assessing whether modifications in response to COVID-19 are insignificant under *Statement of Statutory Accounting Principles (SSAP) No. 36—Troubled Debt Restructuring* and whether a modification shall be considered an exchange under *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. This INT has an effective date that mirrors the original CARES Act, and it terminated on Dec. 31, 2020. With a possible extension, the INT will be applicable through the earlier of Jan. 1, 2022, or the date that is 60 days after the date on which the national emergency concerning the COVID-19 outbreak terminates.

Mr. Arfanis made a motion, seconded by Mr. Guerin, to expose INT 20-03 and INT 20-07 for extension consideration. The motion passed unanimously.

Having no further business, the Statutory Accounting Principles (E) Working Group adjourned.

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Draft: 1/5/21

Statutory Accounting Principles (E) Working Group
E-Vote
December 28, 2020

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force conducted an e-vote that concluded Dec. 28, 2020. The following Working Group members participated: Dale Bruggeman, Chair (OH); Kevin Clark, Vice Chair (IA); Richard Ford (AL); Kim Hudson (CA); William Arfanis (CT); Stewart Guerin (LA); Judy Weaver (MI); Doug Bartlett (NH); Bob Kasinow (NY); Melissa Greiner (PA); David Smith (VA); and Amy Malm (WI).

1. INT 20-10

As directed by the Working Group during its Dec. 18 meeting, because public comments (Attachment One-C1) were supportive of adoption, the Working Group held an e-vote to consider adoption of *Interpretation (INT) 2020-10: Reporting Nonconforming Credit Tenant Loans*. This INT provides a limited-time exception on the reporting of nonconforming credit tenant loans (CTLs). The temporary exception allows for continued reporting on Schedule D Part 1 – Long-Term Bonds Owned December 31 of Current Year for nonconforming CTLs that are filed with the NAIC Securities Valuation Office (SVO) by Feb. 15, 2021. This provision only requires that an entity file the security with the SVO, not that the entity receive the SVO-assigned designation prior to submitting its 2020 annual statutory financial statements. If an entity does not file with the SVO by Feb. 15, 2021, the investment shall be reported on Schedule BA – Other Long-Term Invested Assets. CTLs reported on Schedule BA are not eligible to be reported with a credit-rating provider (CRP)-determined NAIC designation.

For nonconforming CTLs that have been filed with the SVO and retained on Schedule D Part 1, the reporting entity is required to disclose the total amount of nonconforming CTLs reported on Schedule D Part 1 on Note 1 as if it were a permitted practice. The reporting entity shall complete the permitted practice disclosures required by *Statement of Statutory Accounting Principles (SSAP) No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures.*

Additionally, this INT provides that nonconforming CTLs that have been previously reported on a different reporting schedule may remain on the prior reporting schedule, as there is no requirement to pursue SVO-assigned designations. Reporting entities that have previously reported nonconforming CTLs on Schedule D Part 1 that do not want to file with the SVO or do not want to disclose in Note 1 are permitted to reclassify these CTLs to Schedule B – Mortgage Loans or Schedule BA without NAIC designations.

The exceptions granted in this INT are only applicable for year-end 2020 statutory financial statements. Nonconforming CTLs that have been filed with the SVO and are reported on Schedule D Part 1 shall continue Note 1 reporting for each 2021 quarterly financial statement until an SVO-assigned designation is received. The provisions within this INT and the ability to continue reporting nonconforming CTLs on Schedule D Part 1 with an SVO-assigned NAIC designation are limited time exceptions that extend only to Oct. 1, 2021.

Mr. Arfanis made a motion, seconded by Mr. Kasinow, to adopt INT 20-10 (Attachment One-C2). The motion passed unanimously.

Having no further business, the Statutory Accounting Principles (E) Working Group adjourned.

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John Petchler, on behalf of PPiA Board of Directors

Lease-Backed Securities Working Group

December 22, 2020

Mr. Dale Bruggeman, Chairman
NAIC Statutory Accounting Principles Working Group
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Re: Ref #2020-24 INT 20-10, Reporting Nonconforming Credit Tenant Loans (CTLs)

Dear Mr. Bruggeman

The American Council of Life Insurers (ACLI)[1], Private Placement *investors* Association ("PP*i*A")[2], North American Securities Valuation Association ("NASVA")[3], and the Lease-Backed Securities Working Group[4] (collectively, "the undersigned") would like to thank the Statutory Accounting Principles Working

[1] The ***American Council of Life Insurers*** (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 94 percent of industry assets in the United States.

[2] The ***Private Placement Investors Association*** (PP*i*A) is a business association of insurance companies, other institutional investors, and affiliates thereof, that are active investors in the primary market for privately placed debt instruments. The association exists to provide a discussion forum for private debt investors; to facilitate the development of industry best practices; to promote interest in the primary market for privately placed debt instruments; and to increase accessibility to capital for issuers of privately placed debt instruments. The PP*i*A serves 44 member companies and works with regulators, NASVA, the American College of Investors Counsel, and the investment banking community to efficiently implement changes within the private placement marketplace. Learn more at www.usppia.com.

[3] The ***North American Securities Valuation Association*** (NASVA) is an association of insurance company representatives who interact with the National Association of Insurance Commissioners Securities Valuation Office to provide important input, and to exchange information, in order to improve the interaction between the SVO and its users. In the past, NASVA committees have worked on issues such as improving filing procedures, suggesting enhancements to the NAIC's ISIS electronic security filing system, and commenting on year-end processes. Find more information here

[4] The ***Lease-Backed Securities Working Group*** is an industry group consisting of insurance company investors, investment bankers, attorneys and advisors. The members of the group collectively have multiple decades of experience investing in, structuring and closing over $50 billion of lease-backed financings — including Credit Tenant Loans (CTLs), Ground Lease Financings (GLFs) and other rated lease-backed securities. Over the past 30 years, principals of our group have worked closely with the NAIC SVO to devise and clarify the CTL and GLF guidelines, as well as on related efforts including matters governed by SSAP 26 and SSAP 43R.

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Group (SAPWG) and NAIC Staff for the opportunity to comment on the exposed INT 20-10: Reporting Nonconforming Credit Tenant Loans.

The undersigned are supportive of SAPWG's changes to the original INT, exposed on November 28, 2020, which extend the time horizon under which the SVO may review non-conforming CTL (i.e., for commercial lease rated lease-backed securities which are not CTLs or GLFs) filings, allow insurers to hold such securities on Schedule D-1 for year-end 2020, so long as they disclose additional information in Annual Statement, Notes to Financial Statements, Note 1 – Summary of significant Accounting Policies ("Note 1"), and allow insurers the option to hold such securities on Schedule B or BA, if they do not wish to file for an NAIC designation and provide the Note 1 disclosures. These changes provide much needed time for industry to comply with the new filing requirements and increases the likelihood that the SVO may actually be able to assign ratings designations to some of these securities within the required timeframe. It also provides capital certainty and streamlined reporting for those insurers who choose not to pursue Schedule D-1 filings. We appreciate Regulators' and Staff's willingness to accommodate Industry's desire for additional time and capital relief.

As we move forward, investors may seek additional clarification from the SVO on whether or not a specific security needs to be filed. For instance, we note that there are many lease-backed securities which have been issued – either as public bonds or 144A's -- in the municipal taxable or tax-exempt markets which "[meet] the characteristics of a credit tenant loan". For these deals, the subject transactions may have been issued based on a prospectus or were issued many years ago, and investors may not have access to the underlying loan-level documentation. We hope that the SVO will be able to provide individual guidance to investors in such cases.

The undersigned stand ready to help communicate this exposure broadly across Industry and to work with the SVO to resolve any operational questions or challenges that may arise, as insurers begin to comply with these new rules.

Sincerely,

Mike Monahan
American Council of Life Insurers

Tracey Lindsey
Tracey Lindsey
NASVA

John Petchler
John Petchler
on behalf of PP*i*A Board of Directors

John M. Garrison
John M. Garrison
Lease-Backed Securities Working Group

cc: Charles Therriault, Director, Securities Valuation Office
Julie Gann, Assistant Director, Solvency Policy

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Interpretation of the Statutory Accounting Principles Working Group

INT 20-10: Reporting Nonconforming Credit Tenant Loans

INT 20-10 Dates Discussed

Evote to Expose November 18, 2020; December 18, 2020; Evote to Adopt December 28, 2020

INT 20-04 References

SSAP No. 43R—Loan-Backed and Structured Securities

NAIC Policy Statement on Coordination of the Accounting Practices and Procedures Manual and the Purposes and Procedures Manual of the Investment Analysis Office

INT 20-10 Issue

1. During the Statutory Accounting Principles (E) Working Group meeting on November 12, 2020, the Working Group discussed and deferred final decision on inconsistencies in the reporting of "nonconforming" credit tenant loans (CTLs) currently reported on Schedule D-1 and directed reporting exceptions for year-end 2020. Due to subsequent questions, this interpretation has been issued to detail the provisions provided and clarify the reporting of CTLs in the year-end 2020 statutory financial statements.

INT 20-10 Discussion

2. As detailed in agenda item 2020-24, some reporting entities have reported CTLs that do not qualify as "conforming" CTLs per the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) on Schedule D-1: Long-Term Bonds. CTLs that do not qualify under the P&P Manual structural requirements are noted as "nonconforming" CTLs. During the November 12 discussion, the Working Group deferred final guidance on the reporting of nonconforming CTLs. This deferral was supported as the Working Group has a separate project to assess investments that are captured on Schedule D-1. With this project, it was identified that it would be undesirable to require an investment that is currently being reported on Schedule D-1 to be moved to a different schedule if there was potential for that investment to subsequently qualify for Schedule D-1.

3. Although the Working Group deferred final conclusion on the reporting of nonconforming CTLs, it was identified that the long-standing guidance detailed in the P&P Manual only permits CTLs that met certain structural criteria, which is verified by the SVO, to be reported on Schedule D-1. Under this existing guidance, these conforming CTLs are also prohibited from using CRP ratings in determining NAIC designation but are required to utilize SVO-assigned NAIC designations obtained after the SVO verifies compliance with the structural elements. As such, to ensure that nonconforming CTLs are not provided more favorable provisions than conforming CTLs that meet structural requirements, the Working Group confirmed that only CTLs that are filed with the NAIC SVO by February. 15, 2021, shall be reported on Schedule D-1. Key aspects noted in this direction:

a. This direction is a limited-time exception to the *NAIC Policy Statement on Coordination of the Accounting Practices and Procedures Manual and the Purposes and Procedures Manual of the Investment Analysis Office* and shall not be inferred to other investments. Pursuant to the noted Policy Statement, obtaining an NAIC designation does not change an investment's applicable SSAP, annual or quarterly statement reporting schedule, or override other SSAP guidance required

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for the investment to be an admitted asset. Although nonconforming CTLs will be permitted to be reported on Schedule D-1 when filed with the SVO for future receipt of an SVO-assigned NAIC designation (even without meeting structural requirements), this is strictly a limited-time exception to prevent reporting schedule changes while a larger project on the scope of Schedule D-1 is considered.

b. The requirement to file the nonconforming CTL for an SVO-assigned NAIC designation for Schedule D-1 applies to all investments that represent credit tenant loans. It is not permissible for a reporting entity to classify an investment, which meets the characteristics of a credit tenant loan, as a different type of investment (for example, as a form of leased-backed security) for purposes of reporting the investment on Schedule D-1 without filing for an SVO-assigned NAIC designation.

c. The Working Group direction intends to only address nonconforming CTLs that have previously been reported on Schedule D-1 although they did not comply with the requirements of the P&P Manual. This direction is not intended to require, or permit, nonconforming CTLs that have been previously reported as mortgage loans (on Schedule B – Mortgage Loans) or as other invested assets (on Schedule BA – Other Long-Term Invested Assets) to be moved to a different reporting schedule. Nonconforming CTLs that have previously been reported on Schedule B or BA shall remain on that reporting schedule for the duration of this INT.

INT 20-10 Consensus

4. The Working Group reached a consensus to provide a limited time exception allowing nonconforming CTLs to continue to be reported on Schedule D-1 for year-end 2020 provided they have filed for an SVO-assigned NAIC designation. With the issuance of this interpretation, the Working Group confirmed the provisions and limitations detailed in paragraph 3, and summarized the resulting provisions below:

a. CTLs that qualify per the provisions of the P&P Manual are considered to be "conforming" CTLs and shall be reported on Schedule D-1 with the NAIC designation obtained from the SVO.

b. CTLs that do not qualify per the provisions of the P&P Manual to be "conforming" CTLs shall follow the accounting and reporting provisions detailed in the following subparagraphs. These CTLs are noted as "nonconforming CTLs."

i. Nonconforming CTLs that have previously been reported on Schedule D-1 may continue to be reported on Schedule D-1 for year-end 2020 if they have filed for an SVO-assigned NAIC designation. This provision only requires that an entity file the security with the SVO by February 15, 2021, not that the entity receive the SVO-assigned designation prior to submitting their 2020 annual statutory financial statements. If an entity does not file the security with the SVO by February 15, 2021, the investment shall be reported on Schedule BA. If reporting on Schedule BA, these CTLs shall not be reported with a credit-rating provider (CRP) determined NAIC designation. For nonconforming CTLs that have been filed with the SVO and retained on Schedule D-1, the reporting entity is required to disclose the total amount of nonconforming CTLs reported on Schedule D-1 on Note 1 as if it were a permitted practice. The reporting entity shall complete the permitted practice disclosures required by *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures,* with two separate entries that detail the nonconforming CTLs that were reported on D-1 on one line, and the nonconforming CTLs that were not reported on

Schedule BA on a separate line within this disclosure. (These lines will likely net to a zero impact to statutory surplus; therefore, the separate line reporting is required.)

ii. Nonconforming CTLs that have been previously reported on a different reporting schedule (e.g., Schedule B or Schedule BA) shall remain on the prior reporting schedule. There is no requirement for reporting entities to pursue SVO-assigned designations for these CTLs or disclose these nonconforming CTLs in Note 1. Furthermore, reporting entities that have previously reported nonconforming CTLs on Schedule D-1 that do not want to file with the SVO or that do not want to disclose in Note 1 pursuant to paragraph 4.b.i. are permitted to reclassify these CTLs to Schedule B or Schedule BA without NAIC designations.

5. The exceptions granted in this interpretation are applicable for the year-end 2020 statutory financial statement only. Nonconforming CTLs that have been filed with the SVO and are reported on Schedule D-1 shall continue the Note 1 reporting for each 2021 quarterly financial statement until an SVO-assigned designation is received. The provisions within this INT, and the ability to continue reporting nonconforming CTLs on Schedule D-1 with an SVO-assigned NAIC designation, are limited time exceptions that extend only to October 1, 2021. The exceptions provided in this INT shall not be interpretated to indicate the likely conclusion of the Working Group in determining the appropriate reporting schedule for nonconforming CTLs. All reporting entities shall be prepared to make adjustments to comply with the reporting schedule utilized for nonconforming CTLs upon final conclusion by the Working Group.

INT 20-10 Status

6. On November 18, 2020, the Statutory Accounting Principles (E) Working Group exposed this interpretation to provide a limited-time exception on the reporting of nonconforming CTLs. On December 18, 2020, the Working Group exposed revisions to this interpretation to allow continued D-1 reporting of nonconforming CTLs if they are filed with the SVO by February 15, 2021. With this provision, nonconforming CTLs reported on Schedule D-1 that have not received an SVO-assigned designation shall be disclosed in Note 1 as if a permitted practice. On December 28, 2020, the Working Group finalized action, via evote, to adopt the interpretation exposed December 18, 2020.

7. No further discussion is planned.

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Draft: 12/29/20

Statutory Accounting Principles (E) Working Group
Virtual Meeting
December 18, 2020

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force met Dec. 18, 2020. The following Working Group members participated: Dale Bruggeman, Chair (OH); Carrie Mears and Kevin Clark, Co-Vice Chairs (IA); Richard Ford (AL); Kim Hudson (CA); William Arfanis (CT); Rylynn Brown (DE); Kevin Fry (IL); Caroline Fletcher (LA); Kristin Hynes (MI); Doug Bartlett (NH); Bob Kasinow (NY); Kimberly Rankin (PA); Jamie Walker (TX); Doug Stolte and David Smith (VA); and Amy Malm (WI).

1. Reviewed Comments on Exposed Items

The Working Group held a public hearing to review comments (Attachment One-D1) on previously exposed items.

a. INT 20-11

Mr. Bruggeman directed the Working Group to *Interpretation (INT) 20-11: Extension of Ninety-Day Rule for the Impact of 2020 Hurricanes, California Wildfires and Iowa Windstorms*. He stated that in response to a higher catastrophe year, this INT provides a 60-day extension from the 90-day rule for uncollected premium balances, bills receivable, and amounts due from agents and for policies directly impacted by the noted 2020 hurricanes, California wildfires and Iowa windstorms. He stated that the INT expires Feb. 28, 2021, to allow for year-end 2020 application. In response to an inquiry from Mr. Bruggeman, Robin Marcotte (NAIC) stated that there were no comments received on this exposed INT. As this INT provides a temporary exception to the 90-day rule, the NAIC Policy Statement on Maintenance of Statutory Accounting Principles requires a two-thirds supermajority vote for adoption by the Working Group.

Ms. Malm made a motion, seconded by Mr. Hudson, to adopt INT 20-11, providing limited time exceptions to the 90-day rule in *Statement of Statutory Accounting Principles (SSAP) No. 6—Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due From Agents and Brokers* (Attachment One-D2). The motion passed unanimously. Ms. Marcotte stated that INT 20-11 will be publicly posted on the Working Group's webpage.

b. INT 20-10

Mr. Bruggeman directed the Working Group to *INT 20-10: Reporting Nonconforming Credit Tenant Loans (CTLs).* He stated that the Working Group met in public forum Nov. 12 and adopted guidance for the accounting and reporting of nonconforming CTLs for year-end 2020; however, due to inquiries received subsequent to that meeting, NAIC staff drafted the INT for clarity purposes and conducted an evote on Nov. 18 to expose the INT for public comment. (Attachment One-D3). As the INT reflects the Working Group's previous action, the adoption can occur with a single majority vote, whereas changes to the INT will require a two-thirds majority vote for adoption in accordance with the NAIC Policy Statement on Maintenance of Statutory Accounting Principles.

Julie Gann (NAIC) stated that the original agenda item, 2020-24 Accounting and Reporting of Credit Tenant Loans, was initially drafted in response to a Valuation of Securities (E) Task Force referral regarding the accounting and reporting of nonconforming CTLs, which had incorrectly been captured in Schedule D, Part 1, Long-Term Bonds Owned December 31 of Current Year. She stated that the original agenda item exposed two options for the reporting of nonconforming CTLs. The first option is to reaffirm that the reporting of conforming CTLs were in scope of *SSAP No. 43R—Loan-Backed and Structured Securities* to be reported on Schedule D, Part 1. However, this option clarified that the reporting of nonconforming CTLs should occur on either Schedule B as a mortgage loan or on Schedule BA as an other invested asset. The second option was to classify all CTLs on Schedule BA as an other invested asset. Ms. Gann stated that despite these two initial options, the Nov. 12 decision of the Working Group was to allow an exception for year-end reporting, permitting nonconforming CTLs to remain on Schedule D, Part 1 only if they receive an assigned designation from the NAIC Securities Valuation Office (SVO). She stated that this option is preferred by the Working Group so nonconforming CTLs would not receive better treatment than conforming CTLs, as conforming CTLs are required to be filed with the SVO and receive a designation. In this decision, nonconforming CTLs that do not receive an SVO designation for any reason are to be reported on Schedule BA subject to a 30% capital charge.

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Additionally, the Working Group decided that for entities reporting nonconforming CTLs on Schedules B or BA, continued reporting on these schedules should occur, and filing with the SVO would not be required.

Ms. Gann stated that comments received from the industry "Lease-Backed Securities Working Group" proposed several requests: 1) consideration that if the Working Group ultimately decides that nonconforming CTLs are in scope of SSAP No. 43R, they will remain filing exempt (FE), meaning the nonconforming CTLs can be reported with a credit rating provider (CRP) rating rather than require analysis by the SVO; 2) an extension of the Dec. 31, 2020, filing deadline for these types of securities; and 3) specifying that if nonconforming CTLs are moved to Schedule BA, they will be permitted to retain their bond-equivalent capital charge based on their current CRP ratings. In response to these requests, she stated that consideration on whether a nonconforming CTL would be FE eligible is a decision of the Valuation of Securities (E) Task Force, and it will not be in the purview of the Working Group. Additionally, the referenced Dec. 31, 2020, filing deadline was not published by either the SVO or in the INT. The prior discussion indicated only that the SVO designation would need to be received before the statutory financial statements are filed. Finally, NAIC staff did not recommend that the Working Group allow for bond-equivalent risk-based capital (RBC) charges on Schedule BA, as that would allow for reporting optionality. An entity could, in effect, choose which nonconforming CTLs to file with the SVO for Schedule D, Part 1 reporting and elect to report others on Schedule BA with an equivalent capital charge based on CRP ratings. Ms. Gann stated that additional comments, while not reflected in the hearing agenda due to the timing of receipt, were received from the Private Placement Investors Association (PPIA). The PPIA comments in the meeting attachments recommend delaying the proposal until after year-end 2020. If delaying is not an option, the PPIA would then recommend optionality in reporting on either Schedule D, Part 1 or Schedule BA. Finally, if neither of these options are acceptable, the PPIA would request that the Working Group consider that all nonconforming CTLs be reported on Schedule BA, with an RBC charge commensurate to the securities' CRP rating. Ms. Gann stated that reporting on Schedule BA with an RBC charge driven by a CRP rating was the original suggestion offered by NAIC staff on the Nov. 12 call; however, the motion that occurred for that action failed for lack of a second by the Working Group.

John Garrison (Lease-Backed Securities Working Group) stated appreciation for several previous Working Group decisions regarding the accounting and reporting of CTLs, including: 1) reporting conforming CTLs on Schedule D, Part 1; and 2) requesting analysis on whether the 5% uninsured residual asset risk threshold should be examined. He stated that the 5% threshold was established nearly 20 years ago; it was arbitrary at the time; and as other investment types possess residual risk greater than 5%, CTLs should benefit from a reexamination so that they are on an even playing field with other similar investment types. Additionally, he stated appreciation for the Working Group delay of the accounting and reporting determination of nonconforming CTLs until a final decision can be made regarding the definition of a bond in conjunction with the ongoing SSAP No. 43R/Schedule D, Part 1 project. He stated that in response to the requirement to file these investments with the SVO, many logistical issues have been discovered that are causing difficulties with filing. Examples include contracts not being in electronic form and in off-site storage to the length of documents, causing difficulty with submission to the SVO. Mr. Garrison stated that in addition, many reporting entities close their books early in January, which makes the requirement to receive an SVO-designation before filing not feasible for year-end 2020 reporting. He stated that due to year-end timing, combined with the logistical issues, and with the SVO having to designate an unknown number of nonconforming CTLs, the decision to require filing for 2020 is not feasible. He stated that with the proposal to move nonconforming CTLs to Schedule BA and be subject to a 30% capital charge, a charge equivalent to equity investments or default debt does not accurately reflect the economics of the transaction, as no evidence has been presented that these items have caused a negative credit or a solvency issue for a reporting entity. Additionally, many of these securities have been reported on Schedule D, Part 1 for up to 15 years, all without previous scrutiny or concern. Mr. Garrison stated in response to NAIC staff's comments regarding optionality in reporting, that he believes the SVO will determine Schedule D, Part 1 or Schedule BA reporting, not the reporting entity itself. He stated that the Lease-Backed Securities Working Group supports filing these items with the SVO; however, an interim 30% capital charge would be an unfair outcome. Mr. Fry, in response to an inquiry from Mr. Bruggeman, stated that if a deferral for year-end reporting is permitted, a deadline should be required for filing with the SVO, as all CTLs should require an NAIC SVO-assigned designation for 2021 reporting. Mr. Bruggeman stated that if deferred for year-end 2020, nonconforming CTLs should still be filed with the SVO by a filing deadline to be reported in the 2020 year-end financial statements on Schedule D, Part 1, even if the SVO has not provided the SVO-assigned designation.

Mr. Smith inquired about whether nonconforming CTLs are incorrectly being reported on Schedule D, Part 1 and whether a deferral would simply allow these items to improperly remain on Schedule D, Part 1. Mr. Bruggeman stated that through recent developments, it was discovered that nonconforming CTLs have been reported on Schedule D, Part 1, primarily due to an interpretation that these items, in good faith, are believed to be FE securities. Additionally, the timing required to receive an SVO-assigned designation, required for Schedule D, Part 1 reporting, is no longer feasible for year-end 2020. Mr. Bruggeman stated that the final result of the nonconforming CTL issue should be considered in conjunction with the ongoing SSAP No.

43R/Schedule D, Part 1 project. Ms. Gann stated that due to the legal structure of these investments being classified as securities, they are not eligible for *SSAP No. 37—Mortgage Loans*; thus, this caused uncertainty with their applicable SSAP and reporting location, with some reporting entities concluding that they were Schedule D, Part 1 eligible. In a response to an inquiry from Mr. Smith, Charles Therriault (NAIC) stated that a small number of nonconforming CTLs have been filed with the SVO, and more are anticipated. Mr. Arfanis stated support for deferral of a final decision regarding the reporting of nonconforming CTLs, but he would support special identification of such items in the year-end financial statements.

Sasha Kamper (American Equity), representing the PPIA, stated that the PPIA consists of 55 members, most of whom are U.S. domiciled insurance companies that invest regularly in the private placement debt market, including CTLs. She stated that the PPIA appreciates that the Nov. 12 Working Group call was an attempt to accommodate various industry requests; however, further review of the guidance has identified additional concerns. She stated that the INT requires insurers who have previously been carrying nonconforming CTLs on Schedule D, Part 1 to file all of these securities with the SVO immediately so that the SVO can review and decide whether to assign an NAIC designation to such securities on or before March 1, 2021. She stated that many reporting entities close their books in early January and would not be able to file the necessary documentation and receive a definitive answer in time to close the financial statements. Additionally, many records are in off-site storage or are so large that expediated filing with the SVO has proved difficult. Ms. Kamper also stated that there is industry concern regarding the SVO's ability to timely analyze and assign ratings for nonconforming CTLs. She stated that the SVO does not have an approved rating methodology, and when combined with the volume of details in each investment, difficulties in assigning a designation will occur. She stated that industry should be able to file all required documentation by the first quarter of 2021, and she would be supportive of a deferral until year-end 2021. She stated that the PPIA also has concerns regarding the proposed 30% capital charge if reported on Schedule BA, which would cause a major deterrent in the marketplace. She stated that these investments are not as volatile as equity investments, and they are akin to mortgage loans, which are only subject to a 5–7% capital charge. Requiring a 30% capital charge on a strong asset class would be punitive to investors. Ms. Kamper stated that in summary, the PPIA would support deferral or bifurcated reporting on Schedule D, Part 1 and Schedule BA with adjusted capital charge treatment, and if neither of these options were supported, she would request consideration for all nonconforming CTLs to be reported on Schedule BA with adjusted capital charge treatment. Mr. Bruggeman stated that he understands the PPIA's request as: 1) deferral with special identification of nonconforming CTLs in the year-end investment schedules; 2) bifurcated reporting on Schedule D, Part 1 (with an SVO-assigned designation) or Schedule BA with bond capital charge treatment; or 3) all nonconforming CTLs moved to Schedule BA with bond capital charge treatment. Mr. Garrison inquired about whether a capital charge "haircut" on Schedule BA could be considered, so if a bifurcated reporting approach is not approved by the Working Group, a capital charge less than 30% could be considered. Mr. Bruggeman stated that capital charges are not in the purview of the Working Group, and bifurcated reporting is not preferred, as it does allow for optionality in reporting. He stated that the main issue is for nonconforming CTLs to be reviewed with designations received from the SVO.

Mr. Clark stated that based on the responses received, the timing of filing remains the primary issue. He stated that from a long-term perspective, receiving SVO-assigned NAIC designations is the primary goal. However, in an effort to not overly complicate a solution, he said he would support deferral of this topic with a filing deadline that can be practically achieved in the current environment. In response to an inquiry from Mr. Fry, Ms. Gann stated that if the Working Group were to support Schedule BA reporting, a specific reporting line would be utilized to allow bond-like capital treatment based on the CRP rating; i.e., not subject to a 30% capital charge. Mr. Bruggeman stated that based on regulator discussions, Schedule D, Part 1 reporting does not appear to be the primary concern. The primary concern is related to the timing of filing and receipt of SVO-assigned designations. Mr. Bruggeman stated that a deferral could be considered with special identification of nonconforming CTLs in Note 1 of the financial statements. As this is a one-time special consideration, this note could be utilized to identify the amount of nonconforming CTLs reported in Schedule D, Part 1. This provision would only be allowed if the securities are filed for review, even if designations are not received before the statutory financial statements are filed with the NAIC. In response to an inquiry from Mr. Smith, Mr. Bruggeman stated that Schedule D, Part 1 reporting could be allowed with the continued use of Note 1 until the SVO has assigned a designation.

Mr. Bruggeman stated that due to the change in direction, he would recommend an exposure of a new INT documenting deferral of moving nonconforming CTLs from Schedule D, Part 1, subject to filing requirements. He stated that due to year-end, the timing of an exposure period would need to be minimal. Michael Monahan (American Council of Life Insurers—ACLI) stated that the ACLI would be supportive of an expedited exposure period of an INT supporting deferral of moving nonconforming CTLs from Schedule D, Part 1.

Ms. Gann electronically displayed a draft INT supporting deferral of moving nonconforming CTLs from Schedule D, Part 1. Mr. Bruggeman stated that he proposed a filing deadline of Feb. 15, 2021. As such, to continue reporting on Schedule D, Part

1, a reporting entity would have to file the nonconforming CTL with the SVO by Feb. 15, 2021. The INT only requires that an entity file the security with the SVO by Feb. 15, 2021, not that the entity receive the SVO-assigned designation prior to submitting their 2020 annual statutory financial statements. If an entity does not file the security with the SVO by Feb. 15, 2021, the investment shall be reported on Schedule BA, and it would not be reported with a CRP-determined NAIC designation, thus the CTL would be subject to a 30% capital charge. In addition, for nonconforming CTLs that have been filed with the SVO and retained on Schedule D, Part 1, the reporting entity is required to disclose the total amount of nonconforming CTLs reported on Schedule D, Part 1 in Note 1 as if it were a permitted practice. The reporting entity shall complete the permitted practice disclosures required by *SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures,* with two separate entries that detail the nonconforming CTLs that were reported on Schedule D, Part 1 on one line and the nonconforming CTLs that were not reported on Schedule BA on a separate line within this disclosure. Two lines are required in the disclosure to reflect the detail, as it is expected that there would be a net zero impact to statutory surplus. Ms. Gann stated that the INT also includes provisions for reporting entities that previously reported nonconforming CTLs on Schedule D, Part 1 that do not want to file with the SVO or do not want to disclose in Note 1. With the provisions, these entities are permitted to reclassify these CTLs to Schedule B or Schedule BA without NAIC designations. Ms. Gann stated that the effective date of the INT would apply for year-end 2020 and expire after third-quarter 2021 reporting.

Mr. Bruggeman stated that this INT would defer the final reporting schedule for nonconforming CTLs, but it would allow Schedule D, Part 1 reporting if the investments are filed with the SVO by the Feb. 15, 2021, deadline. Additionally, it would require Note 1 to be completed, detailing the amount of nonconforming CTLs reported in Schedule D, Part 1. He stated that to expedite potential adoption, if public comments are not contrary to adoption or do not propose significant edits, an email vote may occur. However, if substantial comments are received, a public call will be scheduled. Mr. Monahan stated that the INT will likely be conceptually supported, and it is not expected that industry would not provide substantial comments to the contrary. Mr. Clark made a motion, seconded by Mr. Hudson, to expose INT 20-10 for a public comment period ending Dec. 22. The motion passed unanimously.

Having no further business, the Statutory Accounting Principles (E) Working Group adjourned.

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Statutory Accounting Principles (E) Working Group
December 18 Conference Call
Comment Letters Received

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The Lease-Backed Securities Working Group

To: Dale Bruggeman, Chair of the Statutory Accounting Principles (E) Working Group

Re: Minutes of the November 12th Meeting of the Statutory Accounting Principals Working Group & Intepretation 20-10: Accounting and Reporting of Non-conforming Credit Tenant Loans

Dear Mr. Bruggeman:……

We have reviewed the minutes from the November 12th meeting of the Statutory Accounting Principles Working Group, and the Interpretation, INT 20-10, prepared by staff summarizing the conclusion that was reached in that meeting on the reporting of "non-conforming CTLs" (agenda item 2020-24). (For reference, we have attached an excerpt from the minutes to this letter.)

Based on our review, we note the following:

- The Interpretation correctly states the "the Working Group deferred final guidance on the reporting of non-conforming CTLs…as the Working Group has a separate project to assess investments that are captured on Schedule D-1. With this project it was identified that it would be undesirable to require an investment that is currently being reported on Schedule D-1 to be moved to a different schedule if there was the potential for that investment to subsequently qualify for Schedule D-1".

  In addition, with regard to the filing of existing transactions on investors books for the current calendar year, the Interpretation correctly states that "Nonconforming CTLs that have previously been reported on Schedule D-1 may continue to be reported on Schedule D-1 if they receive an SVO-assigned NAIC designation".

- The minutes include the requirement for "all nonconforming CTLs to be filed immediately with the SVO [in order] to remain on Schedule D-1……If the nonconforming CTLs are not filed or have not received an NAIC SVO designation before the March 1, 2021filing date, the securities shall be reported on Schedule BA."

However, we seek clarification on several issues:

1.) Based on the above, it seems clear that while no final decision is being made at this time, notwithstanding that some "nonconforming CTLs" – namely those that do not receive an SVO-assigned NAIC designation -- may be moved to Schedule BA for some interim period pending the outcome of the Schedule D-1 project (formerly the "43R Project"), that to the extent that so-called "nonconforming CTLs" are ultimately determined to be Schedule D-1 eligible bonds, they would then revert to Schedule D-1 as filing exempt securities if they have received an eligible CRP rating.

2) Not explicitly discussed in the November 12th meeting was the RBC charge to be assigned to those securities previously reported on Schedule D-1 and subsequently moved to BA. The Interpretation states that "these [BA] CTLs shall not be reported with a credit-rating provider (CRP) determined

The Lease-Backed Securities Working Group

NAIC designation." Presumably, based on this interpretation, those securities which are moved from Schedule D-1 to Schedule BA would receive a 30% RBC charge – equivalent to defaulted debt.

In addition, the Interpretation also states that "if an SVO-assigned designation cannot be obtained ***for any reason****, which includes situations in which the SVO determines that it cannot provide an NAIC designation…..*the investment shall be reported on Schedule BA".

Read literally, this raises the possibility that these performing assets could receive a 30% capital charge – equivalent to defaulted debt – for any number of reasons, including an inability on the part of investors to meet the filing deadline -- or simply the inability of the SVO to get to certain transactions by the March 1st deadline. This would be unfairly punitive to a performing asset class, and patently unfair to insurance company investors who have been reporting these transactions as Schedule D-1 investments in good faith for years.

3.) With regard to timing, we note that the SVO just posted – on December 4, 2020 – its filing instructions for these transactions. The instructions are for Conforming CTLs (not Non-Conforming CTLs, for which no current form exists) run to eight pages and include the requirement to provide the SVO with all the major legal documents related to a transaction, including appraisals, environmental reports, etc. – a document package that could run to hundreds of pages of legal and other documents. For many investors with old deals on their books, these documents may be stored off-site, and even if available, are often not in electronic form. It may not be possible for investors to compile and make copies of and submit all these documents in the short time available. Our group has received many inquiries from investors who have not been following the CTL discussion closely, and who are confused about exactly what they are required to do – even as to what constitutes a "non-conforming CTL".

We note further that in the November 12 meeting, Chairman Fry made the comment that "It's important that these [non-conforming CTLs] don't get put on BA and have a 30% capital charge put on them – I don't think we're recommending that."

In a recent conversation we had with Chairman Fry, he suggested that an alternative to this outcome would be to move the non-designated transactions to Schedule BA, but that they would continue to receive their bond equivalent capital charges based on their current CRP ratings.

We would ask the Working Group to consider the following:

1.) That the final decision as to the appropriate accounting and reporting requirements for the "non-conforming CTL" transactions will be included in and made part of the Schedule D-1 Project (formerly the "43R Project) and that to the extent that so-called "nonconforming CTLs" are ultimately determined to be Schedule D-1 eligible bonds, they would then revert to Schedule D-1 as filing exempt securities if they have received an eligible CRP rating.
2.) To amend the Interpretation to specify that those transactions which are re-classified to Schedule BA for the current reporting year be allowed to be reported using their bond-equivalent capital charges based on their current CRP ratings, pending the final outcome of the Schedule D-1 project.

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The Lease-Backed Securities Working Group

3.) Extending the December 31st deadline for investors to submit these securities to the SVO,

We would ask the Working Group to consider amending the Interpretation to reflect the foregoing points.

Realizing that approval of the current language in the Interpretation may occur via an "e-mail vote", there is limited opportunity for discussion or for us to raise this issue with the members of the Working Group. However, our goal – as always – is to make sure that the system operates as fairly and transparently as possible for all participants, and to avoid creating confusion in the markets. We would hope that the members of the Working Group would have an opportunity to discuss our comments in advance of a final approval vote on the "Interpretation".

We thank you for considering our comments.

John Garrison,

On behalf of the Lease-Backed Securities Working Group

Attachment:

From the minutes for the November 12, 2020 SAP Working Group Meeting:

> "*Mr. Fry made a motion, seconded by Mr. Clark, to require all nonconforming CTLs to be immediately filed with the SVO to remain on Schedule D-1. However, Schedule BA reporting will be required for those who are unable or will not file. Charles Therriault (NAIC) stated that while the SVO would consider an existing nationally recognized statistical rating organization's (NRSRO's) report for nonconforming CTLs, the SVO has not developed a methodology for assigning designations to such items. Mr. Bruggeman stated the motion included all the following elements: 1) confirm that conforming CTLs will remain in scope of SSAP No. 43R and reported on D-1; 2) direct a referral to the SVO to request information on the residual risk percentage permitted to be considered a conforming CTL; and 3) permit nonconforming CTLs filed with the SVO that receive an SVO-assigned NAIC designation to be reported on Schedule D-1. If the nonconforming CTLs are not filed or have not received a NAIC SVO designation before the March 1, 2021, filing date, the securities shall be reported on Schedule BA. The motion passed unanimously.*"

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PPiA
Private Placement *investors* Association

John Petchler, *President,* ***on behalf of the PPiA Board of Directors***

December 15, 2020

Mr. Dale Bruggeman, Chair
Ms. Carrie Mears, Vice-chair
NAIC Statutory Accounting Principles (E) Working Group ("SAPWG")
1100 Walnut Street
Suite 1500
Kansas City, MO 64106-2197

Dear Mr. Bruggeman and Ms. Mears:

The Board of Directors of the Private Placement Investors Association ("PPiA") appreciates the opportunity to provide comment on "INT 20-10: Reporting Nonconforming Credit Tenant Loans." Such investments are held by many of our 55 member companies, most of whom are US-domiciled insurance companies that invest regularly in the private placement debt market, including in Credit Tenant Loans ("CTLs").

The PPiA understands that this exposure is an interpretation of discussion from a mid-November SAPWG meeting and resulted from NAIC Staff's and Regulators' desire to work with insurers to find a temporary solution for reporting non-conforming CTLs and to possibly provide capital relief. We know that the NAIC has been in multi-year discussions with Industry regarding these securities, and we appreciate your genuine willingness to accommodate insurers' needs and look for a mutually agreeable solution. That said, we do have two concerns around the non-conforming CTL proposal which we will detail below. We would also like to offer a solution which we believe would help alleviate both concerns and help move the process forward.

Timing

The interpretation requires insurers who have previously been carrying non-conforming CTLs on Schedule D-1 to file all of these securities with the SVO immediately, so that the SVO can review and decide whether to assign an NAIC designation to such securities on or before March 1, 2021. This timing is challenging, as it results in a major reporting change and significant new filing requirements for insurers right before year-end. It also places a significant burden on the SVO staff to review and attempt to assign designations to such securities in a short time window.

The PPiA has begun telegraphing these new rules to our member companies; however, the change has resulted in multiple questions and a lot of confusion around which deals need to be filed, what is required to be filed as supporting documentation, the timing of such filings, whether the ruling was intended to be prospective or retrospective, and what criteria the SVO will use to assign designations to these investments. Given the nature and volume of questions, we expect that there will be a variety of inconsistent responses from insurers at year-end, with some complying fully with the new proposal, some complying partially but perhaps without a full

understanding of which CTLs are necessary to file, and some not even aware of the new requirements. The fact that certain insurers will be allowed to continue carrying these securities on Schedule B or BA, while others must file for Schedule D-1 treatment and then hold on Schedule BA, if the SVO cannot assign a designation for any reason, only adds to this confusion.

Other challenges include assembling the documents needed to support the filings. Some of these securities have been on insurers' books for 15+ years, and insurers may not have documentation stored electronically, such that it's easy to upload requirements into the NAIC's systems. In these situations, insurers are forced to retrieve documents from off-site paper storage warehouses, which takes time and reduces the likelihood that such filings can be submitted before year-end. This issue is exacerbated by the current work-from-home conditions under which most insurers are still operating.

The PPiA is also concerned that this will be a first-time filing for many of these securities, and that the requested list of supporting documents for such filings is extensive. (For example, once such transaction that the PPiA is currently aware of has a closing documents package from outside counsel that is 256MB and cannot be sent over email—instead, investors must access these files from an electronic DropBox.) While the PPiA appreciates the SVO's effort to try and review as many of these transactions as possible between now and March 1st, as a practical matter, we believe it will be extremely difficult for the SVO Staff to review most of these investments and assign designations in this short timeframe. The fact that the SVO currently has no rating methodology criteria in place to assess the risks associated with these securities compounds the difficulties. The PPiA is concerned that the SVO will either not be able to review many of these securities in the allotted timeframe, or that the SVO will be unable to designate such securities without some pre-existing rating methodology in place, and many of these deals will be relegated to Schedule BA reporting with onerous capital treatment (see RBC concerns below).

For the reasons stated above, the PPiA believes it would be best to delay implementation of the new rules from year-end 2020 into 2021. Industry is willing to begin filing all non-conforming CTLs with the SVO to provide transparency for Regulators, and we are willing to work with the SVO to discuss and develop a potential ratings framework in early 2021, so that many of these securities could be designated over the course of the full year. However, we believe that it is too late in the year to adopt new reporting requirements that could potentially have negative capital consequences for insurers, and we think that more time would allow a more thoughtful approach to review such securities and implement the new rules smoothly. As such, we would ask Regulators to consider delaying the reporting and RBC requirements change until year-end 2021. However, if Regulators are unwilling to delay implementation of such rules changes, then the PPiA would ask for relief on the RBC requirement as noted below.

RBC Requirements

As discussed above, the PPiA believes that these new interim rules will result in many of the non-conforming CTL transactions moving to Schedule BA, either because the SVO lacks sufficient time to review the investments, or because the SVO is unable to assign a designation without a pre-defined ratings methodology framework. The PPiA's interpretation of INT 20-10 is that such securities, if reported on Schedule BA, would be assessed a 30% C1 RBC charge. This capital charge is typically assigned to equity securities and limited partnership investments and seems overly conservative for securities which are—at worst—mortgages with a 20-year fixed-income cash

flow payment stream derived from an investment grade tenant(s). We note that the current discussions around non-conforming CTLs originated from a desire to provide capital relief for these securities, which were previously reported on the Schedule B (the commercial mortgage schedule). However, absent some form of additional capital relief, any non-conforming CTLs that are reported on Schedule BA would be forced to carry more than 5x the capital vs. if such securities were reported on Schedule B with the requisite commercial mortgage RBC charges. A 30% RBC C1 charge for these securities is not a desirable outcome for PPiA members or for their respective policyholders. Therefore, we would ask that SAPWG make an exception to allow any non-conforming CTLs reported on Schedule BA to carry bond RBC treatment, based on the credit ratings assigned to such securities by a CRP. We understand that such a request is a departure from historical NAIC policy regarding CTLs and would be a temporary exception, limited to only non-conforming CTLs, but we believe such an exception makes sense, given the tight timing for implementing these new rules, and given that this issue will be revisited later, in conjunction with projects to rewrite SSAP No. 43R and to provide a more robust definition of a bond in the SSAPs.

The PPiA understands that some Regulators may be uncomfortable with allowing some non-conforming CTLs to be carried on Schedule D-1 (those for which the SVO assigns a designation), while allowing other non-conforming CTLs to be reported on Schedule BA, yet still carry a bond RBC charge. Such Regulators have stated a preference for an "either/or" approach, rather than providing insurers with "the best of both worlds" (i.e. Schedule D for some securities, and Schedule BA with bond RBC charges for others). If this is truly the case, and Regulators can only see fit to approve one reporting option that grants bond RBC treatment for non-conforming CTLs, then the PPiA requests that all non-conforming CTLs be reported on Schedule BA with the exception granted for bond RBC treatment, based on assigned CRP ratings. The PPiA feels strongly that a 30% RBC charge is a punitive outcome and not appropriate for the risk associated with these securities. As such, we would prefer less punitive capital treatment for the full universe of these securities rather than Schedule D-1 reporting for some (but not all) non-conforming CTLs.

The PPiA shares the NAIC's desire to provide clarity around this issue and to move forward. We hope to work constructively with the NAIC Staff and with Regulators to develop a final solution that is mutually agreeable and reasonably reflects/reports the risks associated with non-conforming CTLs. However, it is our strong desire to avoid equity RBC treatment for any of these securities—particularly so close to year-end. We would be very appreciative if NAIC Staff and SAPWG would give serious consideration to our proposal, and we stand prepared to answer any questions or offer help, if needed.

Sincerely,

John Petchler

John Petchler, PPiA President, on behalf of the PPiA Board of Directors

CC: Ms. Julie Gann, Assistant Director—Solvency Policy

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Interpretation of the Statutory Accounting Principles Working Group

INT 20-11: Extension of Ninety-Day Rule for the Impact of 2020 Hurricanes, California Wildfires and Iowa Windstorms

INT 20-11 Dates Discussed

December 8, 2020; December 18, 2020

INT 20-11 References

SSAP No. 6—Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due From Agents and Brokers

INT 20-11 Issue

1. In the second half of 2020, the United States was impacted by several hurricanes in the Gulf Coast region, California Wildfires, and Iowa had a series of catastrophic straight-line windstorms. These events have resulted in loss of life and property, the extent to which is currently not known. State regulators and insurers are taking action to provide policyholders affected by these disasters with the support and understanding that is deserved.

2. This issue concerns consideration of allowing a fourth quarter 2020 temporary extension of the 90-day rule for uncollected premiums to insurers for policies in U.S. jurisdictions where a state of emergency was declared as identified below. This interpretation is intended to only cover impacted policies in areas for which a state of emergency has been declared by either the states, U.S. territories or federal government and which is noted on the Federal Emergency Management Agency (FEMA) website for the identified disasters as described below:

   a. Hurricane Isaias, Hurricane Laura, Hurricane Sally, Hurricane Delta, Hurricane Zeta and Hurricane Eta and the related tropical storms or flooding from these six named hurricanes.

   b. California Wildfires which were declared a disaster on or after August 1, 2020, some of which are ongoing during the fourth quarter 2020.

   c. Iowa straight-line windstorms impacted policies in the counties in which a state of disaster was declared in August 2020.

INT 20-11 Discussion

3. The Working Group reached a consensus for a one-time optional extension of the ninety-day rule for uncollected premium balances, bills receivable for premiums and amounts due from agents and policyholders required per SSAP No. 6, paragraph 9, as described within this paragraph.

   a. The exception applies to policies in effect as of the declaration of a state of emergency for the disasters described in paragraph 2.

   b. Insurers with policies in areas impacted by the disasters described in paragraph 2, which would be overdue by greater than ninety days (90) on December 31, 2020, may wait until February 28, 2021, before nonadmitting premiums receivable from those policies.

   c. Existing impairment analysis remains in effect for these affected policies.

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4. The Working Group noted that a temporary sixty day (60) extension had previously been provided for other nationally significant disasters including *INT 18-04: Extension of Ninety-Day Rule for the Impact of Hurricane Florence and Hurricane Michael*; *INT 17-01: Extension of Ninety-Day Rule for the Impact of Hurricane Harvey, Hurricane Irma and Hurricane Maria; INT 13-01: Extension of Ninety-Day Rule for the Impact of Hurricane/Superstorm Sandy;* and *INT 05-04: Extension of Ninety-day Rule for the Impact of Hurricane Katrina, Hurricane Rita and Hurricane Wilma.* For this interpretation, as it encompasses a number of different disasters, the dates of emergency declarations vary. Therefore, for ease of application, the sixty-day extension applies to all uncollected premiums more than 90 days overdue from impacted policies at year-end 2020 and expires prior to the first quarter 2021 financial statements.

5. Due to the short-term nature of the applicability of this extension, which expires February 28, 2021, this interpretation will be publicly posted on the Statutory Accounting Principles (E) Working Group web page. This interpretation will be automatically nullified on March 1, 2021, and will be included as a nullified INT in Appendix H – Superseded SSAPs and Nullified Interpretations in the "As of March 2021" *Accounting Practices and Procedures Manual*.

INT 20-11 Status

6. No further discussion is planned.

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Draft: 12/16/20

Statutory Accounting Principles (E) Working Group
E-Vote
November 18, 2020

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force conducted an e-vote that concluded Nov. 18, 2020. The following Working Group members participated: Dale Bruggeman, Chair (OH); Kevin Clark, Co-Vice Chair (IA); Richard Ford (AL); Kim Hudson (CA); William Arfanis (CT); Rylynn Brown (DE); Eric Moser (IL); Stewart Guerin (LA); Judy Weaver (MI); Doug Bartlett (NH); Bob Kasinow (NY); David Smith (VA); and Amy Malm (WI).

1. Exposed INT 20-10T

The Working Group conducted an e-vote to consider exposure of *Interpretation 20-10: Reporting Nonconforming Credit Tenant Loans* (INT 20-10). This tentative interpretation clarifies the action from the Working Group's Nov. 12 meeting, which permits continued Schedule D-1: Long-Term Bond reporting for nonconforming credit tenant loans (CTLs) if the reporting entity obtains a Securities Valuation Office (SVO)-assigned NAIC designation. (As a nonconforming CTL, the instrument does not qualify for Schedule D-1 reporting in accordance with the legal and structural requirements detailed in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* [P&P Manual].) This temporary provision provides an exception to the NAIC *Policy Statement on Coordination of the Accounting Practices and Procedures Manual (AP&P Manual) and the P&P Manual*, which is explicit that an NAIC designation from a credit analysis (and not a structural assessment) does not change an investment's applicable Statement of Statutory Accounting Principles (SSAP) or reporting schedule. In addition to clarifying that nonconforming CTLs that had previously been reported on Schedule D-1 can continue this reporting with an SVO-assigned designation, the interpretation also specifies that nonconforming CTLs that had previously been reported on a different reporting schedule shall continue to report on the prior reporting schedule. As such, there is no requirement for reporting entities to pursue SVO-assigned designations for those CTLs.

This tentative interpretation is applicable for the year-end 2020 statutory financial statements and through the first three quarters of 2021 (expiring on Oct. 1, 2021). This time frame was provided to allow for continued discussion of the Schedule D-1 project, with the Working Group determining the appropriate reporting schedule for nonconforming CTLs. It is highlighted that all reporting entities shall be prepared to make adjustments to comply with the reporting schedule concluded by the Working Group as the appropriate reporting location for nonconforming CTLs.

Mr. Clark made a motion, seconded by Mr. Arfanis, to expose INT 20-10T for a public comment period ending Dec. 4, 2020. The motion passed unanimously.

Having no further business, the Statutory Accounting Principles (E) Working Group adjourned.

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Draft: 12/15/20

Statutory Accounting Principles (E) Working Group
E-Vote
December 8, 2020

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force conducted an e-vote that concluded Dec. 8, 2020. The following Working Group members participated: Dale Bruggeman, Chair (OH); Kevin Clark, Co-Vice Chair (IA); Richard Ford (AL); Kim Hudson (CA); William Arfanis (CT); Rylynn Brown (DE); Eric Moser (IL); Stewart Guerin (LA); Judy Weaver (MI); Doug Bartlett (NH); Bob Kasinow (NY); David Smith (VA); and Amy Malm (WI).

1. Exposed INT 20-11

The Working Group conducted an e-vote to consider exposure of *Interpretation 20-11: Extension of Ninety-Day Rule for the Impact of 2020 Hurricanes, California Wildfires and Iowa Windstorms* (INT 20-11). This tentative interpretation provides a 60-day extension from the 90-day rule for uncollected premium balances, bills receivable, and amounts due from agents and for policies directly affected by the noted 2020 hurricanes, California wildfires and Iowa windstorms. This temporary relaxation of the 90-day rule for directly affected policies is similar to previous extensions that have been granted for other major national storms and hurricanes.

For this interpretation, as it encompasses a number of different disasters, the dates of emergency declarations vary. Therefore, for ease of application, the 60-day extension applies to uncollected premiums more than 90 days overdue from affected policies at year-end 2020, and it expires prior to the first quarter of 2021 financial statements on Feb. 28, 2021.

Mr. Guerin made a motion, seconded by Mr. Clark, to expose INT 20-11. The motion passed unanimously.

Having no further business, the Statutory Accounting Principles (E) Working Group adjourned.

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Statutory Accounting Principles (E) Working Group
March 15 Interim Meeting
Comment Letters Received

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COMMISSIONER OF SECURITIES & INSURANCE

MATTHEW M. ROSENDALE, SR.
COMMISSIONER
AUDITOR

OFFICE OF THE
MONTANA STATE

Scott,

December 4, 2020

cc: Statutory Accounting Principles Working Group

This is one of my final letters as the Montana Insurance Commissioner as my fellow Montanans have honored me with the privilege of representing them in the United States House of Representatives. I will continue to champion our state-based system of insurance regulation while I am a member of Congress.

With that noted, I do have a concern as I close out my term as Insurance Commissioner: the proposed changes to the SSAP 71. There is no reason to change the current SSAP 71 accounting principle. There has been no policyholder peril, fraud, or company financial impairment by using SSAP 71 as currently allowed since 1998.

I believe the changes being proposed constitute a significant change in application of this statutory accounting principle and therefore should be deemed a substantive change under the SSAP guidelines. The Statutory Accounting Principles Working Group (SAPWG) continues to conclude that the proposed changes simply clarify the intent of the working group, but the proposed changes would significantly change the way some companies report certain commission arrangements. These companies have been reporting these arrangements the same way for decades without, as far as I have been informed, any harm to policyholders.

Efforts to fix something that isn't broken often have negative consequences, whether intentional or not. As a former state legislator and as an incoming federal legislator, I have always been a strong proponent for closely following appropriate processes and not taking shortcuts.

I encourage the SAPWG to take the necessary steps to study this issue further and give proposed substantive changes the appropriate attention they deserve.

Sincerely,

Matt Rosendale

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January 22, 2021

Mr. Dale Bruggeman, Chairman
Statutory Accounting Principles Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

RE: Items Exposed for Comment by the Statutory Accounting Principles Working Group on November 12, 2020 with Comments due January 22, 2021

Dear Mr. Bruggeman:

Interested parties appreciate the opportunity to comment on the exposure drafts released for comment by the NAIC Statutory Accounting Principles (E) Working Group (the Working Group). We offer the following comments:

INT 20-03: Troubled Debt Restructuring Due to COVID-19

This interpretation was effective for the specific purpose to address loan modifications in response to COVID-19. Consistent with the CARES act, this interpretation was only applicable for the term of the loan modification, but solely with respect to any modification, including a forbearance arrangement, interest rate modification, a repayment plan and other similar arrangement that defer or delays the payment of principal or interest for a loan that was not more than 30 days past due as of December 31, 2019. As determined in the CARES Act, this interpretation was originally only applicable for the period beginning on March 1, 2020 and ending on the earlier of December 31, 2020, or the date that was 60 days after the date on which the national emergency concerning the novel coronavirus disease (COVID–19) outbreak declared by the President on March 13, 2020 under the National Emergencies Act (50 U.S.C. 1601 et seq.) terminates.

On December 27, 2020, President Trump signed into law the *Consolidated Appropriations Act, 2021,* which slightly modified and extended the original CARES Act. These modifications included extending the provisions for temporary relief from troubled debt restructurings. Accordingly, on January 6, 2021, the provisions in this INT were tentatively extended to be applicable through the earlier of January 1, 2022 or the date that is 60 days after the date on which the national emergency concerning the novel coronavirus disease (COVID–19), outbreak declared by the President on March 13, 2020 under the National Emergencies Act terminates. With this extension, this INT's effective date corresponds with the current effective dates of the CARES Act. Unless the outbreak under the National Emergencies Act terminates, this INT will automatically expire on January 2, 2022 (to include year-end 2021 financial statements reporting).

Interested parties support the continued consistency with the Cares Act.

INT 20-07: Troubled Debt Restructuring of Certain Debt Investments Due to COVID-19

This interpretation was originally effective for the specific purpose to provide practical expedients in assessing whether modifications in response to COVID-19 are insignificant under SSAP No. 36 and in assessing whether a change is substantive under SSAP No. 103R. This interpretation will only be applicable for the period beginning on March 1, 2020 and ending on the earlier of December 31, 2020, or the date that is 60 days after the date on which the national emergency concerning the novel coronavirus disease (COVID–19) outbreak declared by the President on March 13, 2020 under the National Emergencies Act (50 U.S.C. 1601 et seq.) terminates. For clarity, this effective timeframe specifies when modifications in response to COVID-19 can be incorporated using the provisions of this interpretation. Once incorporated, the provisions of this interpretation will continue for the duration of the modification.

On December 27, 2020, President Trump signed into law the *Consolidated Appropriations Act, 2021,* which slightly modified and extended the original CARES Act. These modifications included extending the provisions for temporary relief from troubled debt restructurings. Accordingly, on January 6, 2021, the provisions in this INT were tentatively extended to be applicable through the earlier of January 1, 2022 or the date that is 60 days after the date on which the national emergency concerning the novel coronavirus disease (COVID–19), outbreak declared by the President on March 13, 2020 under the National Emergencies Act terminates. With this extension, this INT's effective date corresponds with the current effective dates of the CARES Act. Unless the outbreak under the National Emergencies Act terminates, this INT will automatically expire on January 2, 2022 (to include year-end 2021 financial statements reporting).

Interested parties support the continued consistency with the Cares Act.

Ref #2019-24: Levelized and Persistency Commission

On November 12, 2020, the Working Group held a hearing to receive comments and based on those comments, took the following actions:

- Re-exposed the prior version of SSAP #71 with certain edits: – (1) the proposed effective date of Jan.1, 2021 was changed to be effective upon adoption, and (2) the revised text made explicit that the proposed revisions will apply to contracts in effect as of the date of adoption.

- Determined that the revisions to SSAP #71 met the due process for either a substantive or a non-substantive revision but concluded to keep the revision classified as nonsubstantive. The Working Group reiterated that it is not the impact of a change on an individual entity that determines whether a change is substantive or non-substantive, but whether the revision is in line with the original intent of the SSAP. The Working group noted that this is a clarification of existing guidance consistent with original intent. (Commissioner Donelon noted an objection to the classification as non-substantive.)

- Directed NAIC Staff to draft an Issue Paper to document the discussion on this topic for historical purposes.

Interested parties would like to again thank the Working Group for the opportunity to continue to comment on the most recent revisions to exposure Ref #2019-24 – Levelized and Persistency Commission (SSAP No. 71, Policy Acquisition Costs and Commissions) discussed on November 12, 2020 (the "Exposure").

These comments begin with industry comments regarding the Working Group's most recent revisions to the Exposure:

Paragraph #5 new comments pertain to the sentence below:
Having a third party pay commission costs to the selling agent is strong evidence of a potential funding arrangement which shall be recognized as a liability because the substance of the arrangement indicates that repayment is reasonable and probable, even if a contingency has been incorporated into the funding arrangement, until ~~unless~~the underlying policy has been cancelled.

The Working Group has made a change to the last phrase of this sentence that still does not provide clarity as to its meaning and to the sentence as a whole. Assuming that the phrase refers to the contingency noted in the previous phrase within the sentence, industry disagrees with wording that creates a blanket statement across all third-party agreements with regard to recognizing a liability similar to a funding agreement. During the entire exposure/revision process, interested parties has consistently stated that agreements which include traditional elements such as persistency as part of a legally binding commission contract should be excluded from the funding agreement treatment as was provided in the original (current) SSAP No. 71 wording. If the last phrase "until the underlying policy has been cancelled" pertains to the recognition of the liability, it seems that the wording does not contemplate even a partial repayment of the liability during the period when the policy is active.

Paragraph #7 new comments pertain to the following:
The nonsubstantive revisions adopted TBD date regarding levelized commission are to clarify the original intent of this statement and apply to existing contracts ~~are effective~~ in effect on the date of adoption of the revisions ~~January 1, 2021~~.

Industry has consistently maintained that there has been a long-standing industry practice to link third party contracts to insurance elements such as persistency, including commission arrangements, reinsurance contracts, etc. Removing this link as has been indicated in the Working Group revisions is a substantive change. As such, we do not agree with the language in paragraph #7 that calls the revisions nonsubstantive and we disagree that such changes should be put in effect immediately upon adoption since they are substantive in nature and require further evaluation.

Certain of the third-party contracts noted above are complex and not quite as simple as the description of levelized commissions in the most recent draft of the Exposure. The Exposure depicts a simple arrangement whereby the insurer repays a third party over time, with interest, for making upfront heaped commissions to agents. This does not consider, for example, certain third-party contracts for which the insurer pays the third-party trail commissions based upon account value in-force in exchange for performing many contractual agency services other than simply funding and making upfront payments to selling agents. Such complex contracts require sufficient time to allow insurers to work with their state of domicile to determine the correct application of the revised guidance with respect to contracts which the regulator has already approved. Then, if establishment of a liability is indeed required, additional time would be necessary to calculate such an accrual and review with external auditors prior to reporting the change on a quarterly or annual statement. For these reasons, and as you suggested, Chairman Bruggeman, we propose that the revisions within the Exposure be adopted with an effective date no sooner than 12/31/21.

Comments previously made on existing revisions included for purposes of documentation:

Paragraph #4, most recent exposure:
4. Levelized commissions occur in situations where agents receive normal (non-level) commissions with payments made by a third party. It is intended, but not necessarily guaranteed, that the amounts paid to the agents by the third party would ultimately be repaid (with interest explicit or implied) to the third party by levelized payments (which are less than the normal first year commissions but exceed the normal renewal commissions) from the reporting entity. (Note: levelized repayments made by the reporting entity extend the repayment period but might not be a straight-line repayment.) These transactions are, in fact, funding agreements between a reporting entity and a third party, regardless of how the payment to the third party is characterized. The continuance of the stream of payments specified in the levelized commission contract is a mechanism which attempts to bypass

recognition of those expenses which are ordinarily charged to expense in the first year of the contract. Consequently, the normal link between the persistency of the policy, the continuance of the premium payment or the maintenance of the agent's license with the reporting entity is not maintained with respect to the payment stream.

Paragraph #4, most recent exposure with highlighted edits:

4. Levelized commissions occur in situations where agents receive normal (non-level) commissions with payments made by a third party. It is intended, but not necessarily guaranteed, that the amounts paid to the agents by the third party would ultimately be repaid (with interest explicit or implied) to the third party by levelized payments (which are less than the normal first year commissions but exceed the normal renewal commissions) from the reporting entity over time. (Note: levelized repayments made by the reporting entity ~~extend the repayment period~~ but might not be a straight-line repayment.) In instances where the levelized commission is not tied to, or contingent upon, traditional elements such as policy persistency or premium payments, these transactions are, in fact, funding agreements between a reporting entity and a third party, ~~regardless of how the payment to the third party is characterized~~ when the contract between the reporting entity and the third party has no substance but to defer commission payments by the reporting entity. The continuance of the stream of payments specified in the levelized commission contract in these situations is a mechanism ~~which attempts~~ to bypass recognition of those expenses which are ordinarily charged to expense in the first year of the contract. Consequently, the normal link between the persistency of the policy, the continuance of the premium payment or the maintenance of the agent's license with the reporting entity is not maintained with respect to the payment stream.

Industry proposes to replace a large section of paragraph #5, including the Working Group recent revisions, with more concise language that expresses the need to establish a liability when an arrangement is in substance a funding agreement. The current revisions are lengthy and somewhat redundant. Industry continues to disagree with the current revisions which too broadly state that all third-party arrangements, even those with traditional insurance elements, are considered funding arrangements. Industry retained the concept of the link between the accrual of commissions and traditional elements such as policy persistency.

Excerpt from paragraph #5, most recent exposure requested to be deleted:

~~Arrangements that use a third party to pay agents who write policies for the reporting entity and the insured can be an attempt to de-link the relationship between the insurer and those agents and defer or levelize the acquisition commissions. The insurance reporting entity is required to recognize the full amount of earned commission costs to the direct policy writing agents even if those costs are paid indirectly to the agents by a third party through the use of levelized commission, or similar arrangement, which is in substance a funding arrangement. Having a third party pay commission costs to the selling agent is strong evidence of a potential funding arrangement which shall be recognized as a liability because the substance of the arrangement indicates that repayment is reasonable and probable, even if a contingency has been incorporated into the funding arrangement, until the underlying policy has been cancelled. A third party structure cannot recharacterize (e.g. by referencing policy persistency) and delay recognition of liabilities for initial sales commission owed from the writing of policies regardless of how a third-party arrangement is structured with regards to the timing of payment from the insurer. The amount owed for full initial sales commission shall be recognized immediately as the writing of an insurance contract is the event that obligates the insurer, and such action shall occur consistently among insurers. As such, this recognition is required regardless if the insurer owes a selling agent directly or if a third-party has been contracted to provide payment to the selling agent.~~

Interested parties highlighted wording to replace the above excerpt from paragraph #5:

The reporting entity is required to recognize the full repayment amount of earned commission costs by the direct policy writing agents even if those costs are paid indirectly by a third party through the use of levelized commission, or similar arrangement, which is in substance a funding arrangement. Recognition of those commission costs and recording a liability is required in such arrangements that are not linked to or contingent upon traditional elements. Such treatment shall occur consistently among insurers.

Summary:

Since its initial exposure in August 2019, industry has had concerns with the substantive nature of the proposed revisions and has consistently expressed these concerns.

- The last paragraph of the current SSAP No. 71 states: "The use of an arrangement where commission payments are not linked to traditional elements such as premium payments and policy persistency, but rather are linked to the repayment of an advance amount requires the establishment of a liability for the full amount of the unpaid principal and accrued interest which is payable to a third party related to levelized commissions." This wording was revised to instead explicitly include arrangements linked to traditional elements with those that have no substance other than to link to the repayment of an advance amount. This is clearly a substantive change and not clarifying the original intent. It is a change to the intent.

- The current revisions require the accrual of a liability in situations that are inconsistent with the guidance SSAP No. 5R. Under a levelized commission program a third party has the obligation for the full initial sales commission. The insurer's obligation under a levelized commission program that incorporates persistency should be accrued to the extent of legally contracted amounts owed. We do not believe the original intent of the SSAP required accruing for amounts that are not yet due and that may never be due. We strongly feel that the recognition of an obligation based on persistency is in accordance with the principles of SSAP 5R.

- The interpretation of SSAP No.71 that persistency is the obligating event for accrual of the levelized/persistency commissions is long standing industry practice that has been subject to both independent audits and state insurance department examinations without this interpretation being raised as an issue nor requiring adjustments to the companies' financial statements.

- The current proposed language does not address the many varying product/distribution compensation arrangements in the industry and interested parties continue to believe this will cause unintended consequences.

- The existing SSAP No. 71 guidance is consistent in the application of persistency being part of the transfer of the risk(liability) to another party. If the lapse risk(persistency) is transferred to another party, the liability that the insurance company may have is also transferred to that party and the insurance company has no liability. Removing persistency as a factor in the accrual of commissions is a dangerous precedent. The differentiation between commissions based on real insurance risks versus payments based solely upon the passage of time in SSAP No. 71 goes directly to the risk transfer issue of one type of level commissions versus another. The proposed additional language eliminates this differentiation.

Conclusion:

Industry continues to maintain that the revisions exposed have changed the original intent of SSAP No. 71 and do not believe that they are nonsubstantive. Removing insurance elements from the determination of obligating events of third-party commission contracts may set a precedent that will have significant unintended consequences. As such, interested parties request that the Working Group consider these comments and proposed revisions. In addition, we request that this exposure be categorized as substantive, and given due process and an effective date.

Ref #2019-34: Related Parties, Disclaimers of Affiliation and Variable Interest Entities

The Working Group exposed this agenda item, with detailed revisions to SSAP No. 25, as detailed in a draft labeled with the date of November 12, 2020.

That draft contained proposed revisions intended to address the following key aspects:

- Clarify the identification of related parties and ensure that any related party identified under U.S. GAAP or SEC reporting requirements would be considered a related party under statutory accounting principles.

- Clarify that non-controlling ownership over 10% results in a related party classification regardless of any disclaimer of control or disclaimer of affiliation.

- Clarify the impact of a disclaimer of control or disclaimer of affiliate under SAP. As detailed, such disclaimers impact holding company group allocation and reporting as an SCA under SSAP No. 97, but do not eliminate the classification as a "related party" and the disclosure of material transactions as required under SSAP No. 25.

- Proposes rejection of several U.S. GAAP standards addressing variable interest entities.

On December 10, 2020, some members of interested parties and NAIC staff had a conference call to discuss the November 12th draft and possible edits to address concerns that the draft unintentionally impacted passive investments held by insurers in addition to investment in insurers. Staff amended the draft to address these concerns and is taking the updated draft back to the Working Group for its consideration.

Interested parties thank the staff for meeting with industry and in working to address our concerns.

Ref #2020-22: Accounting for Perpetual Bonds

The Working Group exposed revisions to *SSAP No. 26R—Bonds* to clarify that perpetual bonds are within scope as a "bond," and shall apply the yield-to-worst concept. Additionally, perpetual bonds that do not possess or no longer possess a call feature shall follow fair value reporting.

Interested parties appreciated the opportunity to work directly with NAIC staff on this topic. After reviewing the modified proposal, we have one remaining comment, which has already been discussed with NAIC Staff. In paragraph 9, the proposal reads as follows:

> "New Footnote: For perpetual bonds with an effective call option, any applicable premium shall be amortized to the next effective call date. For perpetual bonds purchased at a discount, any applicable discount shall be accreted utilizing the yield-to-worst concept."

We recommend the language be "fine-tuned" as it implies those with a remaining premium would be amortized to the next effective call date. The language regarding amortization should be aligned with other bonds and reference the use of the yield to worst method, not the next effective call date. We suggest the following wording:

> "New footnote: For perpetual bonds with an effective call option, any applicable premium shall be amortized utilizing the yield-to-worst method."

Ref #2020-32: SSAP No. 26R - Disclosure Update

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *SSAP No. 26R—Bonds* to expand the called bond disclosures to also include bonds terminated early through a tender offer.

Interested parties have no comments on this item.

Ref #2020-33: SSAP No. 32R – Publicly Traded Preferred Stock Warrants

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *SSAP No. 32R—Preferred Stock* and *SSAP No. 86—Derivatives* to scope publicly traded preferred stock warrants into SSAP No. 32R with accounting at fair value.

Interested parties have no comments on this item.

Ref #2020-34: SSAP No. 43R – Government-Sponsored Enterprises – Credit Risk Transfer Transactions

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *SSAP No. 43R—Loan-Backed and Structures Securities* to incorporate minor scope modifications to reflect recent changes to the STACR and CAS programs. The proposed edits would allow credit risk transfer securities from Freddie Mac and Fannie Mae to remain in scope of SSAP No. 43R when a REMIC structure is used in the STACR program or CAS program.

Interested parties have no comments on this item.

Ref #2020-35: SSAP No. 97 – Audit Opinions

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed this agenda item with a request for comments on the extent in which situations exist that hinder admittance of 8.b.iii. entities due to the inability to quantify a departure from U.S. GAAP.

Interested parties is not aware of any situations that hinder admittance of 8.b.iii entities due to the departure of U.S. GAAP as a result of the inability to quantify the departure.

Ref #2020-37: Separate Account – Product Identifiers

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed the agenda item to solicit comments from state insurance regulators and industry regarding the degree of product identifying details needed to adequately assess the product features and reserve liabilities in the separate account. Particularly, this is requesting feedback on how to obtain increased product identifier reporting granularity in question 1.01 (product mix) of the separate account general interrogatories (GI 1.01). Additionally, feedback is requested regarding if a threshold should be established for when aggregate reporting would be permitted.

In response to the solicitation of feedback on additional product identifiers specifically for PRT and RILA transactions in the Separate Account General Interrogatories, the ACLI suggests adding a PRT and RILA product identifier. See example identifiers in bold:

1	Not Registered with SEC		
Product Identifier	2 Private Placement Variable Annuity	3 Private Placement Life Insurance	4 Other (Not PPVA or PPLI)
Pension Risk Transfer Group Annuities			
All Other Group Annuities			
Registered Index Linked Annuities Individual Annuities			
All Other Individual Annuities			
Life Insurance			
Totals			

The addition of these identifiers would bifurcate out PRT and RILA transactions. Further, the use of these additional identifiers would show in General Interrogatory 1.01 if there were guarantees associated with these different products.

Ref #2020-38: Pension Risk Transfer – Separate Account Disclosure

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed the agenda item to solicit comments from state insurance regulators and industry regarding possible modifications to *SSAP No. 56—Separate Accounts* specific to pension risk transfer (PRT) products. Depending upon the feedback received, the Working Group would have several options available including, but not limited to, requiring the separate identification of pension risk transfer products (including transactions, guarantees, reserve assumptions, etc.) within existing disclosure requirements or the addition of a new general interrogatory (and perhaps new separate accounting reporting schedules / exhibits) to separate specific product detail that was previously reported in an aggregated format.

Pension risk transfer transactions differ from other separate account transactions in that PRT products are group products, not individual products. The American Council of Life Insurers believes that these differences are adequately addressed in the current disclosure requirements of SSAP No. 56 – Separate Accounts. Specifically, paragraphs 31c and 33a include disclosure requirements for products with guarantees, which may include PRT transactions. Further, these disclosure requirements extend to the General Account Annual Statement Note 35B. Additionally, the proposal above on Ref# 2020-37 will provide additional detail for PRT products in the General Interrogatories.

We believe that the current disclosures sufficiently capture PRT transactions however, we defer to the Working Group and regulators if these groups voice concern that they are not able to discern something specific.

Ref #2020-39: Interpretation Policy Statement Updates

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *NAIC Policy Statement on Maintenance of Statutory Accounting Principles* in *Appendix F—Policy Statements* regarding the issuance and adoption of accounting interpretations.

Based upon interested parties' discussion with NAIC staff and our understanding of the objective of the changes to *NAIC Policy Statement on Maintenance of Statutory Accounting Principles* in *Appendix F—Policy Statements* (Appendix F), we've marked up Appendix F with edits that clarify the policy for issuing interpretations which amend, supersede, or conflict with existing SSAPs (please see attached). Specifically, the interested parties' proposed revisions clarify that such interpretations are temporary and restricted to circumstances requiring immediate, temporary guidance such as catastrophes or other emergencies. We believe the marked Appendix F is consistent with the intent to use interpretations in limited circumstances. Our proposed revisions explicitly establish that interpretations are not intended as a shortcut to bypass the deliberative process for amending existing statutory accounting guidance or developing new guidance.

Ref #2020-40: Clarification of Prescribed Practices

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed proposed revisions to the Preamble Implementation Questions and Answers to clarify prescribed practices. These revisions clarify that while any state in which a company is licensed can issue prescribed practices, the prescribed practices directed by the domiciliary state shall be reflected in the financial statements filed with the NAIC and are the financial statements subject to the independent audit requirements.

Interested parties are concerned that the discussion of prescribed and permitted practices in this proposal are likely to cause confusion. An insurer's annual and quarterly statutory statements that are filed with the state of domicile

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and all states the insurer is licensed are prepared in accordance with the accounting practices prescribed or permitted by the state of domicile. However, in addition to the financial statements required by the domiciliary state, a non-domiciliary state in which the company is licensed may require an insurer to file supplemental financial information that require or allow the use of different accounting practices in the supplementary filing than provided in the AP&P manual. We believe the proposal should be amended to clarify that if a non-domiciliary state in which the company is licensed requires or allows a practice by state statute / bulletin (or other state-wide provision) in such **supplemental financial information** that is different from NAIC SAP, that practice(s) is also considered a prescribed practice. We recommend changes to the proposed wording to clarify these points (please see attached).

Ref #2020-41: ASU 2020-06 - Convertible Instruments

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets*, *SSAP No. 72—Surplus and Quasi-Reorganizations* and *SSAP No. 86—Derivatives*, to reject *ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* for statutory accounting.

Interested parties have no comment on this item.

Ref #2020-42: ***ASU 2020-07 - Presentation and Disclosures by Not-for-Profit Entities***

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject *ASU 2020-07, Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* as not applicable to statutory accounting.

Interested parties have no comment on this item.

* * *

Thank you for considering interested parties' comments. If you have any questions in the interim, please do not hesitate to contact us.

Sincerely,

D. Keith Bell Rose Albrizio

cc: NAIC staff
Interested parties

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Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A

Issue: Interpretation Policy Statement Updates

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	☒	☒	☒
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue: This agenda item proposes edits to Appendix F of the *NAIC Policy Statement on Maintenance of Statutory Accounting Principles,* clarifying the requirements regarding the issuance and adoption of accounting interpretations.

Existing Authoritative Literature:

NAIC Policy Statement on Maintenance of Statutory Accounting Principles (Appendix F) documents the requirements of interpretation issuances and adoptions.

Development of Interpretations to SSAPs and Referencing Interpretations Within SSAPs

9. Interpretations will be developed to address, but will not be limited to issues requiring timely application or clarification of existing SAP, which shall not amend, supersede or conflict with existing, effective SSAPs. Issues being considered as an interpretation must be discussed at no less than two open meetings. (Original introduction of the issue when the Working Group identifies the intent to address the issue as an "interpretation" during a public discussion is considered the first open meeting discussion.) The process must allow opportunity for interested parties to provide comments, but as interpretations are intended to provide timely responses to questions of application or interpretation and clarification of guidance, no minimum exposure timeframe is required.

10. The voting requirement to adopt an interpretation is a simple majority. As interpretations do not amend, supersede or conflict with existing SSAP guidance, the interpretation is effective upon Working Group adoption unless specifically stated otherwise. The Working Group shall report the adopted interpretation to the Task Force as part of its public report during the next NAIC national meeting (or earlier if applicable). Interpretations can be overturned, amended or deferred only by a two-thirds majority of the Task Force membership.

11. In rare circumstances, the Working Group may adopt an interpretation which creates new SAP or conflicts with existing SSAPs. Historically, these interpretations temporarily modified statutory accounting principles and/or specific disclosures were developed in response to nationally significant events (e.g., Hurricane Sandy, September 11, 2001). In order to adopt an interpretation that creates new SAP or conflicts with existing SSAPs, the Working Group must have 67% of its members voting (10 out of 15 members) with a super majority (7 out of 10, 8 out of 11 or 12, 9 out of 13, 10 out of 14, or 11 out of 15) supporting adoption. These interpretations can be adopted, overturned, amended or deferred only by a two-thirds majority of the Task Force membership.

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12. As new SSAPs are developed, it is essential to review and, if necessary, update the status of interpretations related to SSAPs that are being replaced and/or new SSAPs being developed. The following options are available to the Working Group when a SSAP with existing interpretations is replaced:

a. **Interpretation of the new SSAP -** If the Working Group would like to maintain the interpretation, the new SSAP can be added to the list of statements interpreted by the interpretation. In addition, the status section of the new SSAP will list the interpretation number next to the heading "Interpreted by."

b. **Nullification** - When an interpretation is nullified by a subsequent SSAP or superseded by another interpretation, the interpretation is deemed no longer technically helpful, is shaded and moved to Appendix H (Superseded SSAPs and Nullified Interpretations), and the reason for the change is noted beneath the interpretation title. The status section of the SSAP describes the impact of the new guidance and the effect on the interpretation (for example, nullifies, incorporated in the new SSAP with paragraph reference, etc.).

c. **Incorporation** - When an interpretation is incorporated into a new SSAP, the Working Group can choose from the following two options:

i. If the interpretation only interprets one SSAP, then the interpretation is listed as being nullified under the "affects" section of the SSAP and is not referenced under the "interpreted by" section of the status page of the SSAP.

ii. If the interpretation references additional SSAPs, and the Working Group intends to maintain the guidance, the interpretation is unchanged (no nullification). The new SSAP (Summary of Issue section) reflects that the interpretation issue has been incorporated into the new statement.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group: None

Convergence with International Financial Reporting Standards (IFRS): N/A

Staff Recommendation: NAIC staff recommends that the Working Group move this item to the active listing, categorized as nonsubstantive and expose clarifying revisions to *NAIC Policy Statement on Maintenance of Statutory Accounting Principles* in Appendix F regarding the issuance and adoption of accounting interpretations.

Development of Interpretations to SSAPs and Referencing Interpretations Within SSAPs

Interpretations which DO NOT amend, supersede, or conflict with existing SSAPs

9. Interpretations ~~will~~ may be developed to address~~, but will not be limited to~~ issues requiring timely application or clarification of existing SAP, which shall not amend, supersede or conflict with ~~existing,~~ effective SSAPs. Issues being considered as an interpretation must be discussed at no less than two open meetings. (Original introduction of the issue when the Working Group identifies the intent to address the issue as an "interpretation" during a public discussion is considered the first open meeting discussion.) The process must allow opportunity for interested parties to provide comments, but as interpretations are intended to provide timely responses to questions of application or interpretation and clarification of guidance, no minimum exposure timeframe is required.

10. ~~The voting requirement to adopt an interpretation is a simple majority.~~ As these interpretations do not amend, supersede or conflict with existing SSAP guidance, the interpretation is effective upon Working Group adoption, unless specifically stated otherwise. The voting requirement to adopt an interpretation of this type is a simple majority. The Working Group shall report the adopted interpretation to the Accounting Practice and Procedures (E) Task Force as part of its public report during the next NAIC national meeting (or earlier if applicable). Interpretations can be overturned, amended or deferred ~~only~~ by a two-thirds majority of the Task Force membership. For clarification, a two-thirds majority of the Task Force requires two-thirds of the entire Task Force membership, not just those electing to vote. Additionally, interpretations can be overturned, amended, deferred, or referred to either the Task Force and/or the Working Group by a simple majority of the Financial Condition (E) Committee.

Interpretations which amend, supersede, or conflict with existing SSAPs

11. In ~~rare~~ certain circumstances such as catastrophes or emergencies requiring immediate, temporary statutory accounting guidance, the Working Group may adopt an interpretation which creates a new SAP or conflicts with existing SSAPs. Historically, these interpretations temporarily modified statutory accounting principles and/or specific disclosures were developed in response to nationally significant events (e.g., Hurricane Sandy, September 11, 2001). Interpretations that conflict with existing SSAPs shall be temporary guidance and restricted to circumstances arising from the need to issue guidance for circumstance requiring immediate, temporary guidance. In order to adopt an interpretation that creates new SAP or conflicts with existing SSAPs, the Working Group must have 67% of its members voting (10 out of 15 members) with a super majority (7 out of 10, 8 out of 11 or 12, 9 out of 13, 10 out of 14, or 11 out of 15) supporting adoption.

a. These interpretations are effective upon Working Group adoption, unless stated otherwise, and shall be reported to the Accounting Practice and Procedures (E) Task Force as part of its public report during the next NAIC national meeting (or earlier if applicable). In circumstance where the Working Group adopts an interpretation (which creates new SAP or conflicts with existing SSAPs) that is controversial in nature (i.e., due to regulator or industry feedback or could have a policy level impact), the Working Group may elect to postpone the effective date until the item has been discussed by the Task Force and the Financial Condition (E) Committee and both have had an opportunity to review the interpretation.

b. These interpretations can be ~~adopted~~ overturned, amended or deferred by a two-thirds majority of the Task Force membership. For clarification, a two-thirds majority of the Task Force requires two-thirds of entire Task Force membership, not just those electing to vote. Additionally, interpretations can be overturned, amended, deferred, or referred to either the Task Force and/or the Working Group by a simple majority of the Financial Condition (E) Committee.

Staff Review Completed by: Jim Pinegar, NAIC Staff – August 2020

Status:
On November 12, 2020, the Statutory Accounting Principles (E) Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *NAIC Policy Statement on Maintenance of Statutory Accounting Principles* in *Appendix F—Policy Statements* regarding the issuance and adoption of accounting interpretations, as illustrated above.

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Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A

Issue: Clarification of Prescribed Practices

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	☒	☒	☒
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue:
This agenda item intends to clarify the definition and application of prescribed practices. This issue has been presented in response to questions received on existing references in the NAIC *Accounting Practices & Procedures Manual* (AP&P). In summary:

- Each state insurance department has the authority to regulate any insurance company that is licensed in their state. The AP&P Manual is not intended to preempt states' legislative and regulatory authority.

- The financial statements filed with the NAIC and subject to independent audit, pursuant to *Model Law 205: Annual Financial Reporting Model Regulation* shall be in accordance with practices prescribed or permitted by the domiciliary state.

- However, in addition to the financial statements required by the domiciliary state, a non-domiciliary state in which the company is licensed may require an insurer to file supplemental financial information that require or allow the use of different accounting practices in the supplementary filing than provided in the AP&P manual. ~~Ideally, t~~To prevent reporting entities from having to file ~~different~~ financial statements or reports prepared on different basis of accounting with differen~~ting~~ states, the practices permitted or prescribed by a domiciliary state will be accepted in all states in which a company is licensed. However, as noted above, the provisions of the AP&P Manual are not intended to preempt states' legislative or regulatory authority. Accordingly, each state in which a company is licensed could require supplemental financial information that requires or allows statutory accounting practices that differ from the AP&P manual. If a non-domiciliary state in which the company is licensed requires or allows a practice by state statute / bulletin (or other state-wide provision) in such supplemental financial information that is different from NAIC SAP, that practice(s) is also considered a prescribed practice. If the company files supplemental financial information that reflect this practice(s), even if the supplemental financial information is filed only in the non-domiciliary state, then the prescribed practice disclosure of Note 1 shall apply.

Examples of two possible situations:

Scenario 1: Non-domiciliary State A issues a state statute / bulletin that requires the filing of supplemental financial information and which requires the use of a prescribed accounting practice for all companies that are licensed and doing business within State A. Domiciliary State B does not issue a comparable state statute / bulletin.

Scenario 1 Conclusion: The reporting entity shall file statutory financial statements with their domiciliary state and the NAIC in accordance with the statutory accounting practices permitted or prescribed by the domiciliary state (State B). (These financial statements would be subject to the

independent audit requirements per Model 205.) The reporting entity also shall file separate supplemental financial information with State A in accordance with the accounting practice mandated by that non-domiciliary state but shall include the prescribed practice disclosure of Note 1 in the supplemental financial information.

Scenario 2: Non-domiciliary State A issues a state statute / bulletin that allows an accounting practice for all companies that are licensed and doing business within State A. Domiciliary State B does not issue a comparable state statute / bulletin.

Scenario 2 Conclusion: The reporting entity shall file statutory financial statements with their domiciliary state and the NAIC in accordance with the statutory accounting practices permitted or prescribed by the domiciliary state (State B). (These financial statements would be subject to the independent audit requirements per Model 205.) The reporting entity then has the ability, but is not required, to file supplemental financial information in State A that reflects the accounting practice prescribed by that non-domiciliary state and shall include the prescribed practice disclosure of Note 1 in the supplemental financial information.

Existing Authoritative Literature:

Preamble

12. Codification is not intended to preempt state legislative and regulatory authority. While Codification is expected to be the foundation of a state's statutory accounting practices, it may be subject to modification by practices prescribed or permitted by a state's insurance commissioner. Statutory financial statements will continue to be prepared on the basis of accounting practices prescribed or permitted by the states. As a result, in 1998 the AICPA's Insurance Companies Committee determined that it will not be necessary for the Auditing Standards Board to grant the Codification status as an OCBOA since it will not be the sole basis for preparing statutory financial statements. Further, auditors will be permitted to continue to provide audit opinions on practices prescribed or permitted by the insurance department of the state of domicile.

Preamble Questions and Answers
Permitted Practices Advance Notification Requirement – Implementation Questions and Answers

2. Q: What is the difference between a permitted accounting practice and a prescribed practice?

A: **Permitted** accounting practices include practices specifically requested by an insurer that depart from NAIC Statutory Accounting Principles (SAP) and state prescribed accounting practices, as described below, and have received approval from the insurer's domiciliary state regulatory authority.

Prescribed accounting practices are those practices that are incorporated directly or by reference by state laws, regulations and general administrative rules applicable to all insurance enterprises domiciled in a particular state. The NAIC AP&P Manual is not intended to preempt states' legislative and regulatory authority.

If a reporting entity requests an accounting practice that differs from state prescribed accounting practices, but is in accordance with NAIC SAP, advance notice of approval is not required.

The NAIC Model laws do not contain a definition of "prescribed practice," but references to prescribed practices are noted in the Model laws below. These are provided as reference. There are no revisions proposed to the Model Laws:

Model 205 – Annual Financial Reporting Model Regulation

Section 6 - Designation of Independent Certified Public Accountant

B. The insurer shall obtain a letter from the accountant, and file a copy with the commissioner stating that the accountant is aware of the provisions of the insurance code and the regulations of the Insurance Department of the state of domicile that relate to accounting and financial matters and affirming that the accountant will express his or her opinion on the financial statements in terms of their conformity to the statutory accounting practices prescribed or otherwise permitted by that Insurance Department, specifying such exceptions as he or she may believe appropriate.

Model 450 – Insurance Holding Company System Model Regulation with Reporting Forms and Instructions

Item 12. Financial Statements and Exhibits

The annual financial statements of the applicant shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position of the applicant and the results of its operations for the year then ended, in conformity with generally accepted accounting principles or with requirements of insurance or other accounting principles prescribed or permitted under law. If the applicant is an insurer which is actively engaged in the business of insurance, the financial statements need not be certified, provided they are based on the Annual Statement of the person filed with the insurance department of the person's domiciliary state and are in accordance with the requirements of insurance or other accounting principles prescribed or permitted under the law and regulations of the state.

Model 785 – Credit for Reinsurance Model Law

Section 4. Qualified U.S. Financial Institutions

4.c. Maintains at least $250 million in capital and surplus when determined in accordance with the NAIC Accounting Practices and Procedures Manual, including all amendments thereto adopted by the NAIC, excluding the impact of any permitted or prescribed practices; and is

Model 787 – Term and Universal Life Insurance Reserve Financing Model Regulation

Section 6. The Actuarial Method

B. Valuation used for Purposes of Calculations

For the purposes of both calculating the Required Level of Primary Security pursuant to the Actuarial Method and determining the amount of Primary Security and Other Security, as applicable, held by or on behalf of the ceding insurer, the following shall apply: (1) For assets, including any such assets held in trust, that would be admitted under the NAIC Accounting Practices and Procedures Manual if they were held by the ceding insurer, the valuations are to be determined according to statutory accounting procedures as if such assets were held in the ceding insurer's general account and without taking into consideration the effect of any prescribed or permitted practices; and

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group: None

Convergence with International Financial Reporting Standards (IFRS): Not Applicable

Staff Recommendation:
NAIC staff recommends that the Working Group move this item to the active listing, categorized as nonsubstantive, and expose proposed revisions to the Preamble Implementation Questions and Answers to clarify prescribed practices. These revisions clarify that while any state in which a company is licensed can issue prescribed practices, the prescribed practices directed by the domiciliary state shall be reflected in the financial statements filed with the NAIC and are the financial statements subject to the independent auditor requirements. (NAIC staff do not believe revisions are necessary to paragraph 12 of the Preamble as that guidance does not limit practices to the domiciliary state and already confirms that the domiciliary state practices shall be reflected in the financial statements subject to audit. For reference paragraph 12 is below.)

> 12. Codification is not intended to preempt state legislative and regulatory authority. While Codification is expected to be the foundation of a state's statutory accounting practices, it may be subject to modification by practices prescribed or permitted by a state's insurance commissioner. Statutory financial statements will continue to be prepared on the basis of accounting practices prescribed or permitted by the states. As a result, in 1998 the AICPA's Insurance Companies Committee determined that it will not be necessary for the Auditing Standards Board to grant the Codification status as an OCBOA since it will not be the sole basis for preparing statutory financial statements. **Further, auditors will be permitted to continue to provide audit opinions on practices prescribed or permitted by the insurance department of the state of domicile**.

Proposed Revisions to the Preamble Questions and Answers:

2. Q: What is the difference between a permitted accounting practice and a prescribed practice?

A: **Permitted** accounting practices include practices specifically requested by an insurer that depart from NAIC Statutory Accounting Principles (SAP) and state prescribed accounting practices, as described below, and have received approval from the insurer's domiciliary state regulatory authority.

Prescribed accounting practices are those practices that are incorporated directly or by reference by state laws, regulations and general administrative rules applicable to all insurance enterprises domiciled and/or licensed in a particular state. The NAIC AP&P Manual is not intended to preempt states' legislative and regulatory authority. Prescribed accounting practices of the domiciliary state shall be reflected in the statutory financial statements filed with the NAIC. Non-domiciliary states may additionally require insurance entities licensed in their state to file **supplementary financial information that requires** or allows **the use of** different accounting practices in the **supplementary filing than provided in the AP&P manual**.

If a reporting entity requests an accounting practice that differs from state prescribed accounting practices, but is in accordance with NAIC SAP, advance notice of approval is not required.

Staff Review Completed by:
Julie Gann - NAIC Staff
July 2020

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Status:
On November 12, 2020, the Statutory Accounting Principles (E) Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed proposed revisions to the Preamble Implementation Questions and Answers to clarify prescribed practices, as illustrated above. These revisions clarify that while any state in which a company is licensed can issue prescribed practices, the prescribed practices directed by the domiciliary state shall be reflected in the financial statements filed with the NAIC and are the financial statements subject to the independent audit requirements.

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Statutory Accounting Principles (E) Working Group

We have reviewed the revised proposed changes to SSAP No. 71 – Policy Acquisition Costs and Commissions as outlined in Ref. #2019-24. We continue to question several elements of the proposal and strongly object to the revisions for the following reasons:

1. This continues to be a substantive change to existing policy, contrary to the characterization in the published exposure draft.
2. The proposal continues to alter the fundamental premise of statutory accounting by creating a situation in which certain historically period expenses, trail commission payments, are to be treated differently from other period expenses by way of an accrual methodology, which leads to:
    a. A hybrid of statutory, GAAP and tax accounting.
    b. Fundamentally and permanently different economics for products designed with trail commission payments, leading to the need for significant effort at primary writers to redesign and/or reprice such products, presumably at a cost to the consumer.
    c. Guaranteed renewable products, like Long Term Care Insurance, could be exposed to further rate increases if the fundamental profit dynamics of the products change as a result of the new reserving practices.
    d. New uncertainty within the statutory accounting framework as to which other period expenses should also be accrued or might be targeted for similar treatment.
    e. A situation whereby trail commission expenses have a greater impact on statutory capital than other, similar expenses.
    f. A disincentive for primary writers to align the interests of the writer, broker/agent and policyholder through trail commissions because of the unique treatment and resulting capital implications.
3. Should the proposed changes be adopted, primary writers will be exposed to new and substantial accounting and actuarial workload relating to the determination of accrual methodologies for each affected product and the related periodic 'true-up' required to adjust the new statutory reserves for actual performance.
4. There is no apparent benefit for the consumer, primary writer, investment community, or regulatory bodies. The additional costs involved are highly restrictive and will likely cause either a decline in product offering or result in a higher cost to the consumer, which will ultimately curb the ability for the average person to save some of their earnings for retirement, children's schooling or other reason.
5. Moreover, there will be a material adverse impact on the RBC ratios of carriers utilizing legitimate third-party distribution structures, which may in some cases be material enough to affect carrier capital solvency.

Acadia Capital Solutions, Inc.
9811 W. Charleston Blvd., Suite 2-520
Las Vegas, NV 89117
Email: jthomure@acadiacs.com

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We understand some have expressed concerns that related party structures have been put in place to achieve a deferral of commission expense, and understand that in such circumstances existing accounting rules may appropriately require that a liability should be established - but we continue to be of the view that existing accounting standards provide both the necessary guidance and basis for enforcement. In cases – like Acadia's carrier contracts - where a third-party licensed agent is involved and applies a trail commission to in-force policies only, there is no obligation to pay commissions until the anniversary date of the policy and therefore no reason to recognise a liability. The proposed change ignores both of these material elements – the involvement of a third party, and fact that an obligation does not arise until the anniversary date – and sweeps up these materially different arrangements in the same basket as related-party structures.

It is manifestly contrary to the public interest to pursue a change where:

- there is no clear benefit or public interest in favour of it;
- there is ample clarity and scope under existing accounting rules;
- there is material adverse impact on carriers;
- there is resulting adverse impact on the public through higher prices, reduced access, or both.

We urge the NAIC to reject this poorly conceived and clearly material change which is rife with unintended consequences, and instead rely on the proven ample scope under the existing SSAP 71 which has been in effect for decades.

cc: Julie Gann (jgann@naic.org), Robin Marcotte (rmarcotte@naic.org), Jim Pinegar (jpinegar@naic.org), Fatima Sediqzad (fsediqzad@naic.org), Jake Stultz (jstultz@naic.org)

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Wayne Goodwin
former NC Insurance Commissioner (2009-2016)
8306 Wycombe Lane, Raleigh NC 27615
Email gwaynegoodwin@gmail.com

To: Dale Bruggeman, Chair
Statutory Accounting Principles (E) Working Group National Association of Insurance Commissioners (NAIC)

From: Hon. Wayne Goodwin, former NC Insurance Commissioner Date:

January 19, 2021

Re: Comment Period / Revised Proposed Changes to SSAP No. 71 – Policy Acquisition Costs and Commissions

It has come to my attention that the Statutory Accounting Principles (E) Working Group is accepting comments pertaining to the Revised Proposed Changes to SSAP No. 71 – Policy Acquisition Costs and Commissions.

Although I concluded my service as NC Insurance Commissioner four years ago, I served eight (8) years in that office and an additional four (4) years as Assistant Commissioner, for a total of 12 years as a state insurance regulator. During that time, I also served on the NAIC Executive Committee and as Vice Chair of the Southeast Zone. Further, I have experience both as a state legislator (8 years) and licensed attorney (28 years). To the best of my ability, I have remained aware of many contemporary issues, proposals, and agenda items before the NAIC and its various committees and working groups.

Before the comment period closes, I want to restate the compass points of my tenure as well as that of my predecessor, the late great Jim Long: (1) Consumer protection and (2) fair, stable, reasonable regulation of the insurance market. Paramount, first and foremost of course, is consumer protection.

Today I submit my comment *in opposition* to the revised proposed changes to SSAP No. 71 based on the following:

SSAP 71 has been in place approximately 30 years and, by most accounts of which I am familiar, it has worked well.

It is my understanding that during those three decades such levelized commission programs have gone through multiple official examinations by insurance regulators with few to no material issues having been noted.

To the best of my knowledge presently, there has been no policyholder peril, fraud, or company financial impairment by using the current version of SSAP 71. Accordingly, existing rules have apparently worked as intended.

The revised changes have been described as non-substantive but upon analysis by other current and past state insurance regulators whom I respect and trust, whose comments in opposition or expressing concern are incorporated by reference, and upon my own review, it is more evident that the proposal is,

in fact, *substantive* – in part because the current proposal will apparently cause unnecessary financial damage to some carriers and their policyholders because rating agencies would consequently and unnecessarily downgrade any impacted company due to a retroactive drop in surplus/RBC numbers.

Among other consumer concerns is this: This proposed new reserving practice could cause further, unnecessary rate increases for guaranteed renewable products like Long Term Care insurance.

Respectfully, acknowledging the above and consumer protection most of all, it appears that a more detailed, comprehensive study is necessary before further consideration of the revised proposal. More feedback will be particularly enlightening and will provide the best counsel on what direction – if any -- to take on the proposal.

# # #

cc: Julie Gann (jgann@naic.org), Robin Marcotte (rmarcotte@naic.org), Jim Pinegar (jpinegar@naic.org), Fatima Sediqzad (fsediqzad@naic.org), Jake Stultz (jstultz@naic.org)

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GUGGENHEIM

GUGGENHEIM LIFE AND ANNUITY COMPANY
401 PENNSYLVANIA PARKWAY
SUITE 300
INDIANAPOLIS, IN 46280

January 22, 2021

Mr. Dale Bruggeman, Chairman
Statutory Accounting Principles Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

RE: Ref #2019-24 Levelized and Persistency Commission

Dear Mr. Bruggeman,

Guggenheim Life and Annuity Company is writing to express our concern with the proposed changes to SSAP No. 71 set forth in agenda item *#2019-24: Levelized and Persistency Commission* ("2019-24"). There have been serious flaws in the exposure process, including the designation of the proposed change as "nonsubstantive", inconsistency regarding how to characterize the proposed changes, and a changing effective date.

Companies potentially impacted by 2019-24, in their attempt to provide input, have been aiming at a constantly moving target. 2019-24 has gone through several rounds of exposure, with significant variations to foundational aspects of the proposal, including how reporting entities should classify the proposed changes and the effective date of the proposed changes. The proposal has varied on the fundamental point of whether the change is a correction of error or change in accounting principle. Similarly, the effective date of the proposal has changed 3 times (from no effective date, to a January 1, 2021 effective date, to an "effective upon adoption" date).

We believe that a change to an accounting principle dating back to 1998 should be deemed a substantive change. The Statutory Accounting Principles Working Group has determined the process around 2019-24 has met the due process requirements of a substantive revision; however, we believe additional scrutiny and process should be given to this issue for several reasons. First, the proposed changes constitute a change to accounting principles that could have a significant impact on certain reporting entities. Second, decades of examinations and audits did not result in any objection to reporting entities' reporting of the commission arrangements at issue.[1] Third, companies have not harmed policyholders nor put themselves in financial impairment by reporting the way they have for decades. To us, this change in accounting principle seems like a punitive measure against a small number of companies that have been reporting these commissions a certain way for decades.

We appreciate the opportunity to comment on 2019-24 and believe regulators should continue to explore this issue and come to a reasonable solution.

Sincerely,

Ellyn M. Nettleton
Chief Accounting Officer

cc: NAIC Staff

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[1] Note also that a 2010 SEC complaint against a carrier explained that levelized commissions were a common practice in the insurance industry. There is no evidence in the complaint that the statutory accounting treatment was ever determined not to be in accordance with statutory accounting principles.

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CHIEF EXECUTIVE OFFICER: Thomas B. Considine

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SECRETARY: Rep. Joe Fischer, KY

IMMEDIATE PAST PRESIDENTS:
Sen. Jason Rapert, AR
Sen. Travis Holdman, IN

December 7, 2020

Dale Bruggeman, Chair
NAIC Statutory Accounting Principles (E) Working Group

Re: SSAP No. 71 - Policy Acquisition Costs and Commissions

Dear Chair Bruggeman & Members of the Working Group:

I write to you today on behalf and at the request of the elected leadership of the National Council of Insurance Legislators ("NCOIL")[1] regarding the NAIC's Statutory Accounting Principles Working Group's (WG) efforts to update SSAP No. 71 titled "Policy Acquisition Costs and Commissions." Without delving deeply into the specifics of the principle itself, with which you are well-versed, NCOIL has significant concerns about it. We note that SSAP No. 71 has been in effect since 1998, and inquire why, after 22 years, there needs to be a rush to implementation of this proposal for year-end?

Additionally, our members have heard differing opinions as to whether the proposed changes are substantive or non-substantive. Candidly, when NCOIL's legislators start to hear of substantive changes being made via a handbook or manual, it creates tension because it brings to mind the debate surrounding incorporation by reference (IBR) for substantive matters. Beyond this impairment of the legislative prerogative, I must note that there is a constitutional provision in California stating that no law shall be enacted except by statute and no statute except by bill.

Regardless of the determination on substantive vs non-substantive here though, there seems to be little debate that these changes could have a material and perhaps significant impact on insurers

[1] *NCOIL is a national legislative organization with the nation's 50 states as members, represented principally by legislators serving on their states' insurance and financial institutions committees. NCOIL writes Model Laws in insurance and financial services, works to preserve the State jurisdiction over insurance as established by the McCarran-Ferguson Act seventy-five years ago, and to serve as an educational forum for public policymakers and interested parties. Founded in 1969, NCOIL works to assert the prerogative of legislators in making State policy when it comes to insurance and educate State legislators on current and longstanding insurance issues.*

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if adopted. If the impact is as large as some have told us, and we have heard of impacts as high as 30% of risk-based capital (RBC), it strikes NCOIL as quite bad timing to implement such changes as the entire global economy is suffering during this global pandemic. A number of companies from several states have advised us that the impact on their capital will be so great that these now-healthy companies would fall below the RBC regulatory action level if this change were to be implemented.

One of our most senior leaders has asked us, and we in turn ask you, if a solvent & healthy insurance carrier has been accounting for commissions in error due to a misunderstanding of SSAP No. 71, and the proposed change to SSAP No. 71 threatens to render that insurer insolvent, then is the proposed change really meeting its intent? It certainly would seem to fly in the face of the number one priority of the state regulatory system.

Accordingly, NCOIL requests and recommends that the WG delay implementation of the proposal until such time that staff completes the issue paper it is charged with drafting on the classification of the proposal. Moreover, NCOIL requests and recommends that in any case or at any point if the WG determines to move forward with the proposal, it be subject to a five year phase-in period in order to allow companies to maintain their health, soundness and solvency as the capital impact of the "clarification" to SSAP No. 71 takes effect.

On behalf of our member legislators, I thank you for your consideration of this matter.

Very truly yours,

Thomas B. Considine
Chief Executive Officer
NCOIL

cc:

The Honorable Matt Lehman
Indiana Representative
NCOIL President

The Honorable Ken Cooley
California Assemblyman
NCOIL Vice President

The Honorable Kevin Cahill
New York Assemblyman
NCOIL Treasurer

The Honorable Joe Fischer
Kentucky Representative
NCOIL Secretary

The Honorable Jason Rapert
Arkansas Senator
NCOIL Immediate Past President

The Honorable Travis Holdman
Indiana Senator
NCOIL Immediate Past President

The Honorable Ray Farmer
NAIC President
Director
South Carolina Department of Insurance

The Honorable David Altmaier
NAIC President-Elect
Commissioner
Florida Office of Insurance Regulation

The Honorable Dean Cameron
NAIC Vice President
Director
Idaho Department of Insurance

The Honorable Chlora Lindley-Myers
NAIC Secretary-Treasurer
Director
Missouri Department of Commerce and Insurance

The Honorable Mike Consedine
Chief Executive Officer
NAIC

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February 24, 2021

Mr. Dale Bruggeman, Chairman
Statutory Accounting Principles Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

RE: Ref #2020-36, Derivatives Hedging Fixed Indexed Products

Dear Mr. Bruggeman:

Interested parties would like to thank the Statutory Accounting Principles Working Group (SAPWG) for the opportunity to comment on the exposed 2020-36, Derivatives Hedging Fixed Indexed Products

The interested parties' response will be brief at this time as we continue our work reviewing the exposure, assessing the proposal and working on potential variances to the exposure.

Interested parties are committed to working with NAIC staff and SAPWG on this very complicated and important topic.

* * * * *

If you have any questions in the interim, please do not hesitate to contact us

Sincerely,

D. Keith Bell Rose Albrizio

cc: Interested parties

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Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A

Issue: SSAP No. 26R - Disclosure Update

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	☒	☒	☒
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue: During the Summer National Meeting, through agenda item #2020-02: Accounting for Bond Tender Offers, the Working Group clarified that the accounting and reporting of investment income and capital gains/losses, due to early liquidation either through a call or a tender offer shall be similarly applied. This nonsubstantive update was effective on July 30; however, reporting entities that had historically applied a differing accounting methodology and required systems changes to properly account for the early termination of tendered bonds, were granted an effective date deferral of no later than January 1, 2021.

This agenda item is to expand an existing disclosure regarding called bonds to include tendered bond activity.

Existing Authoritative Literature: Only the relevant disclosures from *SSAP No. 26R—Bonds,* have been included below.

30. The financial statements shall include the following disclosures:

    l. For securities sold, redeemed or otherwise disposed as a result of a callable feature (including make-whole call provisions), disclose the number of CUSIPs sold, disposed or otherwise redeemed and the aggregate amount of investment income generated as a result of a prepayment penalty and/or acceleration fee.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): Not Applicable.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group: None

Convergence with International Financial Reporting Standards (IFRS): Not Applicable

Staff Recommendation: NAIC staff recommends that the Working Group move this item to the active listing, categorized as nonsubstantive and expose revisions to the disclosures in *SSAP No. 26R—Bonds.* The revisions expand the called bond disclosures to also include bonds in which are terminated early through a tender offer.

30. The financial statements shall include the following disclosures:

    l. For securities sold, redeemed or otherwise disposed as a result of a call~~able~~ or tender offer feature (including make-whole call provisions), disclose the number of CUSIPs sold, disposed or otherwise redeemed and the aggregate amount of investment income generated as a result of a prepayment penalty and/or acceleration fee.

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Staff Review Completed by: Jim Pinegar, NAIC Staff
September 2020

Status:
On November 12, 2020, the Statutory Accounting Principles (E) Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *SSAP No. 26R—Bonds*, as illustrated above, to expand the called bond disclosures to also include bonds terminated early through a tender offer.

On March 15, 2021, the Statutory Accounting Principles (E) Working Group adopted, as final, the exposed revisions to *SSAP No. 26R—Bonds*, as illustrated above, to expand the called bond disclosures to also include bonds terminated early through a tender offer.

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Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A

Issue: SSAP No. 32R – Publicly Traded Preferred Stock Warrants

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	☒	☒	☒
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue: NAIC staff received inquiries on which standard and reporting schedule would be most appropriate for publicly traded preferred stock warrants. A stock warrant represents the right to purchase a company's stock at a specific price and at a specific date and are typically issued directly by a company to an investor. When a stock warrant is exercised, the shares of the stock received are issued directly from the company itself, rather than another investor.

Stock warrants generally fall into scope of *SSAP No. 86—Derivatives*, although there is a special carveout for publicly traded common stock (see existing authoritative literature section). However due to the fact that the only difference between publicly traded common and preferred stock warrants is the type of stock an entity would receive (i.e. common or preferred stock), NAIC staff believe that publicly traded preferred stock warrants should receive a similar carveout from SSAP No. 86 and similar accounting and reporting treatment.

This agenda item proposes 1) to expand the scope of *SSAP No. 32R—Preferred Stock* to include publicly traded preferred stock warrants and 2) require publicly traded preferred stock warrants to be reported at fair value.

Existing Authoritative Literature:

Warrants, both public and private are described in SSAP No. 86, however publicly traded (common) stock warrants are scoped into *SSAP No. 30—Unaffiliated Common Stock* as highlighted below. (Note: only relevant excerpts have been included below.)

SSAP No. 86:

> 5. Derivative instruments include, but are not limited to; options, warrants used in a hedging transaction and not attached to another financial instrument, caps, floors, collars, swaps, forwards, futures, structured notes with risk of principal/original investment loss based on the terms of the agreement (in addition to default risk), and any other agreements or instruments substantially similar thereto or any series or combination thereof.
>
> > j. **"Warrants" are instruments that give the holder the right to purchase an underlying financial instrument at a given price and time or at a series of prices and times outlined in the warrant agreement**. Warrants may be issued alone or in connection with the sale of other securities, for example, as part of a merger or recapitalization agreement, or to facilitate divestiture of the securities of another business entity. **Publicly traded stock warrants are captured in scope of *SSAP No. 30R—Unaffiliated Common Stock*. All other warrants, including non-publicly traded stock warrants, shall be captured in scope of SSAP No. 86**.

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Accordingly, as referenced in SSAP No. 86, publicly traded common stock warrants are captured within the scope of SSAP No. 30R, as highlighted below.

SSAP No. 30R:

4. In addition, the following equity investments are captured within scope of this statement:

a. Master limited partnerships trading as common stock and American deposit receipts only if the security is traded on the New York or NASDAQ exchange;

b. Publicly traded common stock warrants;

c. Shares of SEC registered Investment Companies captured under the Investment Company Act of 1940 (open-end investment companies (mutual funds), closed-end funds and unit investment trusts), regardless of the types or mix of securities owned by the fund (e.g., bonds or stocks);

d. Exchange Traded Funds, except for those identified for bond or preferred stock treatment, as identified in Part Three of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* and published on the SVO's web page of *www.NAIC.org*;

e. Foreign open-end investment funds governed and authorized in accordance with regulations established by the applicable foreign jurisdiction. Other foreign funds are excluded from the scope of this statement; and

f. Equity interests in certified capital companies in accordance with *INT 06-02: Accounting and Reporting for Investments in a Certified Capital Company (CAPCO)*.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group: None

Convergence with International Financial Reporting Standards (IFRS): N/A

Staff Recommendation:
NAIC staff recommends that the Working Group move this item to the active listing, categorized as nonsubstantive and expose revisions to *SSAP No. 32R—Preferred Stock* and *SSAP No. 86—Derivatives,* which would scope publicly traded preferred stock warrants into SSAP No. 32R. This would result in publicly traded preferred stock warrants receiving similar treatment as publicly traded common stock warrants. Additionally, the publicly traded preferred stock warrants would be accounted for as perpetual preferred stock, thus requiring to be accounted for at fair value.

Proposed edits to *SSAP No. 86—Derivatives*:

5. Derivative instruments include, but are not limited to; options, warrants used in a hedging transaction and not attached to another financial instrument, caps, floors, collars, swaps, forwards, futures, structured notes with risk of principal/original investment loss based on the terms of the agreement (in addition to default risk), and any other agreements or instruments substantially similar thereto or any series or combination thereof.

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j. "Warrants" are instruments that give the holder the right to purchase an underlying financial instrument at a given price and time or at a series of prices and times outlined in the warrant agreement. Warrants may be issued alone or in connection with the sale of other securities, for example, as part of a merger or recapitalization agreement, or to facilitate divestiture of the securities of another business entity. Publicly traded stock warrants are captured in scope of *SSAP No. 30R—Unaffiliated Common Stock* or *SSAP No. 32R—Preferred Stock*. All other warrants, including non-publicly traded stock warrants, shall be captured in scope of SSAP No. 86.

Proposed edits to *SSAP No. 32R—Preferred Stock*:

SUMMARY CONCLUSION

3. Preferred stock which may or may not be publicly traded is a security that represents ownership of a corporation and gives the holder a claim prior to the claim of common stockholders on earnings and also generally on assets in the event of liquidation. Most preferred stock pays a fixed dividend that is paid prior to the common stock dividend, stated in a dollar amount or as a percentage of par value. Preferred stock does not usually carry voting rights. Preferred stock has characteristics of both common stock and debt. Preferred stock shall include:

a. Redeemable preferred stock, which is preferred stock subject to mandatory redemption requirements or whose redemption is at the option of the holders. Redeemable preferred stock is any stock which 1) the issuer undertakes to redeem at a fixed or determinable price on the fixed or determinable date or dates, whether by operation of a sinking fund or otherwise; or 2) is redeemable at the option of the holders. Preferred stock which meet one or more of these criteria would be classified as redeemable preferred stock, regardless of other attributes such as voting rights or dividend rights.

b. Perpetual preferred stock, which is preferred stocks which are not redeemable or for which redemption is not at the option of the holder (non-redeemable preferred stock). Perpetual preferred stock is any preferred stock which does not meet the criteria to be classified as redeemable preferred stock pursuant to paragraph 3.a.

c. Publicly traded preferred stock warrants.

Balance Sheet Amount

11. Preferred stock shall be valued based on (a) the underlying characteristics (redeemable, perpetual or mandatory convertible), (b) the quality rating expressed as an NAIC designation, and (c) whether an asset valuation reserve (AVR) is maintained by the reporting entity:

a. For reporting entities that do not maintain an AVR:

i. Highest-quality or high-quality redeemable preferred stocks (NAIC designations 1 and 2), which have characteristics of debt securities, shall be valued at cost or amortized cost. All other redeemable preferred stocks (NAIC designations 3 to 6) shall be reported at the lower of cost, amortized cost, or fair value.

ii. Perpetual preferred stock and publicly traded preferred stock warrants shall be reported at fair value, not to exceed any currently effective call price.

iii. Mandatory convertible preferred stocks (regardless if the preferred stock is redeemable or perpetual) shall be reported at fair value, not to exceed any currently effective call price, in the periods prior to conversion. Upon conversion to common stock, these securities shall be in scope of SSAP No. 30R.

iv. For preferred stocks reported at fair value, unrealized gains and losses shall be recorded as a direct credit or charge to unassigned funds (surplus)

b. For reporting entities that maintain an AVR:

i. Highest-quality, high-quality or medium quality redeemable preferred stocks (NAIC designations 1 to 3) shall be valued at amortized cost. All other redeemable preferred stocks (NAIC designations 4 to 6) shall be reported at the lower of amortized cost or fair value.

ii. Perpetual preferred stock~~s~~ and publicly preferred stock warrants shall be valued at fair value, not to exceed any currently effective call price.

iii. Mandatory convertible preferred stocks (regardless if the preferred stock is redeemable or perpetual) shall be reported at fair value, not to exceed any currently effective call price, in the periods prior to conversion. Upon conversion to common stock, these securities shall be in scope of SSAP No. 30R.

iv. For preferred stocks reported at fair value, the accounting for unrealized gains and losses shall be in accordance with *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve.*

Impairment of Perpetual Preferred Stock

14. For any decline in the fair value of perpetual preferred stock or publicly traded preferred stock warrants, which is determined to be other-than-temporary (INT 06-07), the perpetual preferred stock or warrant shall be written down to fair value as the new cost basis and the amount of the write down shall be accounted for as a realized loss. For reporting entities required to maintain an AVR, realized losses shall be accounted for in accordance with SSAP No. 7. Subsequent fluctuations in fair value shall be recorded as unrealized gains or losses. Future declines, which are determined to be other-than-temporary, shall be recognized as realized losses. A decline in fair value which is other-than-temporary includes situations where the reporting entity has made a decision to sell a preferred stock at an amount below its carrying value.

Staff Review Completed by: Jim Pinegar, NAIC Staff – September 2020

Status:
On November 12, 2020, the Statutory Accounting Principles (E) Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *SSAP No. 32R—Preferred Stock* and *SSAP No. 86—Derivatives,* as illustrated above, to scope publicly traded preferred stock warrants into SSAP No. 32R with accounting at fair value.

On March 15, 2021, the Statutory Accounting Principles (E) Working Group adopted, as final, the exposed revisions to *SSAP No. 32R—Preferred Stock* and *SSAP No. 86—Derivatives,* as shown above. These revisions scope publicly traded preferred stock warrants into SSAP No. 32R with accounting at fair value.

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Issue: SSAP No. 43R – Government-Sponsored Enterprises – Credit Risk Transfer Transactions

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	☒	☒	☒
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue:

During the 2019 Spring National Meeting, the Working Group adopted agenda item 2018-18: Structured Notes, which expanded the scope of *SSAP No. 43R—Loan-Backed and Structures Securities* to include certain Government-Sponsored Enterprises (GSE) – Credit Risk Transfer (CRT) Transactions.

Credit risk transfer securities are mortgage-referenced securities issued by government sponsored entities that are tied to a referenced pool of mortgages. These are instruments in which the payments received are linked to the interest and principal repayment of underlying mortgage loans from those identified in a particular pool of mortgages. For these instruments, investors may not receive a full return of principal as principal repayment is contingent on the ultimate repayment by the mortgage loan borrowers (as credit risk has been transferred to the investor). The program naming convention for CRT's was identified as Structured Agency Credit Risk (STACR) for Freddie Mac and Connecticut Avenue Securities (CAS) for Fannie Mae.

This agenda item has been drafted to reflect recent changes to the Freddie Mac STACR and Fannie Mae CAS programs. It is anticipated that future Freddie Mac STACR and Fannie Mae CAS issuances will be solely conducted through a Real Estate Mortgage Investment Conduit (REMIC) trust. The REMIC is functionally equivalent to the original Freddie Mac STACR and Fannie Mae CAS programs, in that the trusts will pay interest and principal to investors on a monthly basis. All other material characteristics also remain unaffected as the investment represents a large, diversified reference pool, multiple tranches are available to accommodate various risk appetites, and the notes are highly liquid with an estimated $2 billion in buy/sale trades occurring each month. Also unchanged is that the STACR notes are not guaranteed by Freddie Mac (i.e., credit risk has been transferred) and CAS notes are not guaranteed by Freddie Mac, and both entities maintain the senior risk tranche, which is unfunded and not issued for public investors.

The primary difference in the use of a REMIC trust is that counterparty risk exposure to Freddie Mac and Fannie Mae is reduced as the trust is designed to stand on its own. The trust's assets are intended to fund interest and principal payments on the notes, thus insulating investors from a possible Freddie Mac or Fannie Mae insolvency. While several other benefits are touted, the use of a REMIC will also not subject international investors to U.S. withholding tax requirements, likely resulting in higher international investor participation.

In collaboration with NAIC Securities Valuation Office (SVO) staff, SAPWG support staff has confirmed that the anticipated use of a REMIC trust remains functionally equivalent and retains the same material risk structure as the original STACR and CAS programs. Additionally, investment in securities issued by a GSE REMIC trust remains within the review scope of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual). Per part 4 of the P&P Manual, Mortgage Referenced Securities are not eligible for filing exemption and are subject to assessment by the Structures Securities Group.

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This agenda item proposes to 1) include STACR and CAS REMIC's into the scope of SSAP No. 43R and, 2) align SSAP No. 43R guidance regarding the financial modeling of mortgage referenced securities to the requirements as directed in the P&P Manual.

Existing Authoritative Literature:

SSAP No. 43R—Loan-Backed and Structured Securities

The inclusion GSE CRT securities into the scope of SSAP No. 43R is referenced in paragraph 5:

5. Mortgage-referenced securities do not meet the definition of a loan-backed or structured security but are explicitly captured in scope of this statement. In order to qualify as a mortgage-referenced security, the **security must be issued by a government sponsored enterprise[1] in the form of a "credit risk transfer" in which the issued security is tied to a referenced pool of mortgages**. These securities do not qualify as "loan-backed securities" as the pool of mortgages are not held in trust and the amounts due under the investment are not backed or secured by the mortgage loans. **Rather, these items reflect instruments in which the payments received are linked to the credit and principal payment risk of the underlying mortgage loan borrowers captured in the referenced pool of mortgages. For these instruments, reporting entity holders may not receive a return of their full principal as principal repayment is contingent on repayment by the mortgage loan borrowers in the referenced pool of mortgages.** Unless specifically noted, the provisions for loan-backed securities within this standard apply to mortgage-referenced securities.

Financial modeling of CRT Securities is referenced in paragraph 27:

Designation Guidance

27. For RMBS/CMBS securities within the scope of this statement, the initial NAIC designation used to determine the carrying value method and the final NAIC designation for reporting purposes is determined using a multi-step process. The *Purposes and Procedures Manual of the NAIC Investment Analysis Office* provides detailed guidance. A general description of the processes is as follows:

a. Financial Modeling: The NAIC identifies securities where financial modeling must be used to determine the NAIC designation. NAIC designation based on financial modeling incorporates the insurers' carrying value for the security. For those securities that are financially modeled, the insurer must use NAIC CUSIP specific modeled breakpoints provided by the modelers in determining initial and final designation for these identified securities. Securities where modeling results in zero expected loss in all scenarios are automatically considered to have a final NAIC designation of NAIC 1, regardless of the carrying value. The three-step process for modeled securities is as follows:

i. Step 1: Determine Initial Designation – The current amortized cost (divided by remaining par amount) of a loan-backed or structured security is compared to the modeled breakpoint values assigned to the six (6) NAIC designations for each CUSIP to establish the initial NAIC designation.

ii. Step 2: Determine Carrying Value Method – The carrying value method, either the amortized cost method or the lower of amortized cost or fair value method, is then

[1] **Currently, only Fannie Mae and Freddie Mac are the government sponsored entities that issue qualifying mortgage-referenced securities. However, this guidance would apply to mortgage-referenced securities issued by any other government sponsored entity that subsequently engages in the transfer of residential mortgage credit risk.**

determined as described in paragraph 26 based upon the initial NAIC designation from Step 1.

iii. Step 3: Determine Final Designation – The final NAIC designation that shall be used for investment schedule reporting is determined by comparing the carrying value (divided by remaining par amount) of a security (based on paragraph 27.a.ii.) to the NAIC CUSIP specific modeled breakpoint values assigned to the six (6) NAIC designations for each CUSIP. This final NAIC designation shall be applicable for statutory accounting and reporting purposes (including establishing the AVR charges). The final designation is not used for establishing the appropriate carrying value method in Step 2 (paragraph 27.a.ii.).

b. All Other Loan-Backed and Structured Securities: For loan-backed and structured securities not subject to paragraphs 27.a. (financial modeling) follow the established designation procedures according to the appropriate section of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*. The NAIC designation shall be applicable for statutory accounting and reporting purposes (including determining the carrying value method and establishing the AVR charges). The carrying value method is established as described in paragraph 26. Examples of these securities include, but are not limited to, **mortgage-referenced securities**, equipment trust certificates, credit tenant loans (CTL), 5*/6* securities, interest only (IO) securities, securities with CRP ratings (excluding RMBS/CMBS), and loan-backed and structured securities with SVO assigned NAIC designations.

Specific Interim Reporting Guidance for RMBS/CMBS Securities

28. The guidance in this paragraph shall be applied in determining the reporting method for residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS) acquired in the current year for quarterly financial statements. Securities reported as of the prior-year end shall continue to be reported under the prior-year end methodology for the current-year quarterly financial statements. For year-end reporting, securities shall be reported in accordance with paragraph 27, regardless of the quarterly methodology used.

a. Reporting entities that acquired the entire financial modeling database for the prior-year end are required to follow the financial modeling methodology (paragraph 27.a.) for all securities acquired in the subsequent year that were included in the financial modeling data acquired for the prior year-end.

b. Reporting entities that acquired identical securities (identical CUSIP) to those held and financially modeled for the prior year-end are required to follow the prior year-end financial modeling methodology (paragraph 27.a.) for these securities acquired subsequent to year-end.

c. Reporting entities that do not acquire the prior-year financial modeling information for current-year acquired individual CUSIPS, and are not captured within paragraphs 28.a. or 28.b., are required to follow the analytical procedures for non-financially modeled securities (paragraph 27.b. as appropriate). Reporting entities that do acquire the individual CUSIP information from the prior-year financial modeling database shall use that information for interim reporting.

d. Reporting entities that acquire securities not previously modeled at the prior year-end are required to follow the analytical procedures for non-financially modeled securities (paragraph 27.b. as appropriate).

Purposes and Procedures Manual of the NAIC Investment Analysis Office **(P&P Manual); Part 4 –Mortgage Reference Securities:**

Definition

29. A Mortgage Referenced Security has the following characteristics: A Mortgage Referenced Security's coupon and/or principal payments are linked, in whole or in part, to prices of, or payment streams from, real estate, index or indices related to real estate, or assets deriving their value from instruments related to real estate, including, but not limited to, mortgage loans.

Not Filing Exempt

30. A Mortgage Referenced Security is not eligible for filing exemption but is subject to the filing requirement.

NAIC Risk Assessment

31. In determining the NAIC Designation of a Mortgage Referenced Security, **the SSG may use the financial modeling methodology discussed in this Part, adjusted (if and as necessary) to the specific reporting and accounting requirements applicable to Mortgage Referenced Securities.**

Quarterly Reporting for Mortgage Reference Securities

32. To determine the NAIC Designation to be used for quarterly financial statement reporting for a Mortgage Reference Security purchased subsequent to the annual surveillance described in this Part, the insurer uses the prior year-end modeling data for that CUSIP (which can be obtained from the NAIC) until the annual surveillance data is published for the current year. For a Mortgage Reference Security that is not in the prior year-end modeling data for that CUSIP, the insurer may follow the instructions in Part Two of this manual for the assignment of the SVO Administrative Symbol "Z" provided the insurer owned security meets the criteria for a security that is in transition in reporting or filing

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group: Relevant background from agenda item 2018-18 was included in the 'Description of Issue' section.

Convergence with International Financial Reporting Standards (IFRS): N/A

Staff Recommendation:
NAIC staff recommends that the Working Group move this item to the active listing, categorized as nonsubstantive and expose revisions to *SSAP No. 43R—Loan-Backed and Structures Securities*, incorporating minor scope modifications to reflect recent changes to the STACR and CAS programs. The proposed edits would allow credit risk transfer securities from Freddie Mac and Fannie Mae to remain in scope when a REMIC structure is used in the STACR program or CAS program.

5. Mortgage-referenced securities do not meet the definition of a loan-backed or structured security but are explicitly captured in scope of this statement. In order to qualify as a mortgage-referenced security, the security must be issued by a government sponsored enterprise[2] or by a special purpose trust in a transaction sponsored by a government sponsored enterprise in the form of a "credit risk transfer" in which the issued security is tied to a referenced pool of mortgages and. ~~These securities do not qualify as "loan-backed securities" as the pool of mortgages are not held in trust and the amounts due under the investment are not backed or secured by the mortgage loans. Rather, these items reflect instruments in which~~ the payments received are linked to the credit and principal payment risk of the underlying mortgage loan borrowers captured in the referenced pool of mortgages. For these instruments, reporting entity holders may not receive a return of their full principal as principal repayment is contingent on repayment by the mortgage loan borrowers in the referenced pool of mortgages. Unless specifically noted, the provisions for loan-backed securities within this standard apply to mortgage-referenced securities.

27. For RMBS/CMBS securities within the scope of this statement, the initial NAIC designation used to determine the carrying value method and the final NAIC designation for reporting purposes is determined using a multi-step process. The *Purposes and Procedures Manual of the NAIC Investment Analysis Office* provides detailed guidance. A general description of the processes is as follows:

a. Financial Modeling: Pursuant to the P&P manual, ~~T~~the NAIC identifies select securities where financial modeling must be used to determine the NAIC designation. NAIC designation based on financial modeling incorporates the insurers' carrying value for the security. For those securities that are financially modeled, the insurer must use NAIC CUSIP specific modeled breakpoints provided by the modelers in determining initial and final designation for these identified securities. Securities where modeling results in zero expected loss in all scenarios are automatically considered to have a final NAIC designation of NAIC 1, regardless of the carrying value. The three-step process for modeled securities is as follows:

   i. Step 1: Determine Initial Designation – The current amortized cost (divided by remaining par amount) of a loan-backed or structured security is compared to the modeled breakpoint values assigned to the six (6) NAIC designations for each CUSIP to establish the **initial** NAIC designation.

   ii. Step 2: Determine Carrying Value Method – The carrying value method, either the amortized cost method or the lower of amortized cost or fair value method, is then determined as described in paragraph 26 based upon the initial NAIC designation from Step 1.

   iii. Step 3: Determine Final Designation – The final NAIC designation that shall be used for investment schedule reporting is determined by comparing the carrying value (divided by remaining par amount) of a security (based on paragraph 27.a.ii.) to the NAIC CUSIP specific modeled breakpoint values assigned to the six (6) NAIC designations for each CUSIP. This final NAIC designation shall be applicable for statutory accounting and reporting purposes (including establishing the AVR charges). The final designation is not used for establishing the appropriate carrying value method in Step 2 (paragraph 27.a.ii.).

b. All Other Loan-Backed and Structured Securities: For securities ~~loan-backed and structured securities~~ not subject to paragraph~~s~~ 27.a. (financial modeling) follow the

[2] Currently, only Fannie Mae and Freddie Mac are the government sponsored entities that either directly issue qualifying mortgage-referenced securities or sponsor transactions in which special purpose trust issues qualifying mortgage-reference securities. However, this guidance would apply to mortgage-referenced securities issued by any other government sponsored entity that subsequently engages in the transfer of ~~residential~~ mortgage credit risk.

established designation procedures according to the appropriate section of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*. The NAIC designation shall be applicable for statutory accounting and reporting purposes (including determining the carrying value method and establishing the AVR charges). The carrying value method is established as described in paragraph 26. Examples of these securities include, but are not limited to~~, mortgage-referenced securities,~~ equipment trust certificates, credit tenant loans (CTL), 5*/6* securities, interest only (IO) securities, securities with CRP ratings (excluding RMBS/CMBS), ~~and~~ loan-backed and structured securities and mortgage-referenced securities with SVO assigned NAIC designations.

Specific Interim Reporting Guidance Financially Modeled ~~for RMBS/CMBS~~ Securities

28. For securities that will be financially modeled under paragraph 27, ~~T~~the guidance in this paragraph shall be applied in determining the reporting method for such securities~~residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS)~~ acquired in the current year for quarterly financial statements. Securities reported as of the prior-year end shall continue to be reported under the prior-year end methodology for the current-year quarterly financial statements. For year-end reporting, securities shall be reported in accordance with paragraph 27, regardless of the quarterly methodology used.

a. Reporting entities that acquired the entire financial modeling database for the prior-year end are required to follow the financial modeling methodology (paragraph 27.a.) for all securities acquired in the subsequent year that were included in the financial modeling data acquired for the prior year-end.

b. Reporting entities that acquired identical securities (identical CUSIP) to those held and financially modeled for the prior year-end are required to follow the prior year-end financial modeling methodology (paragraph 27.a.) for these securities acquired subsequent to year-end.

c. Reporting entities that do not acquire the prior-year financial modeling information for current-year acquired individual CUSIPS, and are not captured within paragraphs 28.a. or 28.b., are required to follow the analytical procedures for non-financially modeled securities (paragraph 27.b. as appropriate). Reporting entities that do acquire the individual CUSIP information from the prior-year financial modeling database shall use that information for interim reporting.

d. Reporting entities that acquire securities not previously modeled at the prior year-end are required to follow the analytical procedures for non-financially modeled securities (paragraph 27.b. as appropriate).

Staff Review Completed by:
Jim Pinegar –August 2020
NAIC Staff

Status:
On November 12, 2020, the Statutory Accounting Principles (E) Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *SSAP No. 43R—Loan-Backed and Structures Securities*, as illustrated above, to incorporate minor scope modifications to reflect recent changes to the STACR and CAS programs. The proposed edits would allow credit risk transfer securities from Freddie Mac and Fannie Mae to remain in scope of SSAP No. 43R when a REMIC structure is used in the STACR program or CAS program.

On March 15, 2021, the Statutory Accounting Principles (E) Working Group adopted, as final, the exposed revisions to *SSAP No. 43R—Loan-Backed and Structures Securities*, as illustrated above, to incorporate minor scope modifications to reflect recent changes to the Freddie Mac Structured Agency Credit Risk (STACR) and Fannie Mae Connecticut Avenue Securities (CAS) programs. The edits allow credit risk transfer securities from Freddie Mac and Fannie Mae to remain in scope of SSAP No. 43R when a REMIC structure is used in the STACR program or CAS program.

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Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
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Issue: SSAP No. 97 – Audit Opinions

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	☒	☒	☒
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue: *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* provides guidance for the various audit opinions that can be issued when an entity records certain investments utilizing the U.S. GAAP equity method of accounting.

The complete guidance for the various audit opinions is included in the 'Existing Authoritative Literature," however the relevant guidance is summarized as:

- Disclaimers of opinion shall be nonadmitted.
- Qualified opinions due to a scope limitation can only be admitted if the limitation is quantified, then the quantified limitation is nonadmitted.
- Qualified opinions due to a GAAP departure can only be admitted if the departure is quantified (then the departure is nonadmitted), OR if the departure is as the result of utilizing a statutory accounting principle in lieu of following GAAP (in such cases, a quantification of the departure is not required).
- Adverse opinions due to a GAAP departure can only be admitted if the departure is quantified (then the quantified departure is nonadmitted), OR if the departure is as the result of utilizing a statutory accounting principle in lieu of following GAAP (in such cases, a quantification of the departure is not required).

The allowance of qualified or adverse audit opinions for admission of SCA investments without quantification are only permitted for U.S. insurance entities (commonly referred to as an 8.b.i entity). This agenda item proposes to expand the quantification exception guidance to 8.b.iii entities (referred to as U.S. GAAP SCA entities) in limited situations. Particularly, the proposed exception would allow U.S. GAAP SCA entities that depart from a U.S. GAAP provision that has been rejected for statutory accounting to be admitted SCAs without quantification if the departure from U.S. GAAP results in a more conservative position (i.e. fewer assets or greater liabilities), as a result of the departure.

Although specific quantification is not needed, this would require auditor certification that the departure from U.S. GAAP results in a more conservative position. From a situation shared in which an 8.b.iii SCA (U.S. GAAP entity) was following provisions similar to the insurer with regards to revenue recognition, the auditor noted that the U.S. GAAP revenue recognition provisions (which requires consideration of future, expected activity) warranted a qualified opinion. Under the existing guidance, this qualified opinion results in nonadmittance of the SCA because it could not be quantified, which was material to the reporting entity. This nonadmittance treatment was noted to be punitive as the SCA was following processes that were consistent with SAP accounting that resulted in a more conservative financial statement representation of the SCA.

Existing Authoritative Literature: The entity types (8.b.i, 8.b.ii, etc.) referenced in the 'Description of Issue,' the audit opinion requirements and the permitted exceptions to the unqualified opinion requirements within SSAP No. 97 are below. Relevant guidance has been **bolded** for emphasis.

SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities

Applying the Market Valuation, Audited Statutory Equity and Audited GAAP Equity Methods

8. The admitted investments in SCA entities shall be valued using either the market valuation approach (as described in paragraph 8.a.), or one of the equity methods (as described in paragraph 8.b.) adjusted as appropriate in accordance with the guidance in *SSAP No. 25—Affiliates and Other Related Parties*, paragraph 17.d.

a. In order to use the market valuation approach for SCA entities, the following requirements apply:

i. The subsidiary must be traded on one of the following major exchanges: (1) the New York Stock Exchange, (2) the NASDAQ, or (3) the Japan Exchange Group;

ii. The reporting entity must submit subsidiary information to the NAIC SCA analysts for calculation of the subsidiary's market value. Such calculation could result in further discounts in market value above the established base discounts based on ownership percentages detailed below;

iii. Ownership percentages for determining the discount rate shall be measured at the holding company level;

iv. If an investment in a SCA results in an ownership percentage between 10% and 50%, a base discount percentage between 0% and 20% on a sliding scale basis is required;

v. If an investment in a SCA results in an ownership percentage greater than 50% up to and including 80%, a base discount percentage between 20% and 30% on a sliding scale basis is required;

vi. If an investment in a SCA results in an ownership percentage greater than 80% up to and including 85%, a minimum base discount percentage of 30% is required.

vii. Further, the SCA must have at least two million shares outstanding, with a total market value of at least $50 million in the public's control; and

viii. Any ownership percentages exceeding 85% will result in the SCA being recorded on an equity method.

b. If a SCA investment does not meet the requirements for the market valuation approach in paragraph 8.a. or, if the requirements are met, but a reporting entity elects not to use that approach, the reporting entity's proportionate share of its investments in SCAs shall be recorded as follows:

i. **Investments in U.S. insurance SCA entities shall be recorded based on either** 1) the underlying audited statutory equity of the respective entity's financial statements, adjusted for any unamortized goodwill as provided for in *SSAP No. 68—Business Combinations and Goodwill* or 2) **the underlying audited statutory equity of the respective entity's financial statements**, adjusted for any unamortized goodwill, modified to remove the impact of any permitted or prescribed accounting practices that depart from the NAIC *Accounting Practices and Procedures Manual*. Reporting entities shall record investments in U.S.

insurance SCA entities on at least a quarterly basis, and shall base the investment value on the most recent quarterly information available from the SCA. Entities may recognize their investment in U.S. insurance SCA entities based on the unaudited statutory equity in the SCAs year-end annual statement if the annual SCA audited financial statements are not complete as of the filing deadline. The recorded statutory equity shall be adjusted for audit adjustments, if any, as soon as the annual audited financial statements have been completed. Annual consolidated or combined audits are allowed if completed in accordance with the Model Regulation Requiring Annual Audited Financial Reports as adopted by the SCA's domiciliary state;

iii. **Investments in both U.S. and foreign noninsurance SCA entities that do not qualify under paragraph 8.b.ii., shall be recorded based on the audited U.S. GAAP equity of the investee.** Foreign SCA entities are defined as those entities incorporated or otherwise legally formed under the laws of a foreign country. Additional guidance on investments in downstream holding companies is included in paragraphs 22-27. Additional guidance on the use of audited foreign GAAP basis financial statements for the U.S. GAAP equity valuation amount is included in paragraph 23.b.

Qualified Versus Unqualified Opinions

21. Various opinions can be issued in which an entity can record certain investments under the GAAP Equity method of accounting. The reporting entity shall record investments that require audited GAAP equity in the manner described below when the audit opinion on the GAAP financial statements contains the following language:

a. ____The investment shall be nonadmitted if the audit opinion contains a disclaimer of opinion for the most recent statement of financial position presented in the financial statements.

b. The investment shall be nonadmitted if the audit opinion contains a qualified opinion due to a scope limitation that impacts the most recent statement of financial position presented in the financial statements and the impact of the scope limitation cannot be quantified. However, if the impact of the scope limitation is quantified in the audited financial statements or the audit opinion, the investment shall be admitted and the reporting entity's valuation of the investment shall be determined based on the GAAP equity of the investee, adjusted to exclude the impact of the quantified scope limitation.

c. The investment shall be nonadmitted if the audit opinion contains a qualified opinion due to a departure from GAAP that impacts the most recent statement of financial position presented in the financial statements and the impact of such departure is not quantified in either the auditor's report or the footnotes to the financial statements (see quantification exception related to the valuation of a U.S. insurance entity on the basis of U.S. statutory accounting principles discussed below). However, if the impact of the departure from GAAP is quantified in the audited financial statements or the audit opinion, the investment shall be admitted and the reporting entity's valuation of the investment shall be determined based on the GAAP equity of the investee, adjusted to exclude the impact of the quantified departure from GAAP. **EXCEPTION: There is no need to quantify the impact of a departure from GAAP in either the auditor's report or the footnotes to the financial statements if a qualified audit opinion is issued due to a departure from GAAP and the departure is related to the valuation of an U.S. insurance entity on the basis of U.S. statutory accounting principles. In such cases, the investment shall be admitted without quantifying the departure.**

d. **The investment shall be nonadmitted if the audit opinion contains an adverse opinion due to a departure from GAAP** that impacts the most recent statement of financial position presented in the financial statements and the impact of such departure is not quantified in either the auditor's report or the footnotes to the financial statements (see quantification exception related to the valuation of a U.S. insurance entity on the basis of U.S. statutory accounting principles discussed below). However, if the impact of the departure from GAAP is quantified in the audited financial statements or the audit opinion, the investment shall be admitted and the reporting entity's valuation of the investment shall be determined based on the GAAP equity of the investee, adjusted to exclude the impact of the quantified departure from GAAP. **EXCEPTION: There is no need to quantify the impact of a departure from GAAP in either the auditor's report or the footnotes to the financial statements if an adverse audit opinion is issued due to a departure from GAAP and the departure is related to the valuation of an U.S. insurance entity on the basis of U.S. statutory accounting principles. In such cases, the investment shall be admitted without quantifying the departure.**

e. The investment shall be nonadmitted if the audit report or accompanying financial statements/notes contains explanatory language indicating there is an unalleviated substantial doubt about the investee's ability to continue as a going concern.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group: None

Convergence with International Financial Reporting Standards (IFRS): Not Applicable

Staff Recommendation: NAIC staff recommends that the Working Group move this item to the active listing, categorized as nonsubstantive and request comments on the extent to which situations exist that hinder admittance of 8.b.iii entities due to the departure of U.S. GAAP as a result of the inability to quantify the departure.

Staff Review Completed by: Jim Pinegar - NAIC Staff – September 2020

Status:
On November 12, 2020, the Statutory Accounting Principles (E) Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed this agenda item with a request for comments on the extent in which situations exist that hinder admittance of 8.b.iii. entities due to the inability to quantify a departure from U.S. GAAP.

On March 15, 2021, the Statutory Accounting Principles (E) Working Group disposed of this agenda item, without statutory revisions, as the issue of nonadmittance due to the inability to quantify a departure from U.S. GAAP is not prevalent.

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Statutory Accounting Principles (E) Working Group
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Issue: ASU 2020-06 - Convertible Instruments

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	☒	☒	☒
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue: *ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* intends to address issues identified as a result of the complexity associated with applying U.S. generally accepted accounting principles (U.S. GAAP) for certain financial instruments with characteristics of liabilities and equity. Complexity associated with the accounting is a significant contributing factor to numerous U.S. GAAP financial statement restatements and has resulted in complexity for users attempting to understand the results of applying the current guidance.

Under current U.S. GAAP, there are five accounting models for convertible debt instruments. Except for the traditional convertible debt model that recognizes a convertible debt instrument as a single debt instrument, the other four models, with their different measurement guidance, require that a convertible debt instrument be separated (using different separation approaches) into a debt component and an equity or a derivative component. Convertible preferred stock also is required to be assessed under similar models. The amendments in ASU 2020-06 provide financial statement users with a simpler and more consistent starting point to perform analyses across entities. The amendments also improve the operability of the guidance and reduce, to a large extent, the complexities in the accounting for convertible instruments and the difficulties with the interpretation and application of the relevant guidance.

The amendments to the derivatives scope exception for contracts in an entity's own equity change the population of contracts that are recognized as assets or liabilities. For a freestanding instrument, if the instrument qualifies for the derivatives scope exception under the amendment, an entity should record the instrument as equity. For an embedded feature, if the feature qualifies for the derivatives scope exception under the amendment, an entity should no longer bifurcate the feature and account for it separately.

ASU 2020-06 also provides updated guidance on earnings per share calculations.

Existing Authoritative Literature:

1. Earnings per share – Rejected as Not Applicable for Statutory Accounting:

The concept of earnings per share (Topic 260) has previously been reviewed with the following U.S. GAAP standards rejected as not applicable in *Appendix D—Nonapplicable GAAP Pronouncements:*

- *FASB Statement No. 128, Earnings per Share* (FAS 128)
- *EITF 07-04, Application of the Two-Class Method under FASB Statement No. 128 to Master Limited Partnerships*

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2. Distinguishing Liabilities from Equity / Derivatives and Hedging:

SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets defines a liability with excerpts below:

Financial Instruments with Characteristics of both Liabilities and Equity

27. Issued, free-standing financial instruments with characteristics of both liability and equity shall be reported as a liability to the extent the instruments embodies an unconditional obligation of the issuer. (Pursuant to SSAP No. 86, embedded features in derivative contracts shall not be separated from the host contract for separate recognition.) Free-standing financial instruments that meet any of the criteria below meet the definition of a liability:

a. A mandatorily redeemable financial instrument shall be classified as a liability unless the redemption is required to occur only upon the liquidation or termination of the issuing reporting entity.

b. A financial instrument, other than an outstanding share, that at inception both 1) embodies an obligation to repurchase the issuer's equity shares or is indexed to such an obligation and 2) requires or may require the issuer to settle the obligation by transferring assets.

c. Obligations that permit the holder to require the issuer to transfer assets.

d. A financial instrument is a liability if the issuer must settle the obligation by issuing a variable number of its equity shares and the obligation's monetary value is based solely or predominantly on: 1) a fixed monetary amount, 2) variation in something other than the fair value of the issuer's equity shares, or 3) variations inversely related to changes in the fair value of the issuer's equity shares.

e. Instruments in which the counterparty (holder) is not exposed to the risks and benefits that are similar to those of a holder of an outstanding share of the entity's equity shall be classified as a liability.

28. If a free-standing financial instrument will be redeemed only upon the occurrence of a conditional event, redemption of that instrument is conditional and, therefore, the instrument does not meet the definition of mandatorily redeemable financial instrument. However, that financial instrument shall be assessed each reporting period to determine whether circumstances have changed such that the instrument meets the definition of a mandatorily redeemable instrument (that is, the event is no longer conditional). If the event has occurred, the condition is resolved, or the event has become certain to occur, the financial instrument shall be reclassified as a liability.

29. The classification of a free-standing financial instrument as a liability or equity shall only apply to the instrument issuer. Holders or purchasers of such instruments shall refer to the appropriate investment statement for valuation and reporting.

SSAP No. 72—Surplus and Quasi-Reorganizations

Capital Stock

3. The articles of incorporation set forth the number of authorized shares of capital stock and the par value of each share. The capital stock account represents the number of shares issued times the par value of each share. When no par value is set forth, the reporting entity shall declare a "stated value" and record such amount in the capital stock account. Changes in the par value of a reporting entity's capital stock shall be reflected as a reclassification between the capital stock account and gross paid-in and contributed surplus. Issued, free-standing financial instruments with characteristics of both liability and equity shall be reported as a liability to the extent described in SSAP No. 5R.

SSAP No. 104R—Share-Based Payments, Exhibit A – Classification Criteria: Liability or Equity

Mandatorily Redeemable Financial Instruments

3. A mandatorily redeemable financial instrument shall be classified as a liability unless the redemption is required to occur only upon the liquidation or termination of the reporting entity.

4. A financial instrument that embodies a conditional obligation to redeem the instrument by transferring assets upon an event not certain to occur becomes mandatorily redeemable if that event occurs, the condition is resolved, or the event becomes certain to occur.

5. In determining if an instrument is mandatorily redeemable, all terms within a redeemable instrument shall be considered. The following items do not affect the classification of a mandatorily redeemable financial instrument as a liability:

a. A term extension option

b. A provision that defers redemption until a specified liquidity level is reached

c. A similar provision that may delay or accelerate the timing of a mandatory redemption.

6. If a financial instrument will be redeemed only upon the occurrence of a conditional event, redemption of that instrument is conditional and, therefore, the instrument does not meet the definition of mandatorily redeemable financial instrument in this statement. However, that financial instrument would be assessed at each reporting period to determine whether circumstances have changed such that the instrument now meets the definition of a mandatorily redeemable instrument (that is, the event is no longer conditional). If the event has occurred, the condition is resolved, or the event has become certain to occur, the financial instrument is reclassified as a liability.

Obligations to Repurchase Issuer's Equity Shares by Transferring Assets

7. An entity shall classify as a liability (or an asset in some circumstances) any financial instrument, other than an outstanding share, that, at inception, has both of the following characteristics:

a. It embodies an obligation to repurchase the issuer's equity shares, or is indexed to such an obligation, and

b. It requires or may require the issuer to settle the obligation by transferring assets.

8. In this statement, "indexed to" is used interchangeably with "based on variations in the fair value of." The phrase "requires or may require" encompasses instruments that either conditionally or unconditionally obligate the issuer to transfer assets. If the obligation is conditional, the number of conditions leading up to the transfer of assets is irrelevant.

9. Examples of financial instruments that meet the criteria in paragraph 7 of this Exhibit include forward purchase contracts or written put options on the issuer's equity shares that are to be physically settled or net cash settled.

10. All obligations that permit the holder to require the issuer to transfer assets result in liabilities, regardless of whether the settlement alternatives have the potential to differ.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): The Working Group addressed similar issue in agenda item 2019-43, and adopted language that was included in the "Existing Authoritative Literature" section, primarily in SSAP No. 5R.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group: None

Convergence with International Financial Reporting Standards (IFRS): N/A

Staff Recommendation:

NAIC staff recommends the Working Group move this item to the active listing, categorized as nonsubstantive, and expose revisions to SSAP No. 5R, SSAP No. 72 and SSAP No. 86 to reject *ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* for statutory accounting as this update primarily addresses various convertible debt valuation models (a concept not employed by statutory accounting) as well as require bifurcating embedded derivative components (a concept not permitted under statutory accounting).

Staff Review Completed by:

Jake Stultz, NAIC Staff – September 2020

Status:

On November 12, 2020, the Statutory Accounting Principles (E) Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets*, *SSAP No. 72—Surplus and Quasi-Reorganizations* and *SSAP No. 86—Derivatives*, to reject *ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* for statutory accounting, as illustrated below.

SSAP No. 5R

39. This statement rejects *ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*.

SSAP No. 72

30. This statement rejects *ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*.

SSAP No. 86

72. This statement rejects *ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own* Equity, *ASU 2018-03, Recognition and Measurement of Financial Assets and Financial Liabilities*, and *ASU 2016-03, Intangibles—Goodwill and Other, Business Combinations, Consolidation, Derivatives and Hedging*.

On March 15, 2021, the Statutory Accounting Principles (E) Working Group adopted, as final, the exposed revisions, as shown above to *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets*, *SSAP No. 72—Surplus and Quasi-Reorganizations* and *SSAP No. 86—Derivatives*, to reject *ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* for statutory accounting.

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Statutory Accounting Principles (E) Working Group
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Issue: ASU 2020-07 - Presentation and Disclosures by Not-for-Profit Entities

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	☒	☒	☒
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue: *ASU 2020-07, Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* intends to improve U.S. generally accepted accounting principles (U.S. GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to financial statement presentation and disclosure. The amendments address stakeholder input concerning the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. These updates provide minor changes to U.S. GAAP disclosures for not-for-profit entities and require that contributed nonfinancial assets be reported on a separate line item in the statement of activities, apart from contributions of cash and other financial assets.

Existing Authoritative Literature: Disclosure requirements are included in most SSAPs, but none are specific to only not-for-profit entities.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group: None

Convergence with International Financial Reporting Standards (IFRS): None

Staff Recommendation: NAIC staff recommends that the Working Group move this item to the active listing, categorized as nonsubstantive, and expose revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject *ASU 2020-07, Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* as not applicable to statutory accounting.

This item is proposed to be rejected as not applicable as ASU 2020-07 is specific to not-for-profit entities, which for statutory accounting purposes are not subject to different disclosure treatment than other entity types.

Staff Review Completed by:
Jake Stultz, NAIC Staff – September 2020

Status:
On November 12, 2020, the Statutory Accounting Principles (E) Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject *ASU 2020-07, Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* as not applicable to statutory accounting.

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On March 15, 2021, the Statutory Accounting Principles (E) Working Group adopted, as final, the proposed revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject *ASU 2020-07, Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* as not applicable to statutory accounting.

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Statutory Accounting Principles (E) Working Group
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Issue: Accounting for Perpetual Bonds

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	☒	☒	☒
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue: Questions have arisen regarding accounting treatment for perpetual bonds held as investments within scope of *SSAP No. 26R—Bonds.* A perpetual bond is a fixed income security, representing a creditor relationship, with a fixed schedule of future payments, however it does not contain a maturity date - thus yielding the definitional term "perpetual." These bonds are typically not redeemable at the option of the holder but likely possess call options for the benefit of the issuer.

Perpetual bonds possess characteristics very similar to that of perpetual preferred stock in that both offer a projected return for an indefinite of time. The similarities of these two securities extend beyond both having indefinite lives and receiving periodic, scheduled income cash flows (i.e. interest for perpetual bonds and dividends for perpetual preferred stock). Both investments 1) have a higher than average duration from their perpetual cashflows reflecting a greater market value sensitivity, up and down, to interest rate movements, 2) generally are subject to issuer call provisions, and 3) do not possess voting rights. The only primary cashflow difference between perpetual bonds and perpetual preferred stock is seniority in the event of a liquidation (bond typically place higher in the liquidation hierarchy) – which is why perpetual preferred stock may warrant a higher yield to compensate for seniority risk.

Existing Authoritative Literature:

SSAP No. 26R does not contain specific or differing valuation and reporting guidance for perpetual bonds. These investments would be captured in the existing valuation and reporting guidance for bonds that are not mandatory convertible, which anticipate a scheduled maturity date. Under this existing guidance, bonds are held at amortized cost ***or*** lower of amortized cost or fair value, depending on NAIC designation of the bond. Due to perpetual bonds lacking a maturity date (and possessing indefinite lives), they are unable to experience accretion or amortization to yield an amortized cost basis.

SSAP No. 26R—Bonds

11. Bonds, as defined in paragraph 3, shall be valued and reported in accordance with this statement, the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*, and the designation assigned in the NAIC *Valuations of Securities* product prepared by the NAIC Securities Valuation Office (SVO).

a. Bonds, except for mandatory convertible bonds: For reporting entities that maintain an asset valuation reserve (AVR), the bonds shall be reported at **amortized cost**, except for those with an NAIC designation of 6, which shall be reported at the **lower of amortized cost or fair value.** For reporting entities that do not maintain an AVR, bonds that are designated highest-quality and high-quality (NAIC designations 1 and 2, respectively) shall be reported at **amortized cost**; all other bonds (NAIC designations 3 to 6) shall be reported at the lower of **amortized cost or fair value.**

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b. Mandatory convertible bonds: Mandatory convertible bonds are subject to special reporting instructions and are not assigned NAIC designations or unit prices by the SVO. **The balance sheet amount for mandatory convertible bonds shall be reported at the lower of amortized cost or fair value during the period prior to conversion.** This reporting method is not impacted by NAIC designation or information received from credit rating providers (CRPs). Upon conversion, these securities will be subject to the accounting guidance of the statement that reflects their revised characteristics. (For example, if converted to common stock, the security will be in scope of *SSAP No. 30R—Unaffiliated Common Stock*, if converted to preferred stock, the security will be in scope of *SSAP No. 32—Preferred Stocks*.)

Due to the numerous payment similarities between perpetual bonds and perpetual preferred stock, the accounting and reporting guidance for perpetual preferred stock is below. (Note: guidance below is from agenda item 2019-04: SSAP No. 32 – Investment Classification Project.) This agenda item substantially revises *SSAP No. 32—Preferred Stock* as a part of the Investment Classification Project. This guidance is anticipated for adoption during the Summer 2020 National Meeting)

SSAP No 32R—Preferred Stock

10. Preferred stock shall be valued based on (a) the underlying characteristics (redeemable, **perpetual** or mandatory convertible), (b) the quality rating expressed as an NAIC designation, and (c) whether an asset valuation reserve (AVR) is maintained by the reporting entity:

a. For reporting entities that do not maintain an AVR:

i. Highest-quality or high-quality redeemable preferred stocks (NAIC designations 1 and 2) shall be valued at amortized cost. All other redeemable preferred stocks (NAIC designations 3 to 6) shall be reported at the lower of amortized cost or fair value.

ii. Perpetual preferred stocks shall be reported at fair value, not to exceed any currently effective call price.

iii. Mandatory convertible preferred stocks (regardless if the preferred stock is redeemable or perpetual) shall be reported at fair value, not to exceed any currently effective call price, in the periods prior to conversion. Upon conversion to common stock, these securities shall be in scope of SSAP No. 30R.

iv. For preferred stocks reported at fair value, unrealized gains and losses shall be recorded as a direct credit or charge to unassigned funds (surplus).

b. **For reporting entities that maintain an AVR**:

i. Highest-quality, high-quality or medium quality redeemable preferred stocks (NAIC designations 1 to 3) shall be valued at amortized cost. All other redeemable preferred stocks (NAIC designations 4 to 6) shall be reported at the lower of amortized cost or fair value.

ii. Perpetual preferred stocks shall be valued at fair value, not to exceed any currently effective call price.

iii. Mandatory convertible preferred stocks (regardless if the preferred stock is redeemable or perpetual) shall be reported at fair value, not to exceed any currently effective call price, in the periods prior to conversion. Upon conversion to common stock, these securities shall be in scope of SSAP No. 30R.

iv. For preferred stocks reported at fair value, the accounting for unrealized gains and losses shall be in accordance with *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve* (SSAP No. 7).

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): While not specific to perpetual bonds, in agenda item 2019-04: SSAP No. 32 – Investment Classification Project, the Working Group has agreed in principle with the accounting for perpetual preferred stock, which from an investor perspective, is materially similar to perpetual bonds.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group: None

Convergence with International Financial Reporting Standards (IFRS): N/A

Staff Recommendation:
NAIC Staff recommends that the Working Group move this item to the active listing, categorized as nonsubstantive and expose revisions to *SSAP No. 26R—Bonds* to clarify that perpetual bonds shall be reported at fair value, not to exceed any current effective call price. Although this is considered a nonsubstantive change, if a stated effective date is preferred (instead of immediately upon adoption), NAIC staff recommends an effective date of Jan. 1, 2021, with early application permitted. (Although these bonds cannot amortize without a maturity date, NAIC staff notes that the specific reference to fair value may cause a change for reporting entities immediately before year-end. However, it is also noted that these types of bonds are not believed to be overly prevalent.)

SSAP No. 26R – Proposed Updates

Balance Sheet Amount

11. Bonds, as defined in paragraph 3, shall be valued and reported in accordance with this statement, the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*, and the designation assigned in the NAIC *Valuations of Securities* product prepared by the NAIC Securities Valuation Office (SVO).

a. Bonds, except for mandatory convertible bonds: For reporting entities that maintain an asset valuation reserve (AVR), the bonds shall be reported at amortized cost, except for those with an NAIC designation of 6, which shall be reported at the lower of amortized cost or fair value. For reporting entities that do not maintain an AVR, bonds that are designated highest-quality and high-quality (NAIC designations 1 and 2, respectively) shall be reported at amortized cost; all other bonds (NAIC designations 3 to 6) shall be reported at the lower of amortized cost or fair value. For perpetual bonds, the bonds shall be reported at fair value regardless of NAIC designation, not to exceed any current effective call price.

b. Mandatory convertible bonds: Mandatory convertible bonds are subject to special reporting instructions and are not assigned NAIC designations or unit prices by the SVO. The balance sheet amount for mandatory convertible bonds shall be reported at the lower of amortized cost or fair value during the period prior to conversion. This reporting method is not impacted by NAIC designation or information received from credit rating providers (CRPs). Upon conversion, these securities will be subject to the accounting guidance of the statement that reflects their revised characteristics. (For example, if converted to common stock, the security will be in scope of *SSAP No. 30R—Unaffiliated Common Stock*, if converted to preferred stock, the security will be in scope of *SSAP No. 32—Preferred Stocks*.)

Effective Date and Transition

36. Revisions adopted April 2019, to explicitly exclude securities for which the contract amount of the instrument to be paid at maturity (or the original investment) is at risk for other than failure of the borrower to pay the contractual amount due, are effective December 31, 2019.

~~36.~~37. The reporting of perpetual bonds at fair value shall be effective January 1, 2021, with early adoption permitted.

Staff Review Completed by: Jim Pinegar, NAIC Staff – May 2020

Status:
On July 30, 2020, the Statutory Accounting Principles (E) Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *SSAP No. 26R—Bonds*, as illustrated above, to clarify that perpetual bonds shall be reported at fair value, not to exceed any current effective call price. Although this is considered a nonsubstantive change, a stated effective date of Jan. 1, 2021, with early application permitted, has been proposed to allow time for reporting entities to make measurement changes as needed.

On November 12, 2020, the Statutory Accounting Principles (E) Working Group exposed revisions to *SSAP No. 26R—Bonds*, as illustrated below, to clarify that perpetual bonds are within scope as a "bond," and shall apply the yield-to-worst concept. Additionally, for perpetual bonds that do not possess or no longer possess a call feature shall follow fair value reporting.

SSAP No. 26R – Proposed Updates for the November 12th Interim Meeting:
In conjunction with the NAIC staff recommendation to retain bond accounting (i.e. amortized cost) for perpetual bonds that possess a future call date, however to require fair value accounting for those that do not (or no longer) possess a future call date, the following edits are recommended. All items below are new and have not previously been exposed.

Amortized Cost

9. Amortization of bond premium or discount shall be calculated using the scientific (constant yield) interest method taking into consideration specified interest and principal provisions over the life of the bond FN. Bonds containing call provisions (where the issue can be called away from the reporting entity at the issuer's discretion), except "make-whole" call provisions, shall be amortized to the call or maturity value/date which produces the lowest asset value (yield-to-worst). Although the concept for yield-to-worst shall be followed for all callable bonds, make-whole call provisions, which allow the bond to be callable at any time, shall not be considered in determining the timeframe for amortizing bond premium or discount unless information is known by the reporting entity indicating that the issuer is expected to invoke the make-whole call provision.
New Footnote: For perpetual bonds with an effective call option, any applicable premium shall be amortized to the next effective call date. For perpetual bonds purchased at a discount, any applicable discount shall be accreted utilizing the yield-to-worst concept.

Balance Sheet Amount

11. Bonds, as defined in paragraph 3, shall be valued and reported in accordance with this statement, the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*, and the designation assigned in the NAIC *Valuations of Securities* product prepared by the NAIC Securities Valuation Office (SVO).

a. Bonds, except for mandatory convertible bonds: For reporting entities that maintain an asset valuation reserve (AVR), the bonds shall be reported at amortized cost, except for those with an

NAIC designation of 6, which shall be reported at the lower of amortized cost or fair value. For reporting entities that do not maintain an AVR, bonds that are designated highest-quality and high-quality (NAIC designations 1 and 2, respectively) shall be reported at amortized cost; all other bonds (NAIC designations 3 to 6) shall be reported at the lower of amortized cost or fair value. For perpetual bonds in which do not possess or no longer possess an effective call option, the bond shall be reported at fair value regardless of NAIC designation.

On March 15, 2021, the Statutory Accounting Principles (E) Working Group adopted, as final, the exposed revisions to *SSAP No. 26R—Bonds*, as illustrated below, to clarify that perpetual bonds are within scope. Perpetual bonds with an effective call option shall be amortized under the yield-to-worst concept, whereas perpetual bonds that do not possess, or no longer possess, a call feature shall follow fair value reporting. The adopted revisions included edits discussed during the meeting.

Adopted Revisions to SSAP No. 26R:

Amortized Cost

9. Amortization of bond premium or discount shall be calculated using the scientific (constant yield) interest method taking into consideration specified interest and principal provisions over the life of the bond FN. Bonds containing call provisions (where the issue can be called away from the reporting entity at the issuer's discretion), except "make-whole" call provisions, shall be amortized to the call or maturity value/date which produces the lowest asset value (yield-to-worst). Although the concept for yield-to-worst shall be followed for all callable bonds, make-whole call provisions, which allow the bond to be callable at any time, shall not be considered in determining the timeframe for amortizing bond premium or discount unless information is known by the reporting entity indicating that the issuer is expected to invoke the make-whole call provision.
New Footnote: For perpetual bonds with an effective call option, any applicable premium shall be amortized utilizing the yield-to-worst method.

Balance Sheet Amount

11. Bonds, as defined in paragraph 3, shall be valued and reported in accordance with this statement, the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*, and the designation assigned in the NAIC *Valuations of Securities* product prepared by the NAIC Securities Valuation Office (SVO).

c. Bonds, except for mandatory convertible bonds: For reporting entities that maintain an asset valuation reserve (AVR), the bonds shall be reported at amortized cost, except for those with an NAIC designation of 6, which shall be reported at the lower of amortized cost or fair value. For reporting entities that do not maintain an AVR, bonds that are designated highest-quality and high-quality (NAIC designations 1 and 2, respectively) shall be reported at amortized cost; all other bonds (NAIC designations 3 to 6) shall be reported at the lower of amortized cost or fair value. For perpetual bonds in which do not possess or no longer possess an effective call option, the bond shall be reported at fair value regardless of NAIC designation.

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Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A

Issue: Interpretation Policy Statement Updates

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	☒	☒	☒
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue: This agenda item proposes edits to Appendix F of the *NAIC Policy Statement on Maintenance of Statutory Accounting Principles,* clarifying the requirements regarding the issuance and adoption of accounting interpretations.

Existing Authoritative Literature:

NAIC Policy Statement on Maintenance of Statutory Accounting Principles (Appendix F) documents the requirements of interpretation issuances and adoptions.

Development of Interpretations to SSAPs and Referencing Interpretations Within SSAPs

9. Interpretations will be developed to address, but will not be limited to issues requiring timely application or clarification of existing SAP, which shall not amend, supersede or conflict with existing, effective SSAPs. Issues being considered as an interpretation must be discussed at no less than two open meetings. (Original introduction of the issue when the Working Group identifies the intent to address the issue as an "interpretation" during a public discussion is considered the first open meeting discussion.) The process must allow opportunity for interested parties to provide comments, but as interpretations are intended to provide timely responses to questions of application or interpretation and clarification of guidance, no minimum exposure timeframe is required.

10. The voting requirement to adopt an interpretation is a simple majority. As interpretations do not amend, supersede or conflict with existing SSAP guidance, the interpretation is effective upon Working Group adoption unless specifically stated otherwise. The Working Group shall report the adopted interpretation to the Task Force as part of its public report during the next NAIC national meeting (or earlier if applicable). Interpretations can be overturned, amended or deferred only by a two-thirds majority of the Task Force membership.

11. In rare circumstances, the Working Group may adopt an interpretation which creates new SAP or conflicts with existing SSAPs. Historically, these interpretations temporarily modified statutory accounting principles and/or specific disclosures were developed in response to nationally significant events (e.g., Hurricane Sandy, September 11, 2001). In order to adopt an interpretation that creates new SAP or conflicts with existing SSAPs, the Working Group must have 67% of its members voting (10 out of 15 members) with a super majority (7 out of 10, 8 out of 11 or 12, 9 out of 13, 10 out of 14, or 11 out of 15) supporting adoption. These interpretations can be adopted, overturned, amended or deferred only by a two-thirds majority of the Task Force membership.

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12. As new SSAPs are developed, it is essential to review and, if necessary, update the status of interpretations related to SSAPs that are being replaced and/or new SSAPs being developed. The following options are available to the Working Group when a SSAP with existing interpretations is replaced:

a. **Interpretation of the new SSAP -** If the Working Group would like to maintain the interpretation, the new SSAP can be added to the list of statements interpreted by the interpretation. In addition, the status section of the new SSAP will list the interpretation number next to the heading "Interpreted by."

b. **Nullification** - When an interpretation is nullified by a subsequent SSAP or superseded by another interpretation, the interpretation is deemed no longer technically helpful, is shaded and moved to Appendix H (Superseded SSAPs and Nullified Interpretations), and the reason for the change is noted beneath the interpretation title. The status section of the SSAP describes the impact of the new guidance and the effect on the interpretation (for example, nullifies, incorporated in the new SSAP with paragraph reference, etc.).

c. **Incorporation** - When an interpretation is incorporated into a new SSAP, the Working Group can choose from the following two options:

i. If the interpretation only interprets one SSAP, then the interpretation is listed as being nullified under the "affects" section of the SSAP and is not referenced under the "interpreted by" section of the status page of the SSAP.

ii. If the interpretation references additional SSAPs, and the Working Group intends to maintain the guidance, the interpretation is unchanged (no nullification). The new SSAP (Summary of Issue section) reflects that the interpretation issue has been incorporated into the new statement.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group: None

Convergence with International Financial Reporting Standards (IFRS): N/A

Staff Recommendation: NAIC staff recommends that the Working Group move this item to the active listing, categorized as nonsubstantive and expose clarifying revisions to *NAIC Policy Statement on Maintenance of Statutory Accounting Principles* in Appendix F regarding the issuance and adoption of accounting interpretations.

Development of Interpretations to SSAPs and Referencing Interpretations Within SSAPs

Interpretations which DO NOT amend, supersede, or conflict with existing SSAPs

9. Interpretations ~~will~~ may be developed to address~~, but will not be limited to~~ issues requiring timely application or clarification of existing SAP, which shall not amend, supersede or conflict with ~~existing,~~ effective SSAPs. Issues being considered as an interpretation must be discussed at no less than two open meetings. (Original introduction of the issue when the Working Group identifies the intent to address the issue as an "interpretation" during a public discussion is considered the first open meeting discussion.) The process must allow opportunity for interested parties to provide comments, but as interpretations are intended to provide timely responses to questions of application or interpretation and clarification of guidance, no minimum exposure timeframe is required.

10. ~~The voting requirement to adopt an interpretation is a simple majority.~~ As these interpretations do not amend, supersede or conflict with existing SSAP guidance, the interpretation is effective upon Working

Group adoption, unless specifically stated otherwise. The voting requirement to adopt an interpretation of this type is a simple majority. The Working Group shall report the adopted interpretation to the Accounting Practice and Procedures (E) Task Force as part of its public report during the next NAIC national meeting (or earlier if applicable). Interpretations can be overturned, amended or deferred ~~only~~ by a two-thirds majority of the Task Force membership. For clarification, a two-thirds majority of the Task Force requires two-thirds of the entire Task Force membership, not just those electing to vote. Additionally, interpretations can be overturned, amended, deferred, or referred to either the Task Force and/or the Working Group by a simple majority of the Financial Condition (E) Committee.

Interpretations which amend, supersede, or conflict with existing SSAPs

11. In ~~rare~~ certain circumstances, the Working Group may adopt an interpretation which creates a new SAP or conflicts with existing SSAPs. Historically, these interpretations temporarily modified statutory accounting principles and/or specific disclosures were developed in response to nationally significant events (e.g., Hurricane Sandy, September 11, 2001). In order to adopt an interpretation that creates new SAP or conflicts with existing SSAPs, the Working Group must have 67% of its members voting (10 out of 15 members) with a super majority (7 out of 10, 8 out of 11 or 12, 9 out of 13, 10 out of 14, or 11 out of 15) supporting adoption.

a. These interpretations are effective upon Working Group adoption, unless stated otherwise, and shall be reported to the Accounting Practice and Procedures (E) Task Force as part of its public report during the next NAIC national meeting (or earlier if applicable). In circumstance where the Working Group adopts an interpretation (which creates new SAP or conflicts with existing SSAPs) that is controversial in nature (i.e. due to regulator or industry feedback or could have a policy level impact), the Working Group may elect to postpone the effective date until the item has been discussed by the Task Force and the Financial Condition (E) Committee and both have had an opportunity to review the interpretation.

b. These interpretations can be ~~adopted~~ overturned, amended or deferred by a two-thirds majority of the Task Force membership. For clarification, a two-thirds majority of the Task Force requires two-thirds of entire Task Force membership, not just those electing to vote. Additionally, interpretations can be overturned, amended, deferred, or referred to either the Task Force and/or the Working Group by a simple majority of the Financial Condition (E) Committee.

Staff Review Completed by: Jim Pinegar, NAIC Staff – August 2020

Status:
On November 12, 2020, the Statutory Accounting Principles (E) Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *NAIC Policy Statement on Maintenance of Statutory Accounting Principles* in *Appendix F—Policy Statements* regarding the issuance and adoption of accounting interpretations, as illustrated above.

On March 15, 2021, the Statutory Accounting Principles (E) Working Group, adopted, as final, revisions to *NAIC Policy Statement on Maintenance of Statutory Accounting Principles* in *Appendix F—Policy Statements* in *Appendix F—Policy Statements*, as illustrated below, regarding the issuance and adoption of accounting interpretations. This adoption included additional revisions to paragraph 11, as discussed during the meeting.

Appendix F – Adopted Revisions:

Development of Interpretations to SSAPs and Referencing Interpretations Within SSAPs

Interpretations which DO NOT amend, supersede, or conflict with existing SSAPs

9. Interpretations ~~will~~ may be developed to address~~, but will not be limited to~~ issues requiring timely application or clarification of existing SAP, which shall not amend, supersede or conflict with ~~existing,~~

effective SSAPs. Issues being considered as an interpretation must be discussed at no less than two open meetings. (Original introduction of the issue when the Working Group identifies the intent to address the issue as an "interpretation" during a public discussion is considered the first open meeting discussion.) The process must allow opportunity for interested parties to provide comments, but as interpretations are intended to provide timely responses to questions of application or interpretation and clarification of guidance, no minimum exposure timeframe is required.

10. ~~The voting requirement to adopt an interpretation is a simple majority.~~ As these interpretations do not amend, supersede or conflict with existing SSAP guidance, the interpretation is effective upon Working Group adoption, unless specifically stated otherwise. The voting requirement to adopt an interpretation of this type is a simple majority. The Working Group shall report the adopted interpretation to the Accounting Practice and Procedures (E) Task Force as part of its public report during the next NAIC national meeting (or earlier if applicable). Interpretations can be overturned, amended or deferred ~~only~~ by a two-thirds majority of the Task Force membership. For clarification, a two-thirds majority of the Task Force requires two-thirds of the entire Task Force membership, not just those electing to vote. Additionally, interpretations can be overturned, amended, deferred, or referred to either the Task Force and/or the Working Group by a simple majority of the Financial Condition (E) Committee.

Interpretations which amend, supersede, or conflict with existing SSAPs

11. In ~~rare~~ certain circumstances such as catastrophes and other time-sensitive issues requiring immediate, temporary statutory accounting guidance, the Working Group may adopt an interpretation which creates a new SAP or conflicts with existing SSAPs. Historically, these interpretations temporarily modified statutory accounting principles and/or specific disclosures were developed in response to nationally significant events (e.g., Hurricane Sandy, September 11, 2001). (Examples of time sensitive issues that have been previously provided INT exceptions to SAP include the transition from LIBOR and special situations such at the federal TALF program.) Interpretations that conflict with existing SSAPs shall be temporary and restricted to circumstances arising from the need to issue guidance for circumstance requiring immediate guidance. In order to adopt an interpretation that creates new SAP or conflicts with existing SSAPs, the Working Group must have 67% of its members voting (10 out of 15 members) with a super majority (7 out of 10, 8 out of 11 or 12, 9 out of 13, 10 out of 14, or 11 out of 15) supporting adoption.

a) These interpretations are effective upon Working Group adoption, unless stated otherwise, and shall be reported to the Accounting Practice and Procedures (E) Task Force as part of its public report during the next NAIC national meeting (or earlier if applicable). In circumstance where the Working Group adopts an interpretation (which creates new SAP or conflicts with existing SSAPs) that is controversial in nature (i.e., due to regulator or industry feedback or could have a policy level impact), the Working Group may elect to postpone the effective date until the item has been discussed by the Task Force and the Financial Condition (E) Committee and both have had an opportunity to review the interpretation.

b) These interpretations can be ~~adopted~~ overturned, amended or deferred by a two-thirds majority of the Task Force membership. For clarification, a two-thirds majority of the Task Force requires two-thirds of entire Task Force membership, not just those electing to vote. Additionally, interpretations can be overturned, amended, deferred, or referred to either the Task Force and/or the Working Group by a simple majority of the Financial Condition (E) Committee.

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Issue: Clarification of Prescribed Practices

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	☒	☒	☒
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue:
This agenda item intends to clarify the definition and application of prescribed practices. This issue has been presented in response to questions received on existing references in the NAIC *Accounting Practices & Procedures Manual* (AP&P). In summary:

- Each state insurance department has the authority to regulate any insurance company that is licensed in their state. The AP&P Manual is not intended to preempt states' legislative and regulatory authority.

- The financial statements filed with the NAIC and subject to independent audit, pursuant to *Model Law 205: Annual Financial Reporting Model Regulation* shall be in accordance with practices prescribed or permitted by the domiciliary state.

- However, in addition to the financial statements required by the domiciliary state, a non-domiciliary state in which the company is licensed may require an insurer to file supplemental financial information that require or allow the use of different accounting practices in the supplementary filing than provided [for] in the AP&P manual. ~~in the financial statements filed in that state. Ideally,~~ T~~t~~o prevent reporting entities from having to file ~~different~~ financial statements or reports prepared on different basis of accounting with differnt~~ing~~ states, the practices permitted or prescribed by a domiciliary state will be accepted in all states in which a company is licensed. However, as noted above, the provisions of the AP&P Manual are not intended to preempt states' legislative or regulatory authority. Accordingly, each state in which a company is licensed could ~~allow or~~ require supplemental financial information that required or allows statutory accounting practices that differ from the AP&P manual.~~differing financial reports.~~ If a non-domiciliary state in which the company is licensed requires or allows a practice by state statute / bulletin (or other state-wide provision) in such supplemental financial information that is different from NAIC SAP, that practice (s) ~~this provision~~ is also considered a prescribed practice. If the company files financial statements that reflect this practice, even if the financial statements are filed only in the non-domiciliary state, then the prescribed practice disclosure of Note 1 shall apply.

Examples of two possible situations:

Scenario 1: Non-domiciliary State A issues a state statute / bulletin that requires the filing of supplemental financial information and which requires the use of ~~a~~an prescribed accounting practice for all companies that are licensed and doing business within State A. Domiciliary State B does not issue a comparable state statute / bulletin.

Scenario 1 Conclusion: The reporting entity shall file statutory financial statements with their domiciliary state and the NAIC in accordance with the statutory accounting practices permitted or

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prescribed by the domiciliary state (State B). (These financial statements would be subject to the independent audit requirements per Model 205.) The reporting entity also shall file supplemental financial information ~~separate financial statements~~ with State A in accordance with the accounting practice mandated by that non-domiciliary state but shall also include the prescribed practice disclosure of Note 1 in the supplemental financial information.

Scenario 2: Non-domiciliary State A issues a state statute / bulletin that allows an accounting practice for all companies that are licensed and doing business within State A. Domiciliary State B does not issue a comparable state statute / bulletin.

Scenario 2 Conclusion: The reporting entity shall file statutory financial statements with their domiciliary state and the NAIC in accordance with the statutory accounting practices permitted or prescribed by the domiciliary state (State B). (These financial statements would be subject to the independent audit requirements per Model 205.) The reporting entity then has the ability, but is not required, to file supplemental financial information ~~statements~~ in State A that reflects the accounting practice prescribed by that non-domiciliary state and shall include the prescribed practice disclosure of Note 1 in the supplemental financial information.

Existing Authoritative Literature:

Preamble

12. Codification is not intended to preempt state legislative and regulatory authority. While Codification is expected to be the foundation of a state's statutory accounting practices, it may be subject to modification by practices prescribed or permitted by a state's insurance commissioner. Statutory financial statements will continue to be prepared on the basis of accounting practices prescribed or permitted by the states. As a result, in 1998 the AICPA's Insurance Companies Committee determined that it will not be necessary for the Auditing Standards Board to grant the Codification status as an OCBOA since it will not be the sole basis for preparing statutory financial statements. Further, auditors will be permitted to continue to provide audit opinions on practices prescribed or permitted by the insurance department of the state of domicile.

Preamble Questions and Answers
Permitted Practices Advance Notification Requirement – Implementation Questions and Answers

2. Q: What is the difference between a permitted accounting practice and a prescribed practice?

A: **Permitted** accounting practices include practices specifically requested by an insurer that depart from NAIC Statutory Accounting Principles (SAP) and state prescribed accounting practices, as described below, and have received approval from the insurer's domiciliary state regulatory authority.

Prescribed accounting practices are those practices that are incorporated directly or by reference by state laws, regulations and general administrative rules applicable to all insurance enterprises domiciled in a particular state. The NAIC AP&P Manual is not intended to preempt states' legislative and regulatory authority.

If a reporting entity requests an accounting practice that differs from state prescribed accounting practices, but is in accordance with NAIC SAP, advance notice of approval is not required.

The NAIC Model laws do not contain a definition of "prescribed practice," but references to prescribed practices are noted in the Model laws below. These are provided as reference. There are no revisions proposed to the Model Laws:

Model 205 – Annual Financial Reporting Model Regulation

Section 6 - Designation of Independent Certified Public Accountant

B. The insurer shall obtain a letter from the accountant, and file a copy with the commissioner stating that the accountant is aware of the provisions of the insurance code and the regulations of the Insurance Department of the state of domicile that relate to accounting and financial matters and affirming that the accountant will express his or her opinion on the financial statements in terms of their conformity to the statutory accounting practices prescribed or otherwise permitted by that Insurance Department, specifying such exceptions as he or she may believe appropriate.

Model 450 – Insurance Holding Company System Model Regulation with Reporting Forms and Instructions

Item 12. Financial Statements and Exhibits

The annual financial statements of the applicant shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position of the applicant and the results of its operations for the year then ended, in conformity with generally accepted accounting principles or with requirements of insurance or other accounting principles prescribed or permitted under law. If the applicant is an insurer which is actively engaged in the business of insurance, the financial statements need not be certified, provided they are based on the Annual Statement of the person filed with the insurance department of the person's domiciliary state and are in accordance with the requirements of insurance or other accounting principles prescribed or permitted under the law and regulations of the state.

Model 785 – Credit for Reinsurance Model Law

Section 4. Qualified U.S. Financial Institutions

4.c. Maintains at least $250 million in capital and surplus when determined in accordance with the NAIC Accounting Practices and Procedures Manual, including all amendments thereto adopted by the NAIC, excluding the impact of any permitted or prescribed practices; and is.

Model 787 – Term and Universal Life Insurance Reserve Financing Model Regulation

Section 6. The Actuarial Method

B. Valuation used for Purposes of Calculations

For the purposes of both calculating the Required Level of Primary Security pursuant to the Actuarial Method and determining the amount of Primary Security and Other Security, as applicable, held by or on behalf of the ceding insurer, the following shall apply: (1) For assets, including any such assets held in trust, that would be admitted under the NAIC Accounting Practices and Procedures Manual if they were held by the ceding insurer, the valuations are to be determined according to statutory accounting procedures as if such assets were held in the ceding insurer's general account and without taking into consideration the effect of any prescribed or permitted practices; and

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group: None.

Convergence with International Financial Reporting Standards (IFRS): Not Applicable

Staff Recommendation:
NAIC staff recommends that the Working Group move this item to the active listing, categorized as nonsubstantive, and expose proposed revisions to the Preamble Implementation Questions and Answers to clarify prescribed practices. These revisions clarify that while any state in which a company is licensed can issue prescribed practices, the prescribed practices directed by the domiciliary state shall be reflected in the financial statements filed with the NAIC and are the financial statements subject to the independent auditor requirements. (NAIC staff do not believe revisions are necessary to paragraph 12 of the Preamble as that guidance does not limit practices to the domiciliary state and already confirms that the domiciliary state practices shall be reflected in the financial statements subject to audit. For reference paragraph 12 is below.)

> 12. Codification is not intended to preempt state legislative and regulatory authority. While Codification is expected to be the foundation of a state's statutory accounting practices, it may be subject to modification by practices prescribed or permitted by a state's insurance commissioner. Statutory financial statements will continue to be prepared on the basis of accounting practices prescribed or permitted by the states. As a result, in 1998 the AICPA's Insurance Companies Committee determined that it will not be necessary for the Auditing Standards Board to grant the Codification status as an OCBOA since it will not be the sole basis for preparing statutory financial statements. **Further, auditors will be permitted to continue to provide audit opinions on practices prescribed or permitted by the insurance department of the state of domicile**.

Proposed Revisions to the Preamble Questions and Answers:

2. Q: What is the difference between a permitted accounting practice and a prescribed practice?

A: **Permitted** accounting practices include practices specifically requested by an insurer that depart from NAIC Statutory Accounting Principles (SAP) and state prescribed accounting practices, as described below, and have received approval from the insurer's domiciliary state regulatory authority.

Prescribed accounting practices are those practices that are incorporated directly or by reference by state laws, regulations and general administrative rules applicable to all insurance enterprises domiciled and/or licensed in a particular state. The NAIC AP&P Manual is not intended to preempt states' legislative and regulatory authority. Prescribed accounting practices of the domiciliary state shall be reflected in the statutory financial statements filed with the NAIC. Non-domiciliary states may additionally require insurance entities licensed in their state to file financial statements in accordance with the prescribed accounting practices of that particular non-domiciliary state.

If a reporting entity requests an accounting practice that differs from state prescribed accounting practices, but is in accordance with NAIC SAP, advance notice of approval is not required.

Staff Review Completed by:
Julie Gann - NAIC Staff
July 2020

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Status:
On November 12, 2020, the Statutory Accounting Principles (E) Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed proposed revisions to the Preamble Implementation Questions and Answers to clarify prescribed practices, as illustrated above. These revisions clarify that while any state in which a company is licensed can issue prescribed practices, the prescribed practices directed by the domiciliary state shall be reflected in the financial statements filed with the NAIC and are the financial statements subject to the independent audit requirements.

On March 15, 2021, the Statutory Accounting Principles (E) Working Group adopted, as final, revisions to the Preamble Implementation Questions and Answers to clarify prescribed practices, as illustrated below. These revisions clarify that while any state in which a company is licensed can issue prescribed practices, the prescribed practices directed by the domiciliary state shall be reflected in the financial statements filed with the NAIC and are the financial statements subject to the independent audit requirements.

NAIC staff note: In addition to the edits proposed to the authoritative guidance, interested parties recommended various edits to the body of this agenda item. While these additional edits do not further modify the authoritative guidance, NAIC staff recognized that agenda items are typically referenced for historical purposes. Accordingly, the additional recommended edits have been reflected and remain shown in the 'description of issue' section of this agenda item. These edits clarify the understanding that in addition to the financial statements required by the domiciliary state, a non-domiciliary state in which the company is licensed may require an insurer to file supplemental financial information that require or allow the use of different accounting practices in the supplementary filing than as is required in the AP&P manual.

Preamble Implementation Questions and Answers Adopted Revisions:

2. Q: What is the difference between a permitted accounting practice and a prescribed practice?

A: **Permitted** accounting practices include practices specifically requested by an insurer that depart from NAIC Statutory Accounting Principles (SAP) and state prescribed accounting practices, as described below, and have received approval from the insurer's domiciliary state regulatory authority.

Prescribed accounting practices are those practices that are incorporated directly or by reference by state laws, regulations and general administrative rules applicable to all insurance enterprises domiciled and/or licensed in a particular state. The NAIC AP&P Manual is not intended to preempt states' legislative and regulatory authority. Prescribed accounting practices of the domiciliary state shall be reflected in the statutory financial statements filed with the NAIC. Non-domiciliary states may additionally require insurance entities licensed in their state to file supplementary financial information that details the use of different accounting practices required or allowed by the non-domiciliary state that differs from the AP&P Manual.

If a reporting entity requests an accounting practice that differs from state prescribed accounting practices, but is in accordance with NAIC SAP, advance notice of approval is not required.

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Issue: Related Parties, Disclaimers of Affiliation and Variable Interest Entities

Check (applicable entity):

	P/C	Life	Health
Modification of existing SSAP	☒	☒	☒
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue:
The intent of this agenda item is to clarify identification of related parties and affiliates in *SSAP No. 25—Affiliates and Other Related Parties* and to incorporate new disclosures to ensure regulators have the full picture of complicated business structures.

The proposed SSAP revisions intend to address the following key aspects:

- Clarify the identification of related parties and ensure that any related party identified under U.S. generally accepted accounting principles (GAAP) or Securities Exchange Commission (SEC) reporting requirements would be considered a related party under statutory accounting principles (SAP).
- Clarify that non-controlling ownership over 10% results in a related party classification regardless of any disclaimer of control or disclaimer of affiliation.
- Clarify the impact of a disclaimer of control or disclaimer of affiliate under SAP. As detailed, such disclaimers impact holding company group allocation and reporting as an SCA under SSAP No. 97, but do not eliminate the classification as a "related party" and the disclosure of material transactions as required under SSAP No. 25.
- Proposes rejection of several U.S. GAAP standards addressing variable interest entities.

NAIC staff noted that the requirements for the SEC filings do not allow for a disclaimer of affiliation, as is allowed in the *Insurance Holding Company System Regulatory Act* (#440) and the *Insurance Holding Company System Model Regulation* (#450) and included in Appendix A-440. As a result, the statutory financial statements do not provide the full picture of some complicated business structures, which can be common among insurance companies. This agenda item intends to propose revisions to have the related party and affiliate reporting more closely match that of SEC filings. This will be done by adding language from SEC laws and regulation and clarifying the disclaimer of affiliation or control from a statutory reporting standpoint.

Additionally, this agenda item addresses the FASB Accounting Standards Updates (ASU) related to Variable Interest Entities (VIE) and Consolidation (Topic 810).

FASB defines a VIE as an entity (the investee) in which the investor holds a controlling interest that is not based on the majority of voting rights. This agenda item discusses several ASUs that established the initial guidance for VIEs and all subsequent ASUs to update and clarify this guidance. As a fundamental issue, the concept of consolidation has been rejected for statutory accounting. As such, the main concepts included in the ASUs that are discussed in this agenda item are proposed to be rejected for statutory accounting. While this agenda item is not intended to change the concept of consolidation for statutory accounting, NAIC staff believe that there is a need and justification for enhanced disclosures to supplement the reporting process of related parties and affiliates within

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a company structure. The proposed additions will ensure state insurance regulators have a full picture of the companies that they are regulating.

A brief description of the ASUs that are addressed in this agenda item are included below:

- *ASU 2009-17, Consolidations (Topic 810)—Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* clarifies and establishes the basis of U.S. GAAP accounting for consolidation and VIEs. This ASU is a result of *FASB Statement No. 167, Amendments to FASB Interpretation No. 46(R)*.
- *ASU 2010-02, Consolidation (Topic 810)—Accounting and Reporting for Decreases in Ownership of a Subsidiary—a Scope Clarification* addresses implementation issues related to the changes in ownership provisions in Subtopic 810-10, originally issued as *FASB Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements*, which establishes the accounting and reporting guidance for noncontrolling interests and changes in ownership interests of a subsidiary.
- *ASU 2010-10, Consolidations (Topic 810)—Amendments for Certain Investment Funds* defers consolidation requirements for a reporting entity's interest in an entity that has all the attributes of an investment company or for which it is industry practice to apply measurement principles for financial reporting purposes that are consistent with those followed by investment companies.
- *ASU 2014-07, Consolidation (Topic 810)—Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements* permits a private company lessee (the reporting entity) to elect an alternative not to apply VIE guidance to a lessor entity in certain situations.
- *ASU 2015-02, Consolidation (Topic 810)—Amendments to the Consolidation Analysis* includes updates to limited partnerships and similar legal entities, evaluating fees paid to a decision maker or a service provider as a variable interest, the effect of fee arrangements on the primary beneficiary determination, the effect of related parties on the primary beneficiary determination, and certain investment funds.
- *ASU 2016-17, Consolidation (Topic 810)—Interests Held through Related Parties That Are under Common Control* provides that if a reporting entity satisfies the first characteristic of a primary beneficiary (such that it is the single decision maker of a VIE), these amendments require that reporting entity, in determining whether it satisfies the second characteristic of a primary beneficiary, to include all of its direct variable interests in a VIE and, on a proportionate basis, its indirect variable interests in a VIE held through related parties, including related parties that are under common control with the reporting entity.
- *ASU 2018-17, Consolidation (Topic 810)—Targeted Improvements to Related Party Guidance for Variable Interest Entities* includes updated VIE guidance for private companies and considers if indirect interests held through related parties under common control for determining whether fees paid to decision makers and service providers are variable interests.

Existing Authoritative Literature: Statutory accounting guidance is in *SSAP No. 25—Affiliates and Other Related Parties,* model law and regulation provisions are included in *Insurance Holding Company System Regulatory Act* (#440) and the *Insurance Holding Company System Model Regulation* (#450).

From Model #440

Section 4. Registration of Insurers

K. Disclaimer. Any person may file with the commissioner a disclaimer of affiliation with any authorized insurer or a disclaimer may be filed by the insurer or any member of an insurance holding company system. The disclaimer shall fully disclose all material relationships and bases for affiliation between the person and the insurer as well as the basis for disclaiming the affiliation. A disclaimer of affiliation shall be deemed to have been granted unless the commissioner, within thirty (30) days following receipt of a complete disclaimer, notifies the filing party the disclaimer is disallowed. In the event of disallowance, the disclaiming party may request an administrative hearing, which shall

> be granted. The disclaiming party shall be relieved of its duty to register under this section if approval of the disclaimer has been granted by the commissioner, or if the disclaimer is deemed to have been approved.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): In 2010, in response to the issuance of *FAS 166, Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140* and *FAS 167,* Amendments to FASB Interpretation No. 46(R), the SAPWG formed the "SAPWG FAS 166/167 Subgroup. FAS 167 was issued in June 2009 and revised the scope of the FASB consolidation guidance to ensure that entities previously considered qualifying special purpose entities were included within the GAAP consolidation. Additionally, FAS 167 requires consolidation for entities (variable interest entities) in which the reporting entity has the "controlling financial interest". Those situations are specific to when the entity is not controlled by contract, but the reporting entity has: (1) the power to direct the activities of the entity that most significantly impact the entity's economic performance; and (2) the obligation to absorb losses or receive benefits of the entity that could be potentially significant to the entity. Although the concept of consolidation was not supported for SAP, the Subgroup discussion was focused on considering new disclosures for variable interest entities. The discussion of this Subgroup was deferred as Agenda Item 2011-16, Definition of a Related Party in SSAP No. 25 was considering changes to clarify the relationships that should be considered related parties. Discussion on this agenda item was halted in 2012 and 2015 as FASB issued new ASUs pertaining to VIEs. With the issuance of this new agenda item (2019-34), it is recommended that the 2011 agenda item be disposed.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group: None

Convergence with International Financial Reporting Standards (IFRS): None.

Staff Recommendation:
NAIC Staff recommends that the Working Group move this item to the active listing, categorized as nonsubstantive and expose revisions to *SSAP No. 25—Affiliates and Other Related Parties*, to clarify the types of entities or persons that are included as related parties, to clarify that a non-controlling ownership interest greater than 10% is a related party and is subject to the related party disclosures, to clarify the guidance for disclaimers of affiliation and control for statutory accounting, to clarify that the reporting entity must disclose if they knowingly engaged in any non-arms-length transactions with any entity, individual or company that has not been previously identified as a related party and to reject the seven FASB *Accounting Standards Updates* listed in the agenda item as not applicable for statutory accounting in SSAP No. 25.

Staff Review Completed by:
Jake Stultz, NAIC Staff – November 2019

Status:
On December 7, 2019, the Statutory Accounting Principles (E) Working Group moved this agenda item to the active listing, categorized as nonsubstantive, and exposed revisions to *SSAP No. 25—Affiliates and Other Related Parties*, to clarify the following:

- The types of entities or persons that are included as related parties;
- That a non-controlling ownership interest greater than 10% is a related party and is subject to the related party disclosures; and
- The guidance for disclaimers of affiliation and control for statutory accounting.

This agenda item also rejects seven FASB Accounting Standards Updates, listed above, for statutory accounting. With exposure, an intent is included to dispose of agenda item 2011-16: Definition of Related Party, which is a historical item drafted to consider the SSAP No. 25 definition. The Working Group also directed notice of the exposure to be sent to the Group Solvency Issues (E) Working Group.

On March 18, 2020, the Statutory Accounting Principles (E) Working Group deferred discussion of this item for a subsequent call or meeting.

Summer 2020:
Pursuant to the direction received Dec. 7, 2019, NAIC staff has drafted nonsubstantive revisions to SSAP No. 25. The current version is shown as tracked changes to SSAP No. 25 is attached as an exhibit to this agenda item. The updated draft revisions to SSAP No. 25 are discussed below.

- Based on the comments from the Group Solvency Issues (E) Working Group, NAIC staff have added a new disclosure that provides information on minority ownership interests, as well as significant relationships between minority owners and other U.S. domestic insurers/groups. This new disclosure is not intended to include passive fund owners, such as ETFs and mutual funds. This is in paragraph 22 in the exhibit to this agenda item.
- NAIC staff have removed the direct references to U.S. GAAP and SEC guidance that was included in the initial draft revisions. It was not intended to incorporate by reference the guidance from these sources but was instead intended to show that the revisions were going to be more consistent with the U.S. GAAP and SEC guidance. The language that was added to the description of related parties in paragraph 4 in the original expose draft are all language from either U.S. GAAP or from laws and regulations related to the SEC.
- With the proposed rejection of the U.S. GAAP VIE guidance for statutory accounting, our intention is to rely on SSAP No. 25, including the proposed revisions, to capture related parties for reporting. These updates are not intended to change reporting in Schedule BA or Schedule D for any investments.

On July 30, 2020, the Statutory Accounting Principles (E) Working Group exposed this agenda item, with revisions as detailed above under “Summer 2020.”

On November 12, 2020, the Statutory Accounting Principles (E) Working Group exposed this agenda item, with detailed revisions to SSAP No. 25, as detailed below under “November 12, 2020.”

November 12, 2020:
The proposed SSAP revisions intend to address the following key aspects:

- Clarify the identification of related parties and ensure that any related party identified under U.S. GAAP or SEC reporting requirements would be considered a related party under statutory accounting principles.
- Clarify that non-controlling ownership over 10% results in a related party classification regardless of any disclaimer of control or disclaimer of affiliation.
- Clarify the impact of a disclaimer of control or disclaimer of affiliate under SAP. As detailed, such disclaimers impact holding company group allocation and reporting as an SCA under SSAP No. 97, but do not eliminate the classification as a “related party” and the disclosure of material transactions as required under SSAP No. 25.
- Proposes rejection of several U.S. GAAP standards addressing variable interest entities.

On March 15, 2021, the Statutory Accounting Principles (E) Working Group adopted, as final, the exposed revisions, with modifications to add "direct or indirect' to paragraphs 4f, 7d, and 8 as discussed during the meeting, to *SSAP No. 25—Affiliates and Other Related Parties* to address the following key aspects:

- Clarify the identification of related parties and ensure that any related party identified under U.S. GAAP or SEC reporting requirements would be considered a related party under statutory accounting principles.
- Clarify that non-controlling ownership over 10% results in a related party classification regardless of any disclaimer of control or disclaimer of affiliation.
- Clarify the impact of a disclaimer of control or disclaimer of affiliate under SAP. As detailed, such disclaimers impact holding company group allocation and reporting as an SCA under SSAP No. 97, but do not eliminate the classification as a "related party" and the disclosure of material transactions as required under SSAP No. 25.
- Proposes rejection of several U.S. GAAP standards addressing variable interest entities.

The detailed revisions to *SSAP No. 25—Affiliates and Other Related Parties* are detailed below.

Statement of Statutory Accounting Principles No. 25

Affiliates and Other Related Parties

STATUS

Type of Issue	Common Area
Issued	Initial Draft, November 12, 2020 exposure draft
Effective Date	January 1, 2001
Affects	Supersedes SSAP No. 96 with guidance incorporated August 2011; Nullifies and incorporates INT 03-16
Affected by	No other pronouncements
Interpreted by	No other pronouncements
Relevant Appendix A Guidance	A-440

STATUS **6**
SCOPE OF STATEMENT **6**
SUMMARY CONCLUSION **7**
Related Party Loans 9
Transactions Involving the Exchange of Assets or Liabilities 10
Transactions Involving Services 11
Disclosures 12
Relevant Literature 13
Effective Date and Transition 14
REFERENCES **14**
Other 14
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SCOPE OF STATEMENT

1. Related party transactions are subject to abuse because reporting entities may be induced to enter transactions that may not reflect economic realities or may not be fair and reasonable to the reporting entity or its policyholders. As such, related party transactions require specialized accounting rules and increased regulatory scrutiny. This statement establishes statutory accounting principles and disclosure requirements for related party transactions.

2. This statement shall be followed for all related party transactions, including transactions with parties that own 10% or more of the reporting entity, even if the transaction is also governed by other statutory accounting principles. Furthermore, this statement shall be followed in all transactions which involve unrelated parties as intermediaries between related parties. In determining whether a transaction is a related party transaction,

consideration shall be given to the substance of the agreement and the parties whose actions or performance materially impact the insurance reporting entity under the transaction. For example, an investment acquired from a non-related intermediary in which the investment return is predominantly contingent on the performance of a related party shall be considered a related party investment. As a general principle, it is erroneous to conclude that the mere inclusion of a non-related intermediary eliminates the requirement to assess and properly identify the related party transaction in accordance with the provisions of this statement. It is also erroneous to conclude that the presence of non-related assets in a structure predominantly comprised of related party investments eliminates the requirement to assess and identify the investment transaction as a related party arrangement.

3. If a company receives the stock of an affiliated company as a capital contribution rather than through a purchase, the transaction shall be accounted for according to *SSAP No. 25—Affiliates and Other Related Parties, SSAP No. 95—Nonmonetary Transactions*, or *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*, based on the details of each transaction. The statutory purchase method within *SSAP No. 68—Business Combinations* is not applicable for stock received as a capital contribution.

SUMMARY CONCLUSION

4. Related parties are defined as entities that have common interests as a result of ownership, control, affiliation or by contract. Related parties shall include but are not limited to the following:

a. Affiliates of the reporting entity, as defined in paragraph 5;

b. Trusts for the benefit of employees, such as pension and profit-sharing trusts and Employee Stock Ownership Plans that are managed by or under the trusteeship of management of the reporting entity, its parent or affiliates;

c. The principal owners, directors, officers of the reporting entity;

d. Any immediate family member of a principal owner, director or executive officer of the reporting entity, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, or individual related by blood or marriage whose close association is equivalent to a family relationship of such director, executive officer or nominee for director, or any person (other than a tenant or employee) sharing the household of such director, executive officer or nominee for director;

e. Companies and entities which share common control, such as principal owners, directors, or officers, including situations where a principal owners, directors, or officers have a controlling stake in another reporting entity;

~~e.~~f. Any direct or indirect ownership greater than 10% of the reporting entity results in a related party classification regardless of any disclaimer of control or disclaimer of affiliation.

~~d.~~g. The management of the reporting entity, its parent or affiliates (including directors);

~~e.~~h. Members of the immediate families of principal owners and management of the reporting entity, its parent or affiliates and their management;

~~f.~~i. Parties with which the reporting entity may deal if either party directly or indirectly controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interest;

~~g.~~j. A party which can, directly or indirectly, significantly influence the management or operating policies of the reporting entity, which may include a provider who is contracting with the reporting entity. This is not intended to suggest that all provider contracts create related party relationships;

~~h.~~k. A party which has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests;

~~i.~~l. Attorney-in-fact of a reciprocal reporting entity or any affiliate of the attorney-in-fact; and

~~j.~~m. A U.S. manager of a U.S. Branch or any affiliate of the U.S. manager of a U.S. Branch.

5. An affiliate is defined as an entity that is within the holding company system or a party that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the reporting entity. An affiliate includes a parent or subsidiary and may also include partnerships, joint ventures, and limited liability companies as defined in *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies*. Those entities are accounted for under the guidance provided in SSAP No. 48, which requires an equity method for all such investments. An affiliate is any person that is directly or indirectly, owned or controlled by the same person or by the same group of persons, that, directly or indirectly, own or control the reporting entity.

6. Control is defined as the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the investee, whether through the (a) ownership of voting securities, (b) by contract other than a commercial contract for goods or nonmanagement services, (c) by contract for goods or nonmanagement services where the volume of activity results in a reliance relationship (d) by common management, or (e) otherwise. Control shall be presumed to exist if a reporting entity and its affiliates directly or indirectly, own, control, hold with the power to vote, or hold proxies representing 10% or more of the voting interests of the entity.

7. Control as defined in paragraph 6 shall be measured at the holding company level. For example, if one member of an affiliated group has a 5% interest in an entity and a second member of the group has an 8% interest in the same entity, the total interest is 13%, and therefore, each member of the affiliated group shall be presumed to have control. This presumption will stand until rebutted by an evaluation of all the facts and circumstances relating to the investment based on the criteria in *FASB Interpretation No. 35, Criteria for Applying the Equity Method of Accounting for Investments in Common Stock, an Interpretation of APB Opinion No. 18*. The corollary is required to demonstrate control when a reporting entity owns less than 10% of the voting securities of an investee. The insurer shall maintain documents substantiating its determination for review by the domiciliary commissioner. Examples of situations where the presumption of control may be in doubt include the following:

a. Any limited partner investment in a limited partnership, unless the limited partner is affiliated with the general partner.

b. An entity where the insurer owns less than 50% of an entity and there is an unaffiliated individual or group of investors who own a controlling interest.

c. An entity where the insurer has given up participation rights[1] as a shareholder to the investee.

[1] The term "participating rights" refers to the type of rights that allows an investor to effectively participate in significant decisions related to an investee's ordinary course of business and is distinguished from the more limited type of rights referred to as "protective rights". Refer to the sections entitled: "Protective Rights" and "Substantive Participating Rights" in EITF 96-16, *Investor's Accounting for an Investee When*

d. Agreements where direct or indirect non-controlling ownership interest is less than 10% where the parties have structured the arrangement in this structure to avoid the 10% threshold in paragraph 4.f. and paragraph 8.

8. Any direct or indirect ownership interest of the reporting entity greater than 10% results in a related party classification regardless of any disclaimer of control or disclaimer of affiliation. The *Insurance Holding Company System Regulatory Act* (#440) and the *Insurance Holding Company System Model Regulation* (#450) include a provision that allows for the disclaimer of affiliation and/or the disclaimer of control for members of an insurance holding company system. The disclaimer must be filed with the state insurance commissioner. Entities whose relationship is subject to a disclaimer of affiliation or a disclaimer of control are related parties and are subject to the related party disclosures within this statement. Such a disclaimer does not eliminate a "related party" distinction or disclosure requirements for material transactions pursuant to SSAP No. 25.

~~8.~~9. Transactions between related parties must be in the form of a written agreement. The written agreement must provide for timely settlement of amounts owed, with a specified due date. Amounts owed to the reporting entity over ninety days from the written agreement due date shall be nonadmitted, except to the extent this is specifically addressed by other statements of statutory accounting principles (SSAPs). If the due date is not addressed by the written agreement, any uncollected receivable is nonadmitted.

Related Party Loans

~~9.~~10. Loans or advances (including debt, public or private) made by a reporting entity to its parent or principal owner shall be admitted if approval for the transaction has been obtained from the domiciliary commissioner and the loan or advance is determined to be collectible based on the parent or principal owner's independent payment ability. An affiliate's ability to pay shall be determined after consideration of the liquid assets or revenues available from external sources (i.e., determination shall not include dividend paying ability of the subsidiary making the loan or advance) which are available to repay the balance and/or maintain its account on a current basis. Evaluation of the collectibility of loans or advances shall be made periodically. If, in accordance with *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets*, it is probable the balance is uncollectible, any uncollectible receivable shall be written off and charged to income in the period the determination is made. Pursuant to *SSAP No. 72—Surplus and Quasi-Reorganization*, forgiveness by a reporting entity of any debt, surplus note or other obligation of its parent or other stockholder shall be accounted for as a dividend.

~~10.~~11. Loans or advances by a reporting entity to all other related parties shall be evaluated by management and nonadmitted if they do not constitute arm's-length transactions as defined in paragraph 14~~13~~. Loans or advances made by a reporting entity to related parties (other than its parent or principal owner) that are economic transactions as defined in paragraph 14~~13~~ shall be admitted. This includes financing arrangements with providers of health care services with whom the reporting entity contracts with from time to time. Such arrangements can include both loans and advances to these providers. Evaluation of the collectibility of loans or advances shall be made periodically. If, in accordance with SSAP No. 5R, it is probable the balance is uncollectible, any uncollectible receivable shall be written off and charged to income in the period the determination is made.

~~11.~~12. Any advances under capitation arrangements made directly to providers, or to intermediaries that represent providers, that exceed one month's payment shall be nonadmitted assets.

~~12.~~13. Indirect loans are loans or extensions of credit to any person who is not an affiliate, where the reporting entity makes loans or extensions of credit with the agreement or understanding that the proceeds of the transactions,

the Investor Owns a Majority of the Voting Stock but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights. The term "participating rights" shall be used consistent with the discussion of substantive participating rights in this EITF.

in whole or in substantial part, are to be used to make loans or extensions of credit to, to purchase assets of, or to make investments in, any affiliate of the reporting entity making the loans or extensions of credit. The admissibility of indirect loans made by a reporting entity for the benefit of its parent or principal owner shall be determined in accordance with the guidelines in paragraph 109. Indirect loans or advances made for the benefit of all other related parties shall be evaluated and accounted for consistent with loans or advances to related parties as described in paragraph 1110 and paragraph 1211.

Transactions Involving the Exchange of Assets or Liabilities

13.14. An arm's-length transaction is defined as a transaction in which willing parties, each being reasonably aware of all relevant facts and neither under compulsion to buy, sell, or loan, would be willing to participate. A transaction between related parties involving the exchange of assets or liabilities shall be designated as either an economic transaction or non-economic transaction. An economic transaction is defined as an arm's-length transaction which results in the transfer of the risks and rewards of ownership and represents a consummated act thereof, i.e., "permanence." The appearance of permanence is also an important criterion in assessing the economic substance of a transaction. In order for a transaction to have economic substance and thus warrant revenue (loss) recognition, it must appear unlikely to be reversed. If subsequent events or transactions reverse the effect of an earlier transaction prior to the issuance of the financial statements, the reversal shall be considered in determining whether economic substance existed in the case of the original transaction. Subsequent events are addressed in *SSAP No. 9—Subsequent Events*. An economic transaction must represent a bonafide business purpose demonstrable in measurable terms. A transaction which results in the mere inflation of surplus without any other demonstrable and measurable betterment is not an economic transaction. The statutory accounting shall follow the substance, not the form of the transaction.

14.15. In determining whether there has been a transfer of the risks and rewards of ownership in the transfer of assets or liabilities between related parties, the following—and any other relevant facts and circumstances related to the transaction—shall be considered:

a. Whether the seller has a continuing involvement in the transaction or in the financial interest transferred, such as through the exercise of managerial authority to a degree usually associated with ownership;

b. Whether there is an absence of significant financial investment by the buyer in the financial interest transferred, as evidenced, for example, by a token down payment or by a concurrent loan to the buyer;

c. Whether repayment of debt that constitutes the principal consideration in the transaction is dependent on the generation of sufficient funds from the asset transferred;

d. Whether limitations or restrictions exist on the buyer's use of the financial interest transferred or on the profits arising from it;

e. Whether there is retention of effective control of the financial interest by the seller.

15.16. A transaction between related parties may meet the criteria for treatment as an economic transaction at one level of financial reporting, but may not meet such criteria at another level of financial reporting. An example of such a transaction is a reporting entity purchasing securities at fair value from an affiliated reporting entity that carried the securities at amortized cost. This transaction meets the criteria of an economic transaction at this level of financial reporting, and therefore, the selling reporting entity would record a gain and the acquiring reporting

entity would record the securities at their cost (fair value on the transaction date). At the common parent level of reporting, this transaction has resulted in the mere inflation of surplus, and therefore, is a non-economic transaction. The parent reporting entity shall defer the net effects of any gain or increase in surplus resulting from such transactions by recording a deferred gain and an unrealized loss. The deferred gain shall not be recognized by the parent reporting entity unless and until arms-length transaction(s) with independent third parties give rise to appropriate recognition of the gain.

~~16.~~17. A non-economic transaction is defined as any transaction that does not meet the criteria of an economic transaction. Similar to the situation described in paragraph 16~~15~~, transfers of assets from a parent reporting entity to a subsidiary, controlled or affiliated entity shall be treated as non-economic transactions at the parent reporting level because the parent has continuing indirect involvement in the assets.

~~17.~~18. When accounting for a specific transaction, reporting entities shall use the following valuation methods:

a. Economic transactions between related parties shall be recorded at fair value at the date of the transaction. To the extent that the related parties are affiliates under common control, the controlling reporting entity shall defer the effects of such transactions that result in gains or increases in surplus (see paragraph 16~~15~~);

b. Non-economic transactions between reporting entities, which meet the definition of related parties above, shall be recorded at the lower of existing book values or fair values at the date of the transaction;

c. Non-economic transactions between a reporting entity and an entity that has no significant ongoing operations other than to hold assets that are primarily for the direct or indirect benefit or use of the reporting entity or ~~it's~~its affiliates, shall be recorded at the fair value at the date of the transaction; however, to the extent that the transaction results in a gain, that gain shall be deferred until such time as permanence can be verified;

d. Transactions which are designed to avoid statutory accounting practices shall be reported as if the reporting entity continued to own the assets or to be obligated for a liability directly instead of through a subsidiary.

Examples of transactions deemed to be non-economic include security swaps of similar issues between or among affiliated companies, and swaps of dissimilar issues accompanied by exchanges of liabilities between or among affiliates.

Transactions Involving Services

~~18.~~19. Transactions involving services between related parties can take a variety of different forms. One of the significant factors as to whether these transactions will be deemed to be arm's length is the amount charged for such services. In general, amounts charged for services are based either on current market rates or on allocations of costs. Determining market rates for services is difficult because the circumstances surrounding each transaction are unique. Unlike transactions involving the exchange of assets and liabilities between related parties, transactions for services create income on one party's books and expense on the second party's books, and therefore, do not lend themselves to the mere inflation of surplus. These arrangements are generally subject to regulatory approval.

~~19.~~20. Transactions involving services provided between related parties shall be recorded at the amount charged[2]. Regulatory scrutiny of related party transactions where amounts charged for services do not meet the fair and reasonable standard established by Appendix A-440, may result in (a) amounts charged being recharacterized as dividends or capital contributions, (b) transactions being reversed, (c) receivable balances being nonadmitted, or (d) other regulatory action. Expenses that result from cost allocations shall be allocated subject to the same fair and reasonable standards, and the books and records of each party shall disclose clearly and accurately the precise nature and details of the transaction. See *SSAP No 70—Allocation of Expenses* for additional discussion regarding the allocation of expenses.

Disclosures

~~20.~~21. The financial statements shall include disclosures of all material related party transactions, including transactions with the ownership interests identified in paragraph 22. In some cases, aggregation of similar transactions may be appropriate. Sometimes, the effect of the relationship between the parties may be so pervasive that disclosure of the relationship alone will be sufficient. If necessary to the understanding of the relationship, the name of the related party should be disclosed. Transactions shall not be purported to be arm's-length transactions unless there is demonstrable evidence to support such statement. The disclosures shall include:

a. The nature of the relationships involved;

b. A description of the transactions for each of the periods for which financial statements are presented, and such other information considered necessary to obtain an understanding of the effects of the transactions on the financial statements. Exclude reinsurance transactions, any non-insurance transactions which involve less than ½ of 1% of the total admitted assets of the reporting entity, and cost allocation transactions. The following information shall be provided if applicable:

    i. Date of transaction;

    ii. Explanation of transaction;

    iii. Name of reporting entity;

    iv. Name of affiliate;

    v. Description of assets received by reporting entity;

    vi. Statement value of assets received by reporting entity;

    vii. Description of assets transferred by reporting entity; and

    viii. Statement value of assets transferred by reporting entity.

[2] The amount charged shall be reviewed when there are any modifications or waivers subsequent to the establishment of the contract terms. If waivers or modifications to amounts charged occur, the related party transaction shall be reassessed to determine whether the contract continues to reflect fair and reasonable standards. If the transaction was with a parent or other stockholder and the charge for services has been fully waived, then the guidance in SSAP No. 72 for recognition as contributed capital (forgiveness of reporting entity obligation) or as a dividend (forgiveness of amount owed to the reporting entity) shall apply.

c. The dollar amounts of transactions for each of the periods for which financial statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period;

d. Amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement;

e. Any guarantees or undertakings, written or otherwise, shall be disclosed in accordance with the requirements of SSAP No. 5R. In addition, the nature of the relationship to the beneficiary of the guarantee or undertaking (affiliated or unaffiliated) shall also be disclosed;

f. A description of material management or service contracts and cost-sharing arrangements involving the reporting entity and any related party. This shall include, but is not limited to, sale lease-back arrangements, computer or fixed asset leasing arrangements, and agency contracts, which remove assets otherwise recordable (and potentially nonadmitted) on the reporting entity's financial statements;

g. The nature of the control relationship whereby the reporting entity and one or more other enterprises are under common ownership or control and the existence of that control could result in operating results or financial position of the reporting entity significantly different from those that would have been obtained if the enterprises were autonomous. The relationship shall be disclosed even though there are no transactions between the enterprises; and

h. The amount deducted from the value of an upstream intermediate entity or ultimate parent owned, either directly or indirectly, via a downstream subsidiary, controlled, or affiliated entity, in accordance with the *Purposes and Procedure Manual of the NAIC Investment Analysis Office*, "Procedures for Valuing Common Stocks and Stock Warrants."

22. The disclosures of ownership interests in the reporting entity shall be provided outside of the financial statements (Schedule Y). The intent of this disclosure is to capture information related to active ownership and is not intended for passive fund owners to be reported.

a. Disclosure is required for all owners with greater than 10% ownership of the reporting entity.

b. Reporting entity must disclose each owner's ultimate controlling party and must provide a listing of other U.S. insurance groups or entities under that ultimate controlling party's control.

~~21.~~23. Refer to the Preamble for further discussion regarding disclosure requirements.

Relevant Literature

~~22.~~24. This statement adopts *FASB Statement No. 57, Related Party Disclosures* with a modification to paragraph 4 to require disclosure of compensation arrangements, expense allowances, and other similar items in the ordinary course of business.

~~23.~~25. This statement rejects *ASU 2009-17, Consolidations (Topic 810)—Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities, ASU 2010-02, Consolidation (Topic 810)—Accounting and Reporting for Decreases in Ownership of a Subsidiary—a Scope Clarification, ASU 2010-10, Consolidations (Topic 810)—Amendments for Certain Investment Funds,* ***ASU 2013-06, Not-For-Profit Entities, Services Received from Personnel of an Affiliate****, ASU 2014-07, Consolidation (Topic 810)—Applying Variable Interest Entities Guidance*

to Common Control Leasing Arrangements, ASU 2015-02, Consolidation (Topic 810)—Amendments to the Consolidation Analysis, ASU 2016-17, Consolidation (Topic 810)—Interests Held through Related Parties That Are under Common Control, ASU 2018-17, Consolidation (Topic 810)—Targeted Improvements to Related Party Guidance for Variable Interest Entities and AICPA *Accounting Interpretations, Business Combinations: Accounting Interpretations of APB Opinion No. 16, No. 39*, "Transfers and Exchanges between Companies under Common Control."

~~24.~~26. Guidance in paragraph ~~98~~ was incorporated from SSAP No. 96 as discussed in *Issue Paper No. 128—Settlement Requirements for Intercompany Transactions, An Amendment to SSAP No. 25—Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties*. SSAP No. 96 was nullified in 2011 with the guidance from that SSAP retained within this SSAP.

Effective Date and Transition

~~25.~~27. This statement is effective for years beginning January 1, 2001. A change resulting from the adoption of this statement shall be accounted for as a change in accounting principle in accordance with *SSAP No. 3—Accounting Changes and Corrections of Errors*.

~~26.~~28. Guidance reflected in paragraph ~~98~~, incorporated from SSAP No. 96, is effective for reporting periods ending December 31, 2007. Early adoption is permitted. A change resulting from the application of this paragraph shall be accounted for as a change in accounting principle in accordance with *SSAP No. 3—Accounting Changes and Corrections of Errors*. Guidance reflected in paragraph 3, incorporated from *INT 03-16: Contribution of Stock*, was originally effective December 7, 2003.

REFERENCES

Other

Purposes and Procedures Manual of the NAIC Investment Analysis Office

Relevant Issue Papers

Issue Paper No. 25—Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties

Issue Paper No. 128—Settlement Requirements for Intercompany Transactions, An Amendment to SSAP No. 25—Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties

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Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A

Issue: Levelized and Persistency Commission

Check (applicable entity):

	P/C	Life	Health
Modification of existing SSAP	☒	☒	☒
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue:
NAIC staff has received regulator inquiries on the application of the levelized commissions guidance in *SSAP No. 71—Policy Acquisition Costs and Commissions.* This agenda item is to recommend clarifications to the existing levelized commissions guidance and provide additional guidance regarding commission that is based on policy persistency. SSAP No. 71 describes that levelized commissions occur in situations in which a third party pays agents non-levelized commissions and the reporting entity pays a third party by levelized payments. The statement notes that it is intended, but not necessarily guaranteed, that the amounts paid to the agents by the third party would ultimately be repaid to the third party from the reporting entity. SSAP No. 71 identifies such arrangements as funding agreements between the reporting entity and the third party. SSAP No. 71 then identifies that the use of a commission arrangement where commission payments are not linked to traditional elements (such as premium payments and policy persistency) requires the establishment of a liability for the full amount of the unpaid principal and accrued interest which is payable to a third party related to levelized commissions is required.

The questions received by NAIC staff relate to the use of levelized commission arrangements and when the liability for commission based on annual persistency is required to be recorded as a liability in accordance with *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets*.

Levelized Commission

For the example in question, a third party is paying agent commissions and receiving periodic payments. Consistent with the guidance in SSAP No. 71, paragraph 4, the third party (funding agent) is paying the agents on behalf of the reporting entity and receiving levelized payments from the reporting entity which include additional fees or interest in excess of the commissions. The agreement between the reporting entity and the funding agent specifies that the funding agent will not be reimbursed by the reporting entity if the policies that generate the commission are cancelled prior to the policy anniversary date. The regulator noted that the reporting entity was not accruing the liability to the third-party funding agent, asserting that the payments to the funding agent were theoretically avoidable until the policy had passed the anniversary year-end date.

The accounting issue is whether levelized commission arrangements that are linked to traditional elements (such as premium payments and policy persistency) requires the establishment of a liability for the full amount of the unpaid principal and accrued interest which is payable to a third party related to levelized commissions.

Persistency Commission

Also, in the noted example, the reporting entity was also asserting that the levelized commission obligations related to policy persistency commission were not required to be accrued until the policy anniversary year end had

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been passed. The reporting entity asserts that the liability is not required until the persistency commission was fully earned by the agent and therefore unavoidable.

The accounting issue is if the persistency commission expense should be accrued proportionately over the policy period to which the commission relates, or if it is accrued only when fully earned and unavoidable.

Existing Authoritative Literature:

Preamble provides the following (**bolding added for emphasis**):

> 37. Liabilities require recognition as they are incurred. Certain statutorily mandated liabilities may also be required to arrive at conservative estimates of liabilities and probable loss contingencies (e.g., interest maintenance reserves, asset valuation reserves, and others).
>
> 38. Revenue should be recognized only as the earnings process of the underlying underwriting or investment business is completed. **Accounting treatments which tend to defer expense recognition do not generally represent acceptable SAP treatment.**

SSAP No. 5 – Revised—Liabilities, Contingencies and Impairments of Assets

> **Liabilities**
>
> 2. A liability is defined as certain or probable1 future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or to provide services to other entities in the future as a result of a past transaction(s) or event(s).
>
> 3. A liability has three essential characteristics: (a) it embodies a present duty or responsibility to one or more other entities that entails settlement by probable1 future transfer or use of assets at a specified or determinable date, on occurrence of a specified event, or on demand, (b) the duty or responsibility obligates a particular entity, leaving it little or no discretion to avoid the future sacrifice, and (c) the transaction or other event obligating the entity has already happened. This includes, but is not limited to, liabilities arising from policyholder obligations (e.g., policyholder benefits, reported claims and reserves for incurred but not reported claims). Liabilities shall be recorded on a reporting entity's financial statements when incurred.
>
> 4. Estimates (e.g., loss reserves) are required in financial statements for many ongoing and recurring activities of a reporting entity. The mere fact that an estimate is involved does not of itself constitute a loss contingency. For example, estimates of losses utilizing appropriate actuarial methodologies meet the definition of liabilities as outlined above and are not loss contingencies.
>
> **Loss Contingencies or Impairments of Assets**
>
> 6. For purposes of implementing the statutory accounting principles of loss contingency or impairment of an asset described below, the following additional definitions shall apply:
>
> a. Probable—The future event or events are likely to occur;
> b. Reasonably Possible—The chance of the future event or events occurring is more than remote but less than probable;
> c. Remote—The chance of the future event or events occurring is slight.
>
> 7. A loss contingency or impairment of an asset is defined as an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an enterprise that will ultimately be resolved when one or more future event(s) occur or fail to occur (e.g., collection of receivables).

8. An estimated loss from a loss contingency or the impairment of an asset shall be recorded by a charge to operations if both of the following conditions are met:

a. Information available prior to issuance of the statutory financial statements indicates that **it is probable that an asset has been impaired or a liability has been incurred** at the date of the statutory financial statements. It is implicit in this condition that it is probable that one or more future events will occur confirming the fact of the loss or incurrence of a liability; and
b. The amount of loss can be reasonably estimated.

SSAP No. 71—Policy Acquisition Costs and Commissions provides the following (**bolding added for emphasis**):

SUMMARY CONCLUSION

2. Acquisition costs are those costs that are incurred in the acquisition of new and renewal insurance contracts and include those costs that vary with and are primarily related to the acquisition of insurance contracts (e.g., agent and broker commissions, certain underwriting and policy issue costs, and medical and inspection fees). **Acquisition costs and commissions shall be expensed as incurred. Determination of when acquisition costs and commissions have been incurred shall be made in accordance with SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets.**

3. Contingent commission liabilities shall be determined in accordance with the terms of each individual commission agreement. Commission liabilities determined on the basis of a formula that relates to loss experience shall be established for the earned portion. **Assumptions used to calculate the contingent commission liability shall be consistent with the terms of the policy contract and with the assumptions made in recording other assets and liabilities necessary to reflect underwriting results of the reporting entity such as retrospective premium adjustments and loss reserves, including incurred but not reported.**

4. **Levelized commissions occur in situations where agents receive normal (non-level) commissions with payments made by a third party.** It is intended, but not necessarily guaranteed, that the amounts paid to the agents by the third party would ultimately be repaid (with interest explicit or implied) to the third party by levelized payments (which are less than the normal first year commissions but exceed the normal renewal commissions) from the reporting entity. These transactions are, in fact, funding agreements between a reporting entity and a third party. **The continuance of the stream of payments specified in the levelized commission contract is a mechanism to bypass recognition of those expenses which are ordinarily charged to expense in the first year of the contract. Consequently, the normal link between the persistency of the policy, the continuance of the premium payment or the maintenance of the agent's license with the reporting entity is not maintained with respect to the payment stream.**

5. **The use of an arrangement where commission payments are not linked to traditional elements such as premium payments and policy persistency, but rather are linked to the repayment of an advance amount requires the establishment of a liability for the full amount of the unpaid principal and accrued interest which is payable to a third party related to levelized commissions**.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group: None

Convergence with International Financial Reporting Standards (IFRS): Not applicable

Staff Review Completed by:
Robin Marcotte, NAIC Staff – July 2019

Staff Recommendation:
NAIC Staff recommends that the Working Group move this item to the active listing, categorized as nonsubstantive and expose revisions to SSAP No. 71 as illustrated below. NAIC Staff recommends that revisions to the guidance clarify the following:

1. A levelized commission arrangement (whether linked to traditional or nontraditional elements) require the establishment of a liability for the full amount of the unpaid principal and accrued interest payable to a third party at the time the policy is issued.

2. The persistency commission is accrued proportionately over the policy period in which the commission relates to and is not deferred until fully earned.

These recommendations are consistent with the original intent of SSAP No. 71 as well as the Statutory Statement of Concepts focusing on Recognition (excerpts from Preamble, paragraphs 37 and 38):

- Liabilities require recognition as they are incurred.

- Accounting treatments which tend to defer expense recognition do not generally represent acceptable SAP treatment.

July 2019 Proposed Revisions to SSAP No. 71:

SUMMARY CONCLUSION

2. Acquisition costs are those costs that are incurred in the acquisition of new and renewal insurance contracts and include those costs that vary with and are primarily related to the acquisition of insurance contracts (e.g., agent and broker commissions, certain underwriting and policy issue costs, and medical and inspection fees). Acquisition costs and commissions shall be expensed as incurred. Determination of when acquisition costs and commissions have been incurred shall be made in accordance with SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets. The recognition of commission expense for new and renewal insurance contracts meets the definition of a liability under SSAP No. 5R when the policy is issued or renewed. The issuance of the policy is the obligating event under SSAP No. 5R.

3. Contingent commission liabilities shall be determined in accordance with the terms of each individual commission agreement. Commission liabilities determined on the basis of a formula that relates to loss experience shall be established for the earned portion. Assumptions used to calculate the contingent commission liability shall be consistent with the terms of the policy contract and with the assumptions made in recording other assets and liabilities necessary to reflect underwriting results of the reporting entity such as retrospective premium adjustments and loss reserves, including incurred but not reported. Commission contracts that include persistency (or other such components) shall not use these clauses to defer recognition of commission expense. If a commission is based on annual policy persistency (or similar components), the commission is accrued based on experience to date for the policy period (it is inappropriate to wait until the amount is fully earned and/or unavoidable). Actual policy cancellation would reverse the accrual of the related persistency commission.

4. Levelized commissions occur in situations where agents receive normal (non-level) commissions with payments made by a third party. It is intended, but not necessarily guaranteed, that the amounts paid

to the agents by the third party would ultimately be repaid (with interest explicit or implied) to the third party by levelized payments (which are less than the normal first year commissions but exceed the normal renewal commissions) from the reporting entity. These transactions are, in fact, funding agreements between a reporting entity and a third party. The continuance of the stream of payments specified in the levelized commission contract is a mechanism to bypass recognition of those expenses which are ordinarily charged to expense in the first year of the contract. Consequently, the normal link between the persistency of the policy, the continuance of the premium payment or the maintenance of the agent's license with the reporting entity is not maintained with respect to the payment stream.

5. The use of an arrangement where commission payments are not linked to traditional elements such as premium payments and policy persistency, but rather are linked to the repayment of an advance amount requires the establishment of a liability for the full amount of the unpaid principal and accrued interest which is payable to a third party related to levelized commissions[FN].

New Footnote – The guidance in this paragraph does not imply that levelized commissions that are linked to traditional elements do not require establishment of a liability. Rather, such levelized commissions are captured in paragraphs 3-4.

Status:
On August 3, 2019, the Statutory Accounting Principles (E) Working Group moved this agenda item to the active listing, categorized as nonsubstantive, and exposed revisions to *SSAP No. 71—Policy Acquisition Costs and Commissions*, as illustrated above, to clarify levelized commissions guidance and provide additional direction regarding commissions that are based on policy persistency. The revisions also clarify that the recognition of commission expense is based on experience to date.

For Fall 2019 Discussion NAIC staff has proposed updates for exposure.

Paragraph 2 - Removed previously exposed revisions as unneeded.
Paragraph 3 - Added clarifying phrases regarding persistency commission accrual. The concept is that normal persistency commission is accrued for the period it relates to unless the policy is cancelled.
Paragraph 4 - Added two clarifying phrases to assist with identifying levelized commission funding agreements.
Paragraph 5 - Added clarifying phrases regarding funding agreements.
Footnote 1 - Redrafted to remove double negative wording.

Fall 2019 Proposed Revisions to SSAP No. 71:

SUMMARY CONCLUSION

2. Acquisition costs are those costs that are incurred in the acquisition of new and renewal insurance contracts and include those costs that vary with and are primarily related to the acquisition of insurance contracts (e.g., agent and broker commissions, certain underwriting and policy issue costs, and medical and inspection fees). Acquisition costs and commissions shall be expensed as incurred. Determination of when acquisition costs and commissions have been incurred shall be made in accordance with SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets.

3. Contingent commission liabilities shall be determined in accordance with the terms of each individual commission agreement. Commission liabilities determined on the basis of a formula that relates to loss experience shall be established for the earned portion. Assumptions used to calculate the contingent commission liability shall be consistent with the terms of the policy contract and with the assumptions made in recording other assets and liabilities necessary to reflect underwriting results of the reporting entity such as retrospective premium adjustments and loss reserves, including incurred but not reported. Commission contracts that include persistency (or other such components) shall not use these clauses to defer recognition of commission expense. If a commission is based on annual policy

persistency (or other similar components), the commission shall be accrued based on experience to date for the policy period that the commission relates. In regard to persistency commission, it is inappropriate to wait until the amount is fully earned and/or unavoidable to accrue experience to date commission expenses. Actual policy cancellation would reverse the accrual of the related persistency commission.

4. Levelized commissions occur in situations where agents receive normal (non-level) commissions with payments made by a third party. It is intended, but not necessarily guaranteed, that the amounts paid to the agents by the third party would ultimately be repaid (with interest explicit or implied) to the third party by levelized payments (which are less than the normal first year commissions but exceed the normal renewal commissions) from the reporting entity. (Note: levelized repayments made by the reporting entity extend the repayment period but might not be a straight-line repayment.) These transactions are, in fact, funding agreements between a reporting entity and a third party, regardless of how the payment to the third party is characterized. The continuance of the stream of payments specified in the levelized commission contract is a mechanism to bypass recognition of those expenses which are ordinarily charged to expense in the first year of the contract. Consequently, the normal link between the persistency of the policy, the continuance of the premium payment or the maintenance of the agent's license with the reporting entity is not maintained with respect to the payment stream.

5. The use of an arrangement such as a levelized commission arrangement where commission payments are not linked to traditional elements such as premium payments and policy persistency, but rather are linked to the repayment of an advance amount paid by a third party to the agents requires the establishment of a liability by the reporting entity for the full amount of the unpaid principal and accrued interest which is payable to a third party related to levelized commissions[FN].

New Footnote – The guidance in this paragraph notes that levelized commissions which use a third party to pay agents that are linked to traditional elements require establishment of a liability for the amounts that have been paid to the agents and any interest accumulated to date.

On December 7, 2019, the Statutory Accounting Principles (E) Working Group exposed revisions to *SSAP No. 71—Policy Acquisition Costs and Commissions*, as illustrated above, to include additional NAIC staff modifications regarding persistency commission and levelized commission arrangements to address certain comments received and to allow for further discussion. With this exposure, the Working Group directed a notification of the exposure to be sent to the Life Actuarial (A) Task Force.

On March 18, 2020, the Statutory Accounting Principles (E) Working Group deferred discussion of this item for a subsequent call or meeting.

On July 30, 2020, the Statutory Accounting Principles (E) Working Group exposed revisions to *SSAP No. 71—Policy Acquisition Costs and Commissions*, as illustrated below. Exposed revisions clarify existing levelized commissions guidance which requires full recognition of the funding liabilities incurred to date for commission expenses prepaid on behalf of an insurer. The exposed revisions are consistent with the 2019 Fall National Meeting exposure, with the inclusion of guidance to clarify that reporting entities that have not complied with the original intent shall reflect the change as a correction of an error, in accordance with *SSAP No. 3—Accounting Changes and Corrections of Errors*, in the year-end 2020 financial statements.

July 30, 2020 Exposed Revisions to SSAP No. 71:

SUMMARY CONCLUSION

2. Acquisition costs are those costs that are incurred in the acquisition of new and renewal insurance contracts and include those costs that vary with and are primarily related to the acquisition of insurance contracts (e.g., agent and broker commissions, certain underwriting and policy issue costs, and

medical and inspection fees). Acquisition costs and commissions shall be expensed as incurred. Determination of when acquisition costs and commissions have been incurred shall be made in accordance with SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets.

3. Contingent commission liabilities shall be determined in accordance with the terms of each individual commission agreement. Commission liabilities determined on the basis of a formula that relates to loss experience shall be established for the earned portion. Assumptions used to calculate the contingent commission liability shall be consistent with the terms of the policy contract and with the assumptions made in recording other assets and liabilities necessary to reflect underwriting results of the reporting entity such as retrospective premium adjustments and loss reserves, including incurred but not reported. Commission contracts that include persistency (or other such components) shall not use these clauses to defer recognition of commission expense. If a commission is based on annual policy persistency (or other similar components), the commission shall be accrued based on experience to date for the policy period that the commission relates. In regard to persistency commission, it is inappropriate to wait until the amount is fully earned and/or unavoidable to accrue experience to date commission expenses. Actual policy cancellation would reverse the accrual of the related persistency commission.

4. Levelized commissions occur in situations where agents receive normal (non-level) commissions with payments made by a third party. It is intended, but not necessarily guaranteed, that the amounts paid to the agents by the third party would ultimately be repaid (with interest explicit or implied) to the third party by levelized payments (which are less than the normal first year commissions but exceed the normal renewal commissions) from the reporting entity. (Note: levelized repayments made by the reporting entity extend the repayment period but might not be a straight-line repayment.) These transactions are, in fact, funding agreements between a reporting entity and a third party, regardless of how the payment to the third party is characterized. The continuance of the stream of payments specified in the levelized commission contract is a mechanism to bypass recognition of those expenses which are ordinarily charged to expense in the first year of the contract. Consequently, the normal link between the persistency of the policy, the continuance of the premium payment or the maintenance of the agent's license with the reporting entity is not maintained with respect to the payment stream.

5. The use of an arrangement such as a levelized commission arrangement where commission payments are not linked to traditional elements such as premium payments and policy persistency, but rather are linked to the repayment of an advance amount paid by a third party to the agents requires the establishment of a liability by the reporting entity for the full amount of the unpaid principal and accrued interest which is payable to a third party related to levelized commissions [FN].

New Footnote – The guidance in this paragraph notes that levelized commissions which use a third party to pay agents that are linked to traditional elements require establishment of a liability for the amounts that have been paid to the agents and any interest accumulated to date.

Effective Date and Transition

7. This statement is effective for years beginning January 1, 2001. A change resulting from the adoption of this statement shall be accounted for as a change in accounting principle in accordance with *SSAP No. 3—Accounting Changes and Corrections of Errors*. The nonsubstantive revisions adopted regarding levelized commission intend to clarify the original intent of this statement. Reporting entities that have not complied with the original intent of the statement shall reflect the change as a correction of an error (as a mistake in the application of an accounting principle) pursuant to SSAP No. 3 in the December 31, 2020 financial statements. In accordance with SSAP No. 3, correction of all accounting errors in previously issued financial statements, for which an amended financial statement was not filed, shall be reported as an adjustment to unassigned funds (surplus) in the period in which the error was detected. Disclosure shall also occur in accordance with SSAP No. 3.

On October 15, 2020, the Statutory Accounting Principles (E) Working Group held a hearing to receive comments, resulting in updated exposed revisions to *SSAP No. 71—Policy Acquisition Costs and Commissions*, as illustrated below. The updated exposed revisions clarify existing levelized commissions guidance, which requires full recognition of funding agreement liabilities incurred for commission expenses obligated when an insurance policy is written. (This guidance clarifies that writing the insurance policy is the obligating event for initial sales commission.) The exposed revisions have the following key changes from the prior exposure:

1. Improved description of the funding agreements in paragraphs 4 and 5.
2. Deletes the previously proposed revisions in paragraph 3 regarding other types of commission to address the comments received regarding unintended impacts on traditional renewal commission.
3. Modifies the revisions in paragraph 7 to remove the language on correction of an error.
4. Proposes the nonsubstantive revisions apply to contracts in effect on Jan. 1, 2021.

For ease of review the following pages illustrate the October 15, 2020 exposed revisions in two formats:

1. **Exposure reflecting tracked revisions to Existing SSAP No. 71**
2. **October 2020 (new) Shaded Revisions to prior July exposure**

Oct. 2020 Exposure of Tracked Revisions to Existing SSAP No. 71

2. Acquisition costs are those costs that are incurred in the acquisition of new and renewal insurance contracts and include those costs that vary with and are primarily related to the acquisition of insurance contracts (e.g., agent and broker commissions, certain underwriting and policy issue costs, and medical and inspection fees). Acquisition costs and commissions shall be expensed as incurred. Determination of when acquisition costs and commissions have been incurred shall be made in accordance with SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets.

3. Contingent commission liabilities shall be determined in accordance with the terms of each individual commission agreement. Commission liabilities determined on the basis of a formula that relates to loss experience shall be established for the earned portion. Assumptions used to calculate the contingent commission liability shall be consistent with the terms of the policy contract and with the assumptions made in recording other assets and liabilities necessary to reflect underwriting results of the reporting entity such as retrospective premium adjustments and loss reserves, including incurred but not reported.

4. Levelized commissions occur in situations where agents receive normal (non-level) commissions with payments made by a third party. It is intended, but not necessarily guaranteed, that the amounts paid to the agents by the third party would ultimately be repaid (with interest explicit or implied) to the third party by levelized payments (which are less than the normal first year commissions but exceed the normal renewal commissions) from the reporting entity. (Note: levelized repayments made by the reporting entity extend the repayment period but might not be a straight-line repayment.) These transactions are, in fact, funding agreements between a reporting entity and a third party, regardless of how the payment to the third party is characterized. The continuance of the stream of payments specified in the levelized commission contract is a mechanism which attempts to bypass recognition of those expenses which are ordinarily charged to expense in the first year of the contract. Consequently, the normal link between the persistency of the policy, the continuance of the premium payment or the maintenance of the agent's license with the reporting entity is not maintained with respect to the payment stream.

5. The use of an arrangement such as a levelized commission arrangement where commission payments are not linked to traditional elements such as premium payments and policy persistency, but rather are linked to the repayment of an advance amount paid by a third party to the direct selling agents requires the establishment of a liability by the reporting entity for the full amount of the unpaid principal and accrued interest which is payable to a third party related to levelized commissions [FN].Arrangements that use a third party to pay agents who write policies for the reporting entity and the insured can be an attempt to de-link the relationship between the insurer

and those agents and defer or levelize the acquisition commissions. The insurance reporting entity is required to recognize the full amount of earned commission costs to the direct policy writing agents even if those costs are paid indirectly to the agents by a third party through the use of levelized commission, or similar arrangement, which is in substance a funding arrangement. Having a third party pay commission costs to the selling agent is strong evidence of a potential funding arrangement which shall be recognized as a liability because the substance of the arrangement indicates that repayment is reasonable and probable, even if a contingency has been incorporated into the funding arrangement, unless the underlying policy has been cancelled. A third-party structure cannot recharacterize (e.g. by referencing policy persistency) and delay recognition of liabilities for initial sales commission owed from the writing of policies regardless of how a third-party arrangement is structured with regards to the timing of payment from the insurer. The amount owed for full initial sales commission shall be recognized immediately as the writing of an insurance contract is the event that obligates the insurer, and such action shall occur consistently among insurers. As such, this recognition is required regardless if the insurer owes a selling agent directly or if a third-party has been contracted to provide payment to the selling agent.

Effective Date and Transition

7. This statement is effective for years beginning January 1, 2001. A change resulting from the adoption of this statement shall be accounted for as a change in accounting principle in accordance with *SSAP No. 3—Accounting Changes and Corrections of Errors*. The nonsubstantive revisions adopted _____ regarding levelized commission are to clarify the original intent of this statement and are effective January 1, 2021.

October 2020 (new) Shaded Revisions to prior July exposure

2. Acquisition costs are those costs that are incurred in the acquisition of new and renewal insurance contracts and include those costs that vary with and are primarily related to the acquisition of insurance contracts (e.g., agent and broker commissions, certain underwriting and policy issue costs, and medical and inspection fees). Acquisition costs and commissions shall be expensed as incurred. Determination of when acquisition costs and commissions have been incurred shall be made in accordance with SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets.

3. Contingent commission liabilities shall be determined in accordance with the terms of each individual commission agreement. Commission liabilities determined on the basis of a formula that relates to loss experience shall be established for the earned portion. Assumptions used to calculate the contingent commission liability shall be consistent with the terms of the policy contract and with the assumptions made in recording other assets and liabilities necessary to reflect underwriting results of the reporting entity such as retrospective premium adjustments and loss reserves, including incurred but not reported. ~~Commission contracts that include persistency (or other such components) shall not use these clauses to defer recognition of commission expense. If a commission is based on annual policy persistency (or other similar components), the commission shall be accrued based on experience to date for the policy period that the commission relates. In regard to persistency commission, it is inappropriate to wait until the amount is fully earned and/or unavoidable to accrue experience to date commission expenses. Actual policy cancellation would reverse the accrual of the related persistency commission.~~

4. Levelized commissions occur in situations where agents receive normal (non-level) commissions with payments made by a third party. It is intended, but not necessarily guaranteed, that the amounts paid to the agents by the third party would ultimately be repaid (with interest explicit or implied) to the third party by levelized payments (which are less than the normal first year commissions but exceed the normal renewal commissions) from the reporting entity. (Note: levelized repayments made by the reporting entity extend the repayment period but might not be a straight-line repayment.) These transactions are, in fact, funding agreements between a reporting entity and a third party, regardless of how the payment to the third party is characterized. The continuance of the stream of payments specified in the levelized commission contract is a mechanism which attempts to bypass recognition of those expenses which are ordinarily charged to expense in the first year of the contract. Consequently, the normal link between the persistency of the policy, the continuance of the premium payment or the maintenance of the agent's license with the reporting entity is not maintained with respect to the payment stream.

5. The use of an arrangement such as a levelized commission arrangement where commission payments are not linked to traditional elements such as premium payments and policy persistency, but rather are linked to the repayment of an advance amount paid by a third party to the direct selling agents requires the establishment of a liability by the reporting entity for the full amount of the unpaid principal and accrued interest which is payable to a third party related to levelized commissions ~~[FN]~~. Arrangements that use a third party to pay agents who write policies for the reporting entity and the insured can be an attempt to de-link the relationship between the insurer and those agents and defer or levelize the acquisition commissions. The insurance reporting entity is required to recognize the full amount of earned commission costs to the direct policy writing agents even if those costs are paid indirectly to the agents by a third party through the use of levelized commission, or similar arrangement, which is in substance a funding arrangement. Having a third party pay commission costs to the selling agent is strong evidence of a potential funding arrangement which shall be recognized as a liability because the substance of the arrangement indicates that repayment is reasonable and probable, even if a contingency has been incorporated into the funding arrangement, unless the underlying policy has been cancelled. A third-party structure cannot recharacterize (e.g. by referencing policy persistency) and delay recognition of liabilities for initial sales commission owed from the writing of policies regardless of how a third-party arrangement is structured with regards to the timing of payment from the insurer. The amount owed for full initial sales commission shall be recognized immediately as the writing of an insurance contract is the event that obligates the insurer, and such action shall occur consistently among insurers. As such, this recognition is required regardless if the insurer owes a selling agent directly or if a third-party has been contracted to provide payment to the selling agent.

~~**New Footnote – The guidance in this paragraph notes that levelized commissions which use a third party to pay agents that are linked to traditional elements require establishment of a liability for the amounts that have been paid to the agents and any interest accumulated to date.**~~

Effective Date and Transition

7. This statement is effective for years beginning January 1, 2001. A change resulting from the adoption of this statement shall be accounted for as a change in accounting principle in accordance with *SSAP No. 3—Accounting Changes and Corrections of Errors*. The nonsubstantive revisions adopted regarding levelized commission ~~intend~~are to clarify the original intent of this statement and are effective January 1, 2021. ~~Reporting entities that have not complied with the original intent of the statement shall reflect the change as a correction of an error (as a mistake in the application of an accounting principle) pursuant to SSAP No. 3 in the December 31, 2020 financial statements. In accordance with SSAP No. 3, correction of all accounting errors in previously issued financial statements, for which an amended financial statement was not filed, shall be reported as an adjustment to unassigned funds (surplus) in the period in which the error was detected. Disclosure shall also occur in accordance with SSAP No. 3.~~

On November 12, 2020, the Statutory Accounting Principles (E) Working Group **held a hearing to receive comments. The Working Group took the following actions:**

- **Re-exposed** the prior version of SSAP #71 with shaded edits reflected below. – (1) the proposed effective date of Jan.1, 2021 was changed to be effective upon adoption, and (2) the revised text made explicit that the proposed revisions will apply to contracts in effect as of the date of adoption. Comments due by Jan. 11, 2021.

- Determined that the revisions to SSAP #71 had met the due process for **either a substantive or a non-substantive revision but concluded to keep the revision classified as nonsubstantive**. The Working Group reiterated that it is not the impact of a change on an individual entity that determines whether a change is substantive or non-substantive, but whether the revision is in line with the original intent of the SSAP. The Working group noted that this is a clarification of existing guidance consistent with original intent. Commissioner Donelon noted an objection to the classification as non-substantive.

- **Directed NAIC Staff to draft an Issue Paper** to document the discussion on this topic for historical purposes. The issue paper will be exposed for comment before considered for adoption by the Working Group.

Nov. 12, 2020 Exposed shaded SSAP No. 71 revisions are new from prior exposure.

2. Acquisition costs are those costs that are incurred in the acquisition of new and renewal insurance contracts and include those costs that vary with and are primarily related to the acquisition of insurance contracts (e.g., agent and broker commissions, certain underwriting and policy issue costs, and medical and inspection fees). Acquisition costs and commissions shall be expensed as incurred. Determination of when acquisition costs and commissions have been incurred shall be made in accordance with SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets.

3. Contingent commission liabilities shall be determined in accordance with the terms of each individual commission agreement. Commission liabilities determined on the basis of a formula that relates to loss experience shall be established for the earned portion. Assumptions used to calculate the contingent commission liability shall be consistent with the terms of the policy contract and with the assumptions made in recording other assets and liabilities necessary to reflect underwriting results of the reporting entity such as retrospective premium adjustments and loss reserves, including incurred but not reported.

4. Levelized commissions occur in situations where agents receive normal (non-level) commissions with payments made by a third party. It is intended, but not necessarily guaranteed, that the amounts paid to the agents by the third party would ultimately be repaid (with interest explicit or implied) to the third party by levelized payments (which are less than the normal first year commissions but exceed the normal renewal commissions) from the reporting entity. (Note: levelized repayments made by the reporting entity extend the repayment period but might not be a straight-line repayment.) These transactions are, in fact, funding agreements between a reporting entity and a third party, regardless of how the payment to the third party is characterized. The continuance of the stream of payments specified in the levelized commission contract is a mechanism which attempts to bypass recognition of those expenses which are ordinarily charged to expense in the first year of the contract. Consequently, the normal link between the persistency of the policy, the continuance of the premium payment or the maintenance of the agent's license with the reporting entity is not maintained with respect to the payment stream.

5. The use of an arrangement such as a levelized commission arrangement where commission payments are not linked to traditional elements such as premium payments and policy persistency, but rather are linked to the repayment of an advance amount paid by a third party to the direct selling agents requires the establishment of a liability by the reporting entity for the full amount of the unpaid principal and accrued interest which is payable to a third party related to levelized commissions ~~FN~~.Arrangements that use a third party to pay agents who write policies for the reporting entity and the insured can be an attempt to de-link the relationship between the insurer and those agents and defer or levelize the acquisition commissions. The insurance reporting entity is required to recognize the full amount of earned commission costs to the direct policy writing agents even if those costs are paid indirectly to the agents by a third party through the use of levelized commission, or similar arrangement, which is in substance a funding arrangement. Having a third party pay commission costs to the selling agent is strong evidence of a potential funding arrangement which shall be recognized as a liability because the substance of the arrangement indicates that repayment is reasonable and probable, even if a contingency has been incorporated into the funding arrangement, until ~~unless~~the underlying policy has been cancelled. A third-party structure cannot recharacterize (e.g. by referencing policy persistency) and delay recognition of liabilities for initial sales commission owed from the writing of policies regardless of how a third-party arrangement is structured with regards to the timing of payment from the insurer. The amount owed for full initial sales commission shall be recognized immediately as the writing of an insurance contract is the event that obligates the insurer, and such action shall occur consistently among insurers. As such, this recognition is required regardless if the insurer owes a selling agent directly or if a third-party has been contracted to provide payment to the selling agent.

Effective Date and Transition

7. This statement is effective for years beginning January 1, 2001. A change resulting from the adoption of this statement shall be accounted for as a change in accounting principle in accordance with *SSAP No. 3—Accounting Changes and Corrections of Errors*. The nonsubstantive revisions adopted TBD date regarding levelized commission are to clarify the original intent of this statement and apply to existing contracts ~~are effective~~ in effect on the date of adoption of the revisions ~~January 1, 2021~~.

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For Spring 2021 discussion, NAIC staff recommend that the Working Group take the following actions:

1. **Expose the issue paper to document the historical discussion**.

2. **Adopt the exposed revisions to SSAP No. 71 after discussion regarding whether to incorporate the revisions to paragraph 7 regarding the effective date** which is illustrated as shaded text below. The November 2020 exposure was for the revisions to be effective on adoption. This is because some members noted a preference for an early as possible effective date in 2021. Guggenheim and IPs comments requested an effective date no sooner than December 31, 2021 to allow time to work with regulators, auditors etc.

   In the event that the Working Group wants to consider the industry request, NAIC staff has provided language for a December 31, 2021 effective date as illustrated below. As the issue paper is to document the historical discussion there is not a need to delay the effective date for an issue paper that is not authoritative. A December 31, 2021 effective date would allow the issue paper to be adopted prior to the implementation of the revisions. Note that under SSAP No. 3, the impacts are still calculated using Jan. 1 numbers, but would not be initially reported until the year-end 2021 financial statements.

   Effective Date and Transition (shaded revisions to paragraph 7 are for discussion).

   7. This statement is effective for years beginning January 1, 2001. A change resulting from the adoption of this statement shall be accounted for as a change in accounting principle in accordance with *SSAP No. 3—Accounting Changes and Corrections of Errors*. The nonsubstantive revisions adopted TBD date regarding levelized commission are to clarify the original intent of this statement and apply to existing contracts in effect as of December 31, 2021 and new contracts thereafter ~~on the date of adoption of the~~.

3. **Note – It is recommended that the Working Group expose a blanks proposal (2021-04BWG, see attachment 20.1) to incorporate a new general interrogatory to assist with identifying the use of funding agreements** as a concurrent exposure with the Blanks (E) Working Group. This general interrogatory will require the identification of circumstances of when an insurer utilizes third parties to pay agent commissions in which the advances paid by the 3rd party are not settled in full within 90 days. The 90-day threshold for reporting was selected to not require reporting when an insurer a third-party for traditional payment processing. This proposal is attached at 20.1 and was developed with Working Group member input. (*Staff Note: Input from interested parties is requested to ensure that this GI is written to capture the desired information on companies using financing arrangements to pay commissions.)*

SSAP No. 71 Nov. 12, 2020 exposure with shaded revisions to paragraph 7 for Spring 2021 discussion

2. Acquisition costs are those costs that are incurred in the acquisition of new and renewal insurance contracts and include those costs that vary with and are primarily related to the acquisition of insurance contracts (e.g., agent and broker commissions, certain underwriting and policy issue costs, and medical and inspection fees). Acquisition costs and commissions shall be expensed as incurred. Determination of when acquisition costs and commissions have been incurred shall be made in accordance with SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets.

3. Contingent commission liabilities shall be determined in accordance with the terms of each individual commission agreement. Commission liabilities determined on the basis of a formula that relates to loss experience shall be established for the earned portion. Assumptions used to calculate the contingent

commission liability shall be consistent with the terms of the policy contract and with the assumptions made in recording other assets and liabilities necessary to reflect underwriting results of the reporting entity such as retrospective premium adjustments and loss reserves, including incurred but not reported.

4. Levelized commissions occur in situations where agents receive normal (non-level) commissions with payments made by a third party. It is intended, but not necessarily guaranteed, that the amounts paid to the agents by the third party would ultimately be repaid (with interest explicit or implied) to the third party by levelized payments (which are less than the normal first year commissions but exceed the normal renewal commissions) from the reporting entity. (Note: levelized repayments made by the reporting entity extend the repayment period but might not be a straight-line repayment.) These transactions are, in fact, funding agreements between a reporting entity and a third party, regardless of how the payment to the third party is characterized. The continuance of the stream of payments specified in the levelized commission contract is a mechanism which attempts to bypass recognition of those expenses which are ordinarily charged to expense in the first year of the contract. Consequently, the normal link between the persistency of the policy, the continuance of the premium payment or the maintenance of the agent's license with the reporting entity is not maintained with respect to the payment stream.

5. The use of an arrangement such as a levelized commission arrangement where commission payments are not linked to traditional elements such as premium payments and policy persistency, but rather are linked to the repayment of an advance amount paid by a third party to the direct selling agents requires the establishment of a liability by the reporting entity for the full amount of the unpaid principal and accrued interest which is payable to a third party related to levelized commissions [FN]. Arrangements that use a third party to pay agents who write policies for the reporting entity and the insured can be an attempt to de-link the relationship between the insurer and those agents and defer or levelize the acquisition commissions. The insurance reporting entity is required to recognize the full amount of earned commission costs to the direct policy writing agents even if those costs are paid indirectly to the agents by a third party through the use of levelized commission, or similar arrangement, which is in substance a funding arrangement. Having a third party pay commission costs to the selling agent is strong evidence of a potential funding arrangement which shall be recognized as a liability because the substance of the arrangement indicates that repayment is reasonable and probable, even if a contingency has been incorporated into the funding arrangement, until the underlying policy has been cancelled. A third-party structure cannot recharacterize (e.g. by referencing policy persistency) and delay recognition of liabilities for initial sales commission owed from the writing of policies regardless of how a third-party arrangement is structured with regards to the timing of payment from the insurer. The amount owed for full initial sales commission shall be recognized immediately as the writing of an insurance contract is the event that obligates the insurer, and such action shall occur consistently among insurers. As such, this recognition is required regardless of if the insurer owes a selling agent directly or if a third-party has been contracted to provide payment to the selling agent.

Effective Date and Transition

7. This statement is effective for years beginning January 1, 2001. A change resulting from the adoption of this statement shall be accounted for as a change in accounting principle in accordance with *SSAP No. 3—Accounting Changes and Corrections of Errors*. The nonsubstantive revisions adopted TBD date regarding levelized commission are to clarify the original intent of this statement and apply to existing contracts in effect as of December 31, 2021 and new contracts thereafter. ~~on the date of adoption of the~~

On March 15, 2021, the Statutory Accounting Principles (E) Working Group adopted, as final, the exposed revisions to *SSAP No. 71—Policy Acquisition Costs and Commissions*, as illustrated below, to clarify the guidance regarding levelized commissions with a Dec. 31, 2021 effective date. The Working Group affirmed the nonsubstantive classification of these revisions as consistent with the original intent of SSAP No. 71 with a separate vote. In addition, the Working Group exposed a blanks proposal which incorporates a new general

interrogatory to identify certain situations where an insurer utilizes a third-party for the payment of commission expenses. The blanks proposal will be concurrently exposed with the Blanks (E) Working Group exposure.

Adopted Revisions to SSAP No. 71 (new text from the prior exposure is shown as shaded):

2. Acquisition costs are those costs that are incurred in the acquisition of new and renewal insurance contracts and include those costs that vary with and are primarily related to the acquisition of insurance contracts (e.g., agent and broker commissions, certain underwriting and policy issue costs, and medical and inspection fees). Acquisition costs and commissions shall be expensed as incurred. Determination of when acquisition costs and commissions have been incurred shall be made in accordance with SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets.

3. Contingent commission liabilities shall be determined in accordance with the terms of each individual commission agreement. Commission liabilities determined on the basis of a formula that relates to loss experience shall be established for the earned portion. Assumptions used to calculate the contingent commission liability shall be consistent with the terms of the policy contract and with the assumptions made in recording other assets and liabilities necessary to reflect underwriting results of the reporting entity such as retrospective premium adjustments and loss reserves, including incurred but not reported.

4. Levelized commissions occur in situations where agents receive normal (non-level) commissions with payments made by a third party. It is intended, but not necessarily guaranteed, that the amounts paid to the agents by the third party would ultimately be repaid (with interest explicit or implied) to the third party by levelized payments (which are less than the normal first year commissions but exceed the normal renewal commissions) from the reporting entity. (Note: levelized repayments made by the reporting entity extend the repayment period but might not be a straight-line repayment.) These transactions are, in fact, funding agreements between a reporting entity and a third party, regardless of how the payment to the third party is characterized. The continuance of the stream of payments specified in the levelized commission contract is a mechanism which attempts to bypass recognition of those expenses which are ordinarily charged to expense in the first year of the contract. Consequently, the normal link between the persistency of the policy, the continuance of the premium payment or the maintenance of the agent's license with the reporting entity is not maintained with respect to the payment stream.

5. The use of an arrangement such as a levelized commission arrangement where commission payments are not linked to traditional elements such as premium payments and policy persistency, but rather are linked to the repayment of an advance amount paid by a third party to the direct selling agents requires the establishment of a liability by the reporting entity for the full amount of the unpaid principal and accrued interest which is payable to a third party related to levelized commissions. Arrangements that use a third party to pay agents who write policies for the reporting entity and the insured can be an attempt to de-link the relationship between the insurer and those agents and defer or levelize the acquisition commissions. The insurance reporting entity is required to recognize the full amount of earned commission costs to the direct policy writing agents even if those costs are paid indirectly to the agents by a third party through the use of levelized commission, or similar arrangement, which is in substance a funding arrangement. Having a third party pay commission costs to the selling agent is strong evidence of a potential funding arrangement which shall be recognized as a liability because the substance of the arrangement indicates that repayment is reasonable and probable, even if a contingency has been incorporated into the funding arrangement, until the underlying policy has been cancelled. A third-party structure cannot recharacterize (e.g. by referencing policy persistency) and delay recognition of liabilities for initial sales commission owed from the writing of policies regardless of how a third-party arrangement is structured with regards to the timing of payment from the insurer. The amount owed for full initial sales commission shall be recognized immediately as the writing of an insurance contract is the event that obligates the insurer, and such action shall occur consistently among insurers. As such, this recognition is required regardless of if the insurer owes a selling agent directly or if a third-party has been contracted to provide payment to the selling agent.

Effective Date and Transition

7. This statement is effective for years beginning January 1, 2001. A change resulting from the adoption of this statement shall be accounted for as a change in accounting principle in accordance with *SSAP No. 3—Accounting Changes and Corrections of Errors*. The nonsubstantive revisions adopted March 15, 2021 regarding levelized commission are to clarify the original intent of this statement and apply to existing contracts in effect as of December 31, 2021 and new contracts thereafter .

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Draft: 3/22/2021

Blanks (E) Working Group
Virtual Meeting (*in lieu of meeting at the 2021 Spring National Meeting*)
March 16, 2021

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.

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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 Jan. 1, 2022

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

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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 designations 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.

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.

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Draft: 1/4/2021

Blanks (E) Working Group
Virtual Meeting
December 16, 2020

The Blanks (E) Working Group of the Accounting Practices and Procedures (E) Task Force met Dec.16, 2020. The following Working Group members participated: Jake Garn, Chair (UT); Kim Hudson, Vice Chair (CA); William Arfanis (CT); N. Kevin Brown (DC); Adrienne Lupo (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); John Sirovetz (NJ); Dale Bruggeman and Tracy Snow (OH); Diane Carter (OK); Melissa Greiner (PA); Trey Hancock (TN); Jamie Walker (TX); Steve Drutz (WA); Randy Milquet (WI); and Jamie Taylor (WV).

1. Adopted its Aug. 27 Minutes

The Working Group met Aug. 27 and adopted five proposals. Among these was: 1) a proposal to add a column to the health blank Schedule T for the breakout reporting of the Children's Health Insurance Program (CHIP) business; 2) two proposals sponsored by the Statutory Accounting Principles (E) Working Group—one addressing changes made to *Statement of Statutory Accounting Principles (SSAP) No. 86—Derivatives* for the present value of financing premiums, and another changing the disclosures in the Notes to Financial Statement and Schedule D, Part 6 to reflect changes adopted for *SSAP No. 68—Business Combinations and Goodwill* and *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*; and 3) a proposal adding a new line to Schedule E, Part 2 for reporting qualified cash pools. The Working Group also adopted its editorial listing.

Mr. Eft made a motion, seconded by Mr. Hudson, to adopt the Working Group's Aug. 27 minutes (*See NAIC Proceedings – Fall 2020, Accounting Practices and Procedures (E) Task Force, Attachment Two*). The motion passed unanimously.

2. Discussed a Proposal Previously Deferred

   a. Modify the Instructions and Illustration for Note 10L to Reflect the Disclosure Changes for *Statement of Statutory Accounting Principles (SSAP) No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* Being Considered for Adoption by the Statutory Accounting Principles (E) Working Group (2020-02BWG)

Mr. Bruggeman stated that this proposal was originally intended to modify the instructions and illustration for Note 10L – Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties to reflect SSAP No. 97 disclosure changes being discussed by the Statutory Accounting Principles (E) Working Group, agenda item Ref #2019-41. Since the discussions are ongoing, he requested to withdraw the proposal with the possibility of submitting a new proposal at a future date. Mr. Garn stated that no action was required by the Blanks (E) Working Group as the sponsor withdrew the proposal.

3. Adopted Proposals Previously Exposed

   a. Remove the Disclosure for the Federal Affordable Care Act (ACA) Section 9010 Assessment from Note 22 – Events Subsequent (SAPWG Ref #2020-05) (2020-28BWG) Effective 12/31/2021

Mr. Bruggeman stated that this blanks agenda item is related to the Statutory Accounting Principles (E) Working Group agenda item Ref #2020-05: Repeal of the Affordable Care Act Section 9010 Assessment adopted by the Working Group in July for *SSAP No. 106—Affordable Care Act Section 9010 Assessment*. The proposal removes the disclosure for the assessment from Note 22 – Events Subsequent reflecting the federal Affordable Care Act (ACA) Section 9010 assessment repeal effective Jan. 1, 2021.

Mr. Bruggeman stated that interested parties suggested adding some clarifying language to indicate that quarterly reporting would not be required for this item during 2021. NAIC staff did not agree that the clarifying language was needed as Note 22 is not a required quarterly disclosure and the existing instructions at the beginning of the Notes to Financial Statement should be sufficient. A related ACA guidance document is also being presented during this meeting to assist companies in reporting the note in the 2020 annual statement addressing the fact that there is no fee due in 2021. Mr. Bruggeman stated that there were no modifications made to the proposal.

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Mr. Bruggeman made a motion, seconded by Ms. Gosselin, to adopt the proposal (Attachment Two-A1). The motion passed unanimously.

b. Remove the Line Category and Reference to the NAIC Bond Fund List (Bond List) From the Investment Schedule Instructions and Blank (SAPWG 2020-01) (2020-29BWG) Effective 12/31/2021

Mr. Bruggeman stated that this blanks proposal is related to the Statutory Accounting Principles (E) Working Group agenda item Ref #2020-01: Update/Remove References to SVO Listings adopted in March, which eliminated references to the NAIC Bond Fund List (Bond List) in *SSAP No. 26R—Bonds*. It added reference to the "NAIC Fixed Income-Like SEC Registered Funds List" in *SSAP No. 30R—Unaffiliated Common Stock*. This proposal removes the line category and reference to the bond list from the applicable investment schedule instructions and blanks. There were no comments from interested parties.

Mr. Bruggeman made a motion, seconded by Mr. Drutz, to adopt the proposal (Attachment Two-A2). The motion passed unanimously.

c. Move 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 will be Added for the Supplemental Exhibits and Schedules Interrogatories (2020-30BWG) Effective 12/31/2021

Mr. Hudson stated that this proposal moves 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 the Title blank, a new page in the quarterly statement will be added for the Supplemental Exhibits and Schedules Interrogatories.

Mr. Hudson stated that interested parties suggested modifying the quarterly statement interrogatory question to be consistent with the Life Principles-Based Reserve Statement of Exemption quarterly statement interrogatory question. NAIC staff modified the language to indicate that the response for the first and third quarters should be "N/A" and that a "NO" response resulting with a bar code is only appropriate in the second quarter. A similar change will also be made in the NAIC filing directive.

Mr. Hudson made a motion, seconded by Mr. Sirovetz, to adopt the modifications to the proposal. The motion passed unanimously. Mr. Hudson made a motion, seconded by Mr. Sirovetz, to adopt the modified proposal (Attachment Two-A3). The motion passed unanimously.

d. Replace 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 to Promote Consistent Reporting of Assessable Premiums Among Industry Members and to Reflect Changes in Guaranty Association Laws Adopted Over the Past Two Decades (2020-31BWG) Effective 12/31/2021

Paul Peterson (National Organization of Life and Health Guaranty Association—NOLHGA) stated that this proposal replaces 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 that have been in place since the 1990s. It was used to determine the assessable premium basis that is used by the guaranty fund association in its assessment process. There are more lines and instructions, but they should not create an undue burden to the insurance companies as the information reflects the data they have had in the past. Mr. Peterson stated that this new information will make it easier for his team to assess the guaranty fund information.

Mr. Hudson made a motion, seconded by Mr. Drutz, to adopt the proposal (Attachment Two-A4). The motion passed unanimously.

4. Exposed New Items

   a. Add a New Health Care Receivables Supplement to the Life/Fraternal Annual Statement that Adds Exhibit 3 and Exhibit 3A from the Health Annual Statement to the Life/Fraternal Annual Filings. Add a Guidance Document Reference to Exhibit 3A of the Health Annual Statement (2020-32BWG)

Mr. Garn stated that this proposal adds an Exhibit 3 and Exhibit 3A Health Care Receivables Supplement to the life/fraternal annual statement and adds a reference to the guidance document posted as part of the health annual statement health care receivables (HCR) reporting. The purpose is to allow for more consistency of reporting between the life and health blanks with regards to health care receivables and to provide state insurance regulators with detailed health care receivables information from life companies.

Hearing no objection, the Working Group exposed the proposal for a 60-day public comment period ending Feb. 16, 2021.

   b. Modify Annual Statement Lines (ASLs) Used on Underwriting and Investment (U&I) Exhibits, State Page and Insurance Expense Exhibit (IEE). Change Health ASL Categories Used in Property to be Consistent with Other Statement Types. Update ASL References Used in Crosschecks. Update Definitions Used in the Appendix for the Health ASLs (2020-33BWG)

Mr. Schrader stated that this proposal affects the property/casualty (P/C) blank. It modifies the annual statement lines (ASLs) used in the Underwriting and Investment (U&I) Exhibits, the State Page and the Insurance Expense Exhibit (IEE). It changes the health ASL categories used in the P/C blank to be consistent with other statement types. The purpose is to gain consistency in the granularity of reporting of annual statement lines of business.

Hearing no objection, the Working Group exposed the proposal for a 60-day public comment period ending Feb. 16, 2021.

   c. Add Definitions for the Occupational Accident, Fiduciary Liability, Premises and Operations (OL&T and M&C), Professional Errors and Omissions Liability, Kidnap & Ransom Liability and Tuition Reimbursement Plans Products to the Appropriate Line of Business in the Appendix (2020-34BWG)

Mr. Garn stated that this proposal includes a change to the P/C blank only. It adds additional definitions for the Occupational Accident, Fiduciary Liability, Premises and Operations (OL&T and M&C), Professional Errors and Omissions Liability, Kidnap & Ransom Liability and Tuition Reimbursement Plans Products to the Appropriate Line of Business in the appendix of the annual statement instructions. The purpose is to provide more clarity of reporting and more consistency in the lines of business between the Property Uniform Product Matrix and the annual statement.

Hearing no objection, the Working Group exposed the proposal for a 60-day public comment period ending Feb. 16, 2021.

   d. Expand the Number of Characters Used From Seven to Ten in the Investment Line Categories for Schedules D, DA, DL and E Excluding Schedule D, Part 6 (Sections 1 and 2) and Schedule E (Part 1 and 3). Add Line Categories for Unaffiliated Certificates of Deposit and Exchange Traded Funds. Split 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. Make Changes to Summary Investment Schedule, Summary by Country and Schedule D, Part 1A (Sections 1 and 2) to Reflect the Additional Line Categories (2020-35BWG)

Mr. Hudson stated that this proposal expands the number of characters used in the investment line categories from seven to ten. The purpose of the change is to accommodate more investment categories and to allow for room in the numbering scheme for Schedule D, Schedule DA, Schedule DL and Schedule 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.

Hearing no objection, the Working Group exposed the proposal for a 60-day public comment period ending Feb. 16, 2021.

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e. Modify the General Schedules Investment Instructions and Schedule DB General Instructions to Reflect Treatment of Publicly Traded Stock Warrants as Being in the Scope of *SSAP No. 30R—Unaffiliated Common Stock* or *SSAP No. 32R—Preferred Stock* and Reporting as Common and Preferred Stock (SAPWG Ref #2020-33) (2020-36BWG)

Mr. Bruggeman stated that this proposal is in response to the Statutory Accounting Principles (E) Working Group agenda item Ref #2020-33: SSAP No. 32R – Publicly Traded Preferred Stock Warrants, which was exposed on Nov. 12. The Working Group exposure proposes to capture publicly traded preferred stock warrants in *SSAP No. 32R—Preferred Stock,* similar to the way publicly traded common stock warrants are in scope of *SSAP No. 30R—Unaffiliated Common Stock.*

Mr. Bruggeman stated that because publicly traded preferred stock warrants are currently in scope of SSAP No. 86 – *Derivatives,* this proposal modifies the General Schedules Investment instructions and Schedule DB General instructions to reflect the anticipated future treatment of these stock warrants to be in scope of SSAP No. 32R.

Hearing no objection, the Working Group exposed the proposal for a 60-day public comment period ending Feb. 16, 2021.

f. Add a New Schedule Y, Part 3 to Capture All Entities with Ownership Greater Than 10%, the Ultimate Controlling Parties of Those Owners and Other Entities That the Ultimate Controlling Party Controls (SAPWG Ref #2020-34) (2020-37BWG)

Mr. Bruggeman stated that this proposal is in response to the Statutory Accounting Principles (E) Working Group agenda item Ref #2020-34: Related Parties, Disclaimer of Affiliation and Variable Interest Entities associated with *SSAP No. 25—Affiliates and Other Related Parties*, which was exposed on Nov. 12. In collaboration with interested parties, the Working Group agenda item and this proposal adds a new annual Schedule Y, Part 3 exhibit. This new exhibit would require companies to identify those with an ownership percentage greater than 10%, identify if any owners have a disclaimer of control or affiliation, and identify the controlling parties. He stated that this is not intended to duplicate information reported in Schedule Y, Part 1. The related Statutory Accounting Principles (E) Working Group discussion addressed where the company already has control, being a party owning more than 10% who are not in the chain normally reported on Schedule Y, Part 1. The intent is to identify those insurance companies so that across multiple entities, especially on unrelated entities, those parties would be able to be known if they happened to own more than one insurance company more than 10%.

Hearing no objection, the Working Group exposed the proposal for a 60-day public comment period ending Feb. 16, 2021.

g. Make Changes to the Accident and Health Policy Experience Exhibit by Adding New Columns, Remove Lines Distinguishing With and Without Contract Reserves, Add New Product Lines, Eliminate Summary Tables, Change the Date That the Exhibit is Due and Having it Reported by State (2020-38BWG)

Mr. Garn stated that this proposal makes changes to the Accident and Health Policy Experience Exhibit, which is a uniform schedule. Some of the changes include removing lines for reporting "With Contract Reserves" and "Without Contract Reserves" in the individual business categories. It adds additional columns to the exhibit including: Direct Premiums Written, Assumed Premiums Earned, Ceded Premiums Earned, Net Premiums Earned, Assumed Incurred Claims Amount, Ceded Incurred Claims Amount, and Net Incurred Claims Amount. He stated that the proposal adds a line for "vision" coverage in the group and individual sections. Since the reinsurance amounts are being included in the main exhibit, the summary tables are being eliminated. The proposal requests that the exhibit be reported by state with a change in the filing due date to March 1. The purpose of the proposal is to provide state insurance regulators additional health data and greater consistency across the blanks. The intent of the March 1 filing date is to allow for comparison with the risk-based capital (RBC) filings, which have a March 1 filing due date.

Tip Tipton (Thrivent Financial) stated that interested parties are concerned with the significant change and potential redundancy among other schedules throughout the statement, as well as moving the date up one month in an already tight time frame. He stated that this may be an opportunity for interested parties, state insurance regulators and NAIC staff to collaborate on how industry can provide information that would benefit state insurance regulators but at the same time mitigate potential redundancies.

Ray Nelson (TriPlus Services) representing America's Health Insurance Plans (AHIP) stated that member companies have reviewed the proposal and are concerned with the volume of data being requested, the potential redundancies with data provided in other areas and exhibits, and the acceleration of the filing deadline. He stated that this is a significant hardship for companies given the effort involved in compiling the data and the resource constraints due to the statement, actuarial opinion and filing

work due March 1. He stated that interested parties request the opportunity to work with state insurance regulators and NAIC staff to review the health data and provide data that is critical for the state analysts and examiners, and identify the data needed March 1 and the data that can wait until April 1. Mr. Nelson stated that interested parties would like to develop a more feasible and permanent proposal that will provide state insurance regulators with necessary health data and reduce the regulatory redundancy in the spirit of the Risk-Focused Surveillance (E) Working Group charges.

Mr. Garn stated that this proposal is only being considered for exposure at this time and that there will be additional opportunity for comments during the exposure period. He stated that consideration has been made to remove some possible redundancy from the state page; however, it is difficult to process a comprehensive proposal all at once because of the timeliness of the needed data.

Mary Caswell (NAIC) stated that NAIC staff have received requests over time from state insurance regulators and from members of the Health Risk-Based Capital (E) Working Group to obtain more consistent health data across all statement types. The Health Risk-Based Capital (E) Working Group has an ad hoc group looking at potential changes to the health test with the intent of having some companies that currently file on the life blank to move to the health blank if they pass the revised health test. This proposal is an attempt to gain more comprehensive health data on the health blank. The ad hoc group was looking at making changes to various exhibits and schedules within the life and health blank to obtain more uniform data. Ms. Caswell stated that this proposal was an attempt to limit the disruptions to the blank for companies, vendors, NAIC staff and state insurance regulators to review. NAIC staff suggested revising this uniform exhibit to accommodate the data being requested by the Health Risk-Based Capital (E) Working Group, as well as data being requested by various state financial analysts and examination regulators and NAIC staff. She stated that this proposal has been reviewed by the Health Actuarial (B) Task Force. It was sent to the Life Actuarial (A) Task Force for review, working to meet state insurance regulator needs without removing needed data.

Ms. Caswell stated that discussions on the health test became somewhat problematic when considering situations where a company might have a separate account that is not accounted for on the health blank; potential treatment for companies that hold an asset valuation reserve; and issues related to companies that write long-term care (LTC) coverage that state insurance regulators prefer to continue to be reported on the life blank. The reporting date issue, whether a March 1 filing or an April 1 filing, can be considered and decided upon by the state insurance regulators. The March 1 date is suggested in the proposal to coincide with the RBC filing in case that group would want to devise direct pulls from the exhibit. The exhibit is currently an April 1 filing, which could remain if the state insurance regulators so decide. The request for state data came more from the analysis side. With the potential future emphasis on health coverage, state insurance regulators may need to have more state-specific data.

Mike Monahan (American Council of Life Insurers—ACLI) stated that this proposal is not ready for exposure at this time and requested the proposal be deferred.

Joe Zolecki (Blue Cross and Blue Shield Association—BCBSA) stated that he would echo the previous interested party comments and indicated that the biggest issue is the March 1 filing date. He stated that he appreciates the efforts of NAIC staff to address redundancy. He stated that he was involved in that effort on the examination side. It seems appropriate to have a long-term project to consider some of the health filings and potential redundancy. He asked that the initial exposure include the April 1 rather than the March 1 filing date if the Blanks (E) Working Group decides not to defer this proposal. He stated that having the April 1 filing date and not having the data by state would give industry time to consider the changes and work with state insurance regulators and NAIC staff to come up with more permanent filings. He stated that interested parties could support an exposure with an April 1 filing date, not requiring the data by state and working together in 2021 to address some of the redundancy issues.

Mr. Garn stated that there is time for further discussion of the proposal during the exposure period, as well as for it to be deferred if needed prior to being considered for adoption. Exposing the proposal allows for industry and state insurance regulators to provide their comments regarding the suggested changes.

Hearing no objection from Working Group members, the Working Group exposed the proposal for a 60-day public comment period ending Feb. 16, 2021.

5. Adopted the Editorial Listing

Mr. Lathrop made a motion, seconded by Ms. Gosselin, to adopt the editorial listing (Attachment Two-A5). The motion passed unanimously.

6. Approved Posting of Reporting Guidance

a. ACA, Note 22 Guidance

Mr. Garn stated that with the repeal of the Section 9010 ACA fee beginning Jan. 1, 2021, the Statutory Accounting Principles (E) Working Group recommended filing guidance for companies in completing the Note 22 disclosures regarding the Section 9010 assessment. This guidance will help companies in consistently filling out the annual statement notes at year-end. Hearing no objection, NAIC staff were directed to post the guidance to the Blanks (E) Working Group web page.

b. Health Care Receivables (HCR) Guidance (Health Blank)

Mr. Garn stated that the HCR Guidance is intended to assist companies in completing Exhibit 3 and Exhibit 3A within the health blank with regards to health care receivables. The intent is to gain greater accuracy and consistency among the filers of HCR data. Hearing no objection, NAIC staff were directed to post the guidance to the Blanks (E) Working Group web page.

7. Received a Statutory Accounting Principles (E) Working Group Memorandum

Mr. Bruggeman stated that a memorandum was submitted to the Blanks (E) Working Group addressing the Statutory Accounting Principles (E) Working Group agenda item Ref #2019-20 – Rolling Short-Term Investments and how that is handled with some definitions for washed sales for Note 17C. The instructional clarification will be included in the 2020 annual statement instructions revisions. The Statutory Accounting Principles (E) Working Group agenda item Ref #2018-26 regarding SCA Loss Tracking – Accounting Guidance – Revisions state that the reported equity method losses of the subsidiary, controlled or affiliate (SCA) would not go negative (thus would stop at zero). However, to the extent there is a financial guarantee or commitment, the guarantee or commitment would be separately captured under *SSAP No 5R—Liabilities, Contingencies and Impairment of Assets.* This agenda item also updated footnote 10O by removing the "SCA's reported value" and replacing it with "the amount of any guarantee under SSAP No. 5R." He stated that this memorandum intends to inform financial statement filers who complete annual statement note 10O that: 1) note 10O no longer requires "SCA's reported value"; and 2) as the data capture element cannot be completed for year-end 2020 reporting, any financial guarantees recognized under SSAP No. 5R shall be disclosed in narrative format in annual statement Note 10. As noted, the new data element should be included in narrative format for year-end 2020 annual statement reporting.

Mr. Bruggeman also stated that as a courtesy notification, the Statutory Accounting Principles (E) Working Group has two additional accounting interpretations (*INT 2020-10: Reporting Nonconforming Credit Tenant Loans* and *INT 2020-11: Extension of Ninety-Day Rule for the Impact of 2020 Hurricanes, California Wildfires and Iowa Windstorms*). If adopted during the Dec. 18 Statutory Accounting Principles (E) Working Group meeting, they will be posted on the Blanks (E) Working Group web page for year-end reporting guidance.

8. Discussed Other Matters

Mr. Garn stated that this issue is informational only and that there is no action needed by the Blanks (E) Working Group. On the NAIC Financial Statement Filing web page, there is a notation regarding methods of filing a company's statutory statement, which states: "Note: If disaster(s) or other contingencies prevent timely online filing, authorization to submit a company's filing other than via the Internet Filing Website should come from the company's domiciliary state. Approval from the company's domiciliary state must be submitted to the NAIC along with the filing submitted via alternative media (CD-ROM only)." He stated that the NAIC no longer maintains a system to accommodate CD-ROM filings. Therefore, NAIC staff will remove the language referencing CD-ROM from the web page and participation packet.

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

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NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

		FOR NAIC USE ONLY
	DATE: 08/13/2020	Agenda Item # 2020-28BWG
CONTACT PERSON:		Year 2021
TELEPHONE:		Changes to Existing Reporting [X]
EMAIL ADDRESS:		New Reporting Requirement [ ]
		REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT
ON BEHALF OF:		No Impact [X]
		Modifies Required Disclosure [ ]
NAME:	Dale Bruggeman	**DISPOSITION**
TITLE:	Chair SAPWG	[ ] Rejected For Public Comment
		[ ] Referred To Another NAIC Group
AFFILIATION:	Ohio Department of Insurance	[ ] Received For Public Comment
		[X] Adopted Date 12/16/2020
ADDRESS:	50W. Town St., 3rd Fl., Ste. 300	[ ] Rejected Date
		[ ] Deferred Date
	Columbus, OH 43215	[ ] Other (Specify)

BLANK(S) TO WHICH PROPOSAL APPLIES

[X] **ANNUAL STATEMENT**	[X] **INSTRUCTIONS**	[X] **CROSSCHECKS**
[ ] **QUARTERLY STATEMENT**	[ ] **BLANK**	
[X] Life, Accident & Health/Fraternal	[ ] Separate Accounts	[ ] Title
[X] Property/Casualty	[ ] Protected Cell	[ ] Other
[X] Health	[ ] Health (Life Supplement)	

Anticipated Effective Date: Annual 2021

IDENTIFICATION OF ITEM(S) TO CHANGE

Remove the disclosure for the Affordable Care Act Section 9010 Assessment from Note 22 - Events Subsequent.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The purpose of this proposal is to reflect disclosure changes adopted by the Statutory Accounting Principles (E) Working Group superseding *SSAP No. 106—Affordable Care Act Section 9010 Assessment* (Ref #2020-05). The Affordable Care Act Section 9010 assessment has been repealed effective Jan. 1 2021and these revisions, will remove the disclosure.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:

Other Comments:

**** This section must be completed on all forms.** **Revised 7/18/2018**

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ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL

NOTES TO FINANCIAL STATEMENTS

Detail Eliminated to Conserve Space

22. Events Subsequent

Refer to *SSAP No. 9—Subsequent Events* for accounting guidance.

Instruction:

Subsequent events shall be considered either:

Type I – Recognized Subsequent Events:

Events or transactions that provide additional evidence with respect to conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements.

Type II – Nonrecognized Subsequent Events:

Events or transactions that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose after that date.

For material Type I subsequent events, the nature and the amount of the adjustment shall be disclosed only if necessary to keep the financial statements from being misleading.

Material Type II subsequent events shall not be recorded in the financial statements, but shall be disclosed in the notes to the financial statements. For such events, an entity shall disclose the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made.

An entity also shall consider supplementing the historical financial statements with pro forma financial data. Occasionally, a nonrecognized subsequent event may be so significant that disclosure can best be made by means of pro forma financial data. Such data shall give effect to the event as if it had occurred on the balance sheet date. In some situations, an entity also shall consider presenting pro forma statements. If the Type II subsequent event is of such a nature that pro forma disclosures are necessary to keep the financial statements from being misleading, disclose supplemental pro forma financial data including the impact on net income, surplus, total assets, and total liabilities giving effect to the event as if it occurred on the date of the balance sheet.

Reporting entities shall disclose the dates through which subsequent events have been evaluated along with the dates the statutory reporting statements were issued, or available to be issued.

~~For the annual reporting period ending December 31, 2013, and thereafter, a reporting entity subject to the assessment under Section 9010 of the Federal Affordable Care Act shall provide a disclosure of the assessment payable in the upcoming year consistent with the guidance provided under *SSAP No. 9—Subsequent Events* for a Type II subsequent event. The disclosure shall provide information regarding the nature of the assessment and an estimate of its financial impact, including the impact on its risk-based capital position as if it had occurred on the balance sheet date. In accordance with SSAP No. 9, the reporting entity shall also consider whether there is a need to present pro forma financial statements regarding the impact of the assessment, based on its judgment of the materiality of the assessment.~~

~~Additionally, for annual reporting periods ending on or after December 31, 2014, the reporting entity shall disclose the amounts reflected in special surplus in the data year. The disclosure shall provide information regarding the nature of the assessment, the estimated amount of the assessment payable for the upcoming year (current year and the prior year), amount of assessment paid (current and prior year) and written premium (current and prior year) that is the basis for the determination of the Section 9010 fee assessment to be paid in the subsequent year (net assessable premium). The disclosure should also provide the Total Adjusted Capital before and after adjustment (as reported in its estimate of special surplus applicable to the Section 9010 fee) and Authorized Control Level (in dollars) to reflect the fee as of the annual reporting date as if it had been reported on the balance sheet date. The reporting entity shall also provide a statement as to whether an RBC action level would have been triggered had the fee been reported as of the balance sheet date.~~

Illustration:

Type I – Recognized Subsequent Events:

Subsequent events have been considered through __/__/__ for the statutory statement issued on __/__/__.

On February 1, 20___, a settlement was reached in a major lawsuit against the Company. In conjunction with the lawsuit, the Company estimated and recorded a liability of $_____ on Line ___ of the Liabilities, Surplus and Other Funds page. The actual settlement amount of $_____ was paid to the plaintiff on February 10. The change will be recorded in the First Quarter Statement on Line ___ of the Statement of Income.

Type II – Nonrecognized Subsequent Events:

Subsequent events have been considered through __/__/__ for the statutory statement issued on __/__/__.

The Company faces loss exposure from the January 15, 20___ earthquake in the State of _____. This exposure is primarily in the Company's property and casualty subsidiaries, but also includes potential losses on its real estate and mortgage loan portfolios. Based on a review of the range of expected loss, the Company does not believe this event will have a material impact on its financial condition.

~~On January 1, 2021, the Company will be subject to an annual fee under Section 9010 of the federal Affordable Care Act (ACA). This annual fee will be allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance entity's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the fee is due. As of December 31, 2020, the Company has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2021, and estimates their portion of the annual health insurance industry fee to be payable on September 30, 2021 to be $_____. This amount is reflected in special surplus. This assessment is expected to impact risk based capital (RBC) by ____. Reporting the ACA assessment as of December 31, 2020, would not have triggered an RBC action level.~~

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR LINES A THROUGH H IN THE TABLE BELOW IF APPLICABLE. THIS DOES NOT INCLUDE THE NARRATIVE FOR THE ILLUSTRATION SHOWN ABOVE. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.

		Current Year	Prior Year
A	Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the federal Affordable Care Act (YES/NO)?		
B.	ACA fee assessment payable for the upcoming year	$	$
C.	ACA fee assessment paid	$	$
D.	Premium written subject to ACA 9010 assessment	$	$
E.	Total Adjusted Capital before surplus adjustment (Five-Year Historical Line 30)	$	
F.	Total Adjusted Capital after surplus adjustment (Five-Year Historical Line 30 minus 22B above)	$	
G.	Authorized Control Level (Five-Year Historical Line 31)	$	
H.	Would reporting the ACA assessment as of December 31, 2020, have triggered an RBC action level (YES/NO)?		

Detail Eliminated to Conserve Space

ANNUAL STATEMENT INSTRUCTIONS – HEALTH

NOTES TO FINANCIAL STATEMENTS

Detail Eliminated to Conserve Space

22. Events Subsequent

Refer to *SSAP No. 9—Subsequent Events* for accounting guidance.

Instruction:

Subsequent events shall be considered either:

Type I – Recognized Subsequent Events:

Events or transactions that provide additional evidence with respect to conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements.

Type II – Nonrecognized Subsequent Events:

Events or transactions that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose after that date.

For material Type I subsequent events, the nature and the amount of the adjustment shall be disclosed only if necessary to keep the financial statements from being misleading.

Material Type II subsequent events shall not be recorded in the financial statements, but shall be disclosed in the notes to the financial statements. For such events, an entity shall disclose the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made.

An entity also shall consider supplementing the historical financial statements with pro forma financial data. Occasionally, a nonrecognized subsequent event may be so significant that disclosure can best be made by means of pro forma financial data. Such data shall give effect to the event as if it had occurred on the balance sheet date. In some situations, an entity also shall consider presenting pro forma statements. If the Type II subsequent event is of such a nature that pro forma disclosures are necessary to keep the financial statements from being misleading, disclose supplemental pro forma financial data including the impact on net income, surplus, total assets, and total liabilities giving effect to the event as if it occurred on the date of the balance sheet.

Reporting entities shall disclose the dates through which subsequent events have been evaluated along with the dates the statutory reporting statements were issued, or available to be issued.

~~For the annual reporting period ending December 31, 2013, and thereafter, a reporting entity subject to the assessment under Section 9010 of the Federal Affordable Care Act shall provide a disclosure of the assessment payable in the upcoming year consistent with the guidance provided under *SSAP No. 9—Subsequent Events* for a Type II subsequent event. The disclosure shall provide information regarding the nature of the assessment and an estimate of its financial impact, including the impact on its risk-based capital position as if it had occurred on the balance sheet date. In accordance with SSAP No. 9, the reporting entity shall also consider whether there is a need to present pro forma financial statements regarding the impact of the assessment, based on its judgment of the materiality of the assessment.~~

~~Additionally, for annual reporting periods ending on or after December 31, 2014, the reporting entity shall disclose the amounts reflected in special surplus in the data year. The disclosure shall provide information regarding the nature of the assessment, the estimated amount of the assessment payable for the upcoming year (current year and the prior year), amount of assessment paid (current and prior year) and written premium (current and prior year) that is the basis for the determination of the Section 9010 fee assessment to be paid in the subsequent year (net assessable premium). The disclosure should also provide the Total Adjusted Capital before and after adjustment (as reported in its estimate of special surplus applicable to the Section 9010 fee) and Authorized Control Level (in dollars) to reflect the fee as of the annual reporting date as if it had been reported on the balance sheet date. The reporting entity shall also provide a statement as to whether an RBC action level would have been triggered had the fee been reported as of the balance sheet date.~~

Illustration:

Type I – Recognized Subsequent Events:

Subsequent events have been considered through __/__/__ for the statutory statement issued on __/__/__.

On February 1, 20___, a settlement was reached in a major lawsuit against the Company. In conjunction with the lawsuit, the Company estimated and recorded a liability of $_____ on Line ___ of the Liabilities, Surplus and Other Funds page. The actual settlement amount of $_____ was paid to the plaintiff on February 10. The change will be recorded in the First Quarter Statement on Line ___ of the Statement of Income.

Type II – Nonrecognized Subsequent Events:

Subsequent events have been considered through __/__/__ for the statutory statement issued on __/__/__.

The Company faces loss exposure from the January 15, 20___ earthquake in the State of _____. This exposure is primarily in the Company's property and casualty subsidiaries, but also includes potential losses on its real estate and mortgage loan portfolios. Based on a review of the range of expected loss, the Company does not believe this event will have a material impact on its financial condition.

~~On January 1, 2021, the Company will be subject to an annual fee under Section 9010 of the federal Affordable Care Act (ACA). This annual fee will be allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance entity's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the fee is due. As of December 31, 2020, the Company has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2021, and estimates their portion of the annual health insurance industry fee to be payable on September 30, 2021 to be $_____. This amount is reflected in special surplus. This assessment is expected to impact risk based capital (RBC) by ____. Reporting the ACA assessment as of December 31, 2020, would not have triggered an RBC action level.~~

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR LINES A THROUGH H IN THE TABLE BELOW IF APPLICABLE. THIS DOES NOT INCLUDE THE NARRATIVE FOR THE ILLUSTRATION SHOWN ABOVE. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.

		Current Year	Prior Year
A	Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the federal Affordable Care Act (YES/NO)?		
B.	ACA fee assessment payable for the upcoming year	$	$
C.	ACA fee assessment paid	$	$
D.	Premium written subject to ACA 9010 assessment	$	$
E.	Total Adjusted Capital before surplus adjustment (Five-Year Historical Line 14)	$	
F.	Total Adjusted Capital after surplus adjustment (Five-Year Historical Line 14 minus 22B above)	$	
G.	Authorized Control Level (Five-Year Historical Line 15)	$	
H.	Would reporting the ACA assessment as of December 31, 2020, have triggered an RBC action level (YES/NO)?		

Detail Eliminated to Conserve Space

ANNUAL STATEMENT INSTRUCTIONS – PROPERTY

NOTES TO FINANCIAL STATEMENTS

Detail Eliminated to Conserve Space

22. Events Subsequent

Refer to *SSAP No. 9—Subsequent Events* for accounting guidance.

Instruction:

Subsequent events shall be considered either:

Type I – Recognized Subsequent Events:

Events or transactions that provide additional evidence with respect to conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements.

Type II – Nonrecognized Subsequent Events:

Events or transactions that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose after that date.

For material Type I subsequent events, the nature and the amount of the adjustment shall be disclosed only if necessary to keep the financial statements from being misleading.

Material Type II subsequent events shall not be recorded in the financial statements but shall be disclosed in the notes to the financial statements. For such events, an entity shall disclose the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made.

An entity also shall consider supplementing the historical financial statements with pro forma financial data. Occasionally, a nonrecognized subsequent event may be so significant that disclosure can best be made by means of pro forma financial data. Such data shall give effect to the event as if it had occurred on the balance sheet date. In some situations, an entity also shall consider presenting pro forma statements. If the Type II subsequent event is of such a nature that pro forma disclosures are necessary to keep the financial statements from being misleading, disclose supplemental pro forma financial data including the impact on net income, surplus, total assets, and total liabilities giving effect to the event as if it occurred on the date of the balance sheet.

~~For the annual reporting period ending December 31, 2013, and thereafter, a reporting entity subject to the assessment under Section 9010 of the Federal Affordable Care Act shall provide a disclosure of the assessment payable in the upcoming year consistent with the guidance provided under *SSAP No. 9—Subsequent Events* for a Type II subsequent event. The disclosure shall provide information regarding the nature of the assessment and an estimate of its financial impact, including the impact on its risk-based capital position as if it had occurred on the balance sheet date. In accordance with SSAP No. 9, the reporting entity shall also consider whether there is a need to present pro forma financial statements regarding the impact of the assessment, based on its judgment of the materiality of the assessment.~~

Reporting entities shall disclose the dates through which subsequent events have been evaluated along with the dates the statutory reporting statements were issued, or available to be issued.

~~Additionally, for annual reporting periods ending on or after December 31, 2014, the reporting entity shall disclose the amounts reflected in special surplus in the data year. The disclosure shall provide information regarding the nature of the assessment, the estimated amount of the assessment payable for the upcoming year (current year and the prior year), amount of assessment paid (current and prior year) and written premium (current and prior year) that is the basis for the determination of the Section 9010 fee assessment to be paid in the subsequent year (net assessable premium). The disclosure should also provide the Total Adjusted Capital before and after adjustment (as reported in its estimate of special surplus applicable to the Section 9010 fee) and Authorized Control Level (in dollars) to reflect the fee as of the annual reporting date as if it had been reported on the balance sheet date. The reporting entity shall also provide a statement as to whether an RBC action level would have been triggered had the fee been reported as of the balance sheet date.~~

Illustration:

Type I – Recognized Subsequent Events:

Subsequent events have been considered through __/__/__ for the statutory statement issued on __/__/__.

On February 1, 20___, a settlement was reached in a major lawsuit against the Company. In conjunction with the lawsuit, the Company estimated and recorded a liability of $_____ on Line ___ of the Liabilities, Surplus and Other Funds page. The actual settlement amount of $_____ was paid to the plaintiff on February 10. The change will be recorded in the First Quarter Statement on Line ___ of the Statement of Income.

Type II – Nonrecognized Subsequent Events:

Subsequent events have been considered through __/__/__ for the statutory statement issued on __/__/__.

The Company faces loss exposure from the January 15, 20___ earthquake in the State of _____. This exposure is primarily in the Company's property and casualty subsidiaries, but also includes potential losses on its real estate and mortgage loan portfolios. Based on a review of the range of expected loss, the Company does not believe this event will have a material impact on its financial condition.

~~On January 1, 2021, the Company will be subject to an annual fee under Section 9010 of the federal Affordable Care Act (ACA). This annual fee will be allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance entity's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the fee is due. As of December 31, 2020, the Company has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2021, and estimates their portion of the annual health insurance industry fee to be payable on September 30, 2021 to be $_____. This amount is reflected in special surplus. This assessment is expected to impact risk-based capital (RBC) by _____. Reporting the ACA assessment as of December 31, 2020, would not have triggered an RBC action level.~~

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR LINES A THROUGH H IN THE TABLE BELOW IF APPLICABLE. THIS DOES NOT INCLUDE THE NARRATIVE FOR THE ILLUSTRATION SHOWN ABOVE. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.

		Current Year	Prior Year
A	Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the federal Affordable Care Act (YES/NO)?		
B.	ACA fee assessment payable for the upcoming year	$	$
C.	ACA fee assessment paid	$	$
D.	Premium written subject to ACA 9010 assessment	$	$
E.	Total Adjusted Capital before surplus adjustment (Five-Year Historical Line 28)	$	
F.	Total Adjusted Capital after surplus adjustment (Five-Year Historical Line 28 minus 22B above)	$	
G.	Authorized Control Level (Five-Year Historical Line 29)	$	
H.	Would reporting the ACA assessment as of December 31, 2020, have triggered an RBC action level (YES/NO)?		

Detail Eliminated to Conserve Space

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NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

		FOR NAIC USE ONLY
	DATE: 08/20/2020	Agenda Item # 2020-29BWG
CONTACT PERSON:		Year 2021
TELEPHONE:		Changes to Existing Reporting [X]
EMAIL ADDRESS:		New Reporting Requirement [ ]
		REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT
ON BEHALF OF:		No Impact [X]
		Modifies Required Disclosure [ ]
NAME:	Dale Bruggeman	**DISPOSITION**
TITLE:	Chair SAPWG	[ ] Rejected For Public Comment
		[ ] Referred To Another NAIC Group
AFFILIATION:	Ohio Department of Insurance	[ ] Received For Public Comment
		[X] Adopted Date 12/16/2020
ADDRESS:	50W. Town St., 3rd Fl., Ste. 300	[ ] Rejected Date
		[ ] Deferred Date
	Columbus, OH 43215	[ ] Other (Specify)

BLANK(S) TO WHICH PROPOSAL APPLIES

[X] **ANNUAL STATEMENT**	[X] **INSTRUCTIONS**	[X] **CROSSCHECKS**
[X] **QUARTERLY STATEMENT**	[X] **BLANK**	
[X] Life, Accident & Health/Fraternal	[ ] Separate Accounts	[X] Title
[X] Property/Casualty	[ ] Protected Cell	[ ] Other
[X] Health	[ ] Health (Life Supplement)	

Anticipated Effective Date: Annual 2021

IDENTIFICATION OF ITEM(S) TO CHANGE

Remove the line category and reference to the NAIC Bond Fund List (Bond List) from the investment schedule instructions and blank.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The purpose of this proposal is to reflect disclosure changes adopted by the Statutory Accounting Principles (E) Working Group superseding *SSAP No. 26R—Bonds* and *SSAP No. 30R—Unaffiliated Common Stock* (Ref #2020-01) to eliminate references to the NAIC Bond Fund List (Bond List).

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:

Other Comments:

**** This section must be completed on all forms.** **Revised 7/18/2018**

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ANNUAL & QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY & TITLE

INVESTMENT SCHEDULES GENERAL INSTRUCTIONS

(Applies to all investment schedules)

Detail Eliminated to Conserve Space

General Classifications Bonds Only:

Refer to *SSAP No. 26R—Bonds, SSAP No. 43R—Loan-Backed and Structured Securities* and *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* for additional guidance.

U.S. Government:

U.S. Government shall be defined as U.S. Government Obligations as defined per the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*.

Detail Eliminated to Conserve Space

SVO Identified Funds:

This category includes all ~~Bond Mutual Funds included on the "List of Bond Mutual Funds Filed with the SVO (Bond Fund List)" and~~ Exchange Traded Funds included on the "List of Exchange Traded Funds Eligible for Reporting as a Schedule D Bond (the ETF Bond List)" as found on the Securities Valuation Office Web page (*https://www.naic.org/svo.htm*).

Bank Loans

See *SSAP No. 26R—Bonds* for guidance.

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ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

SUMMARY INVESTMENT SCHEDULE

Detail Eliminated to Conserve Space

Line 1.08 – Parent, Subsidiaries and Affiliates

Include: The value of all affiliated debt securities as defined under *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*.

Column 1 should equal the Schedule D, Part 1, Line 5599999.

Line 1.09 – SVO Identified Funds

Include: The value of all ~~Bond Mutual Funds included on the "NAIC Bond Mutual Fund List" as defined in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* and~~ Exchange Traded Funds (ETF) included on the "SVO-Identified Bond ETF List" as published on the Securities Valuation Office Web page (*https://www.naic.org/svo.htm*) that the SVO has determined are in scope of *SSAP No. 26R - Bonds* and can be reported on Schedule D, Part 1 and the SVO assigned a NAIC Designation, NAIC Designation Category and SVO Administrative Symbol published in the NAIC's AVS+ system per the instructions in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* on the Compilation and Publication of the SVO List of Investment Securities.

Column 1 should equal the Schedule D, Part 1, Line 6099999.

Line 1.10 – Unaffiliated Bank Loans

Include: The value of all Unaffiliated Bank Loans that are within the scope of *SSAP No. 26R—Bonds*.

Column 1 should equal the Schedule D, Part 1, Line 6599999.

Detail Eliminated to Conserve Space

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ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

SCHEDULE D – SUMMARY BY COUNTRY

LONG-TERM BONDS AND STOCKS OWNED DECEMBER 31 OF CURRENT YEAR

Enter summarized amounts in the appropriate columns by the specified major classifications, subdividing into United States, Canada, and Other Countries where applicable. For purposes of this schedule, investments in Other Countries are considered Foreign Investments. For the definition of Foreign Investment, and Domestic Investment, see instructions to the Supplemental Investment Risk Interrogatories.

Column 2 – Fair Value

For certain bonds, values other than actual market may appear in this column. (See Schedule D, Part 1 instructions for details.)

Exclude: Accrued interest.

Column 3 – Actual Cost

Include: Brokerage and other related fees, to the extent they do not exceed the fair market value at the date of acquisition.

Exclude: Accrued interest.

Lines 8 through 11 – Bonds – Industrial and Miscellaneous, SVO Identified Funds, Unaffiliated Bank Loans and Hybrid Securities (Unaffiliated)

Include: ~~Bond Mutual Funds – as Identified by the SVO and~~ Exchange Traded Funds – as Identified by the SVO reported in Schedule D, Part 1.

Unaffiliated Bank Loans

Line 13 – Total Bonds

Columns 1, 2, 3, and 4, should agree with Columns 11, 9, 7 and 10, respectively, in Schedule D, Part 1.

Column 1 should equal Column 1, Line 1 of the Assets page.

Lines 14 through 17 – Preferred Stocks – Industrial and Miscellaneous (Unaffiliated)

Include: Exchange Traded Funds (ETFs) reported in Schedule D, Part 2, Section 1.

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ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

SCHEDULE D – PART 1A – SECTION 1

QUALITY AND MATURITY DISTRIBUTION OF ALL BONDS OWNED DECEMBER 31 BY MAJOR TYPE AND NAIC DESIGNATION

The schedule summarizes the aggregate book/adjusted carrying value of all bond holdings, including those in Schedule DA and Schedule E, Part 2 by quality, designation, maturity and bond categories. Include short-term and cash equivalent bonds in the category that most closely resembles their credit risk.

The maturity category for a particular holding is determined by the following criteria:

a. Serial issues and mandatory fixed prepayment obligations valued on an amortizable basis may be distributed based on the par value of each scheduled repayment date and the final installment and adjusted for any discount or premium. Such holdings reported at market may be distributed based on market value by applying market rate to each scheduled repayment.

b. (i) Mortgage-backed/loan-backed and structured securities (these securities are considered loan-backed securities and subject to the guidance in *SSAP No. 43R—Loan-Backed and Structured Securities*) should be distributed based on the anticipated future prepayment cash flows used to value the security.

(ii) Other bonds with optional prepayment provisions should be distributed based on the expected future prepayments used to value the security.

(iii) ~~Bond Mutual Funds – as Identified by the SVO and~~ Exchange Traded Funds – as Identified by the SVO (as described in the Investment Schedules General Instructions) should be reported in Column 6, "No Maturity Date" in Section 9 "SVO Identified Funds." Only funds reported in Section 9 would be reported in Column 6.

c. Place all holdings in default as to principal or interest in the "Over 20 years" category in the absence of definitive information as to final settlement. Perpetual bonds should also be included in this category.

d. Consider obligations without maturity date and payable on demand to be due within one year if in good standing. Otherwise, include in the "Over 20 years" category, or earlier if justifiable.

There are 14 sections to this schedule: Sections 1 through 10 for each of the 10 bond categories, Section 11 for total bonds current year, Section 12 for total bonds prior year, Section 13 for total bonds publicly traded and Section 14 for total bonds privately placed. The 10 bond categories combine corresponding subtotals from Schedule D, Part 1; Schedule DA, Part 1; and Schedule E, Part 2 as follows, and for each of those 10 bond categories, the total line for Column 7 of each section should equal the sum of the subtotal lines shown below:

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

SCHEDULE D – PART 1A – SECTION 2

MATURITY DISTRIBUTION OF ALL BONDS OWNED DECEMBER 31 BY MAJOR TYPE AND SUBTYPE

The schedule summarizes the aggregate book/adjusted carrying value of all bond holdings, including those in Schedule DA and Schedule E, Part 2 by maturity, major bond categories and the subcategories of issuer obligations, and mortgage-backed/loan-backed and structured securities.

The maturity category for a particular holding is determined by the following criteria:

a. Serial issues and mandatory fixed prepayment obligations valued on an amortizable basis may be distributed based on the par value of each scheduled repayment date and the final installment and adjusted for any discount or premium. Such holdings reported at market may be distributed based on market value by applying market rate to each scheduled repayment.

b. (i) Mortgage-backed/loan-backed and structured securities (these securities are considered loan-backed securities and subject to the guidance in *SSAP No. 43R—Loan-Backed and Structured Securities*) should be distributed based on the anticipated future prepayment cash flows used to value the security.

(ii) Other bonds with optional prepayment provisions should be distributed based on the expected future prepayments used to value the security.

(iii) ~~Bond Mutual Funds – as Identified by the SVO and~~ Exchange Traded Funds – as Identified by the SVO (as described in the Investment Schedules General Instructions) should be reported in Column 6, "No Maturity Date" in Section 9 "SVO Identified Funds." Only funds reported in Section 9 would be reported in Column 6.

c. Place all holdings in default as to principal or interest in the "Over 20 years" category in the absence of definitive information as to final settlement. Perpetual bonds should also be included in this category.

d. Consider obligations without maturity date and payable on demand to be due within one year if in good standing. Otherwise, include in the "Over 20 years" category, or earlier if justifiable.

Section 9:

- Exchange Traded Funds – as Identified by the SVO
- ~~Bond Mutual Funds – as Identified by the SVO~~

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

SCHEDULE D – PART 1

LONG-TERM BONDS OWNED DECEMBER 31 OF CURRENT YEAR

Detail Eliminated to Conserve Space

Category	Line Number
Bonds:	
U.S. Governments	
Issuer Obligations	0199999
Residential Mortgage-Backed Securities	0299999
Commercial Mortgage-Backed Securities	0399999
Other Loan-Backed and Structured Securities	0499999
Subtotals – U.S. Governments	0599999

Detail Eliminated to Conserve Space

SVO Identified Funds	
Exchange Traded Funds – as Identified by the SVO	~~5899999~~6099999
~~Bond Mutual Funds – as Identified by the SVO~~	~~5999999~~
~~Subtotals – SVO Identified Funds~~	~~6099999~~
Unaffiliated Bank Loans	
Unaffiliated Bank Loans – Issued	6399999
Unaffiliated Bank Loans – Acquired	6499999
Subtotals – Unaffiliated Bank Loans	6599999
Total Bonds	
Subtotals – Issuer Obligations	7699999
Subtotals – Residential Mortgage-Backed Securities	7799999
Subtotals – Commercial Mortgage-Backed Securities	7899999
Subtotals – Other Loan-Backed and Structured Securities	7999999
Subtotals – SVO Identified Funds	8099999
Subtotals – Affiliated Bank Loans	8199999
Subtotals – Unaffiliated Bank Loans	8299999
Subtotals – Total Bonds	8399999

Detail Eliminated to Conserve Space

Column 2 – Description

Give a description of all bonds owned. As appropriate, the reporting entity is encouraged to include data consistent with that reported in Column 31, Issuer and Column 32, Issue. This does not preclude the company from including additional detail to provide a complete and accurate description. Abbreviations may be used as needed.

For ~~Bond Mutual Funds – as Identified by the SVO and~~ Exchange Traded Funds – as Identified by the SVO, enter the complete name of the fund. As appropriate, the reporting entity is encouraged to include data consistent with that reported.

For Certificate of Deposit Account Registry Service (CDARs) or other similar services that have a maturity of greater than one year, individually list the various banking institutions that are financially responsible for honoring certificates of deposit. As appropriate, the name of the name of the banking institutions should follow from the registry of the Federal Financial Institutions Examination Council (FFIEC) (*www.ffiec.gov/nicpubweb/nicweb/SearchForm.aspx*).

For CDOs (Collateralized Debt Obligations) or CLOs (Collateralized Loan Obligations), indicate what the CDO/CLO collateral is, such as high-yield bonds, corporate loans, etc. If the collateral is of mixed type, indicate "Mix," in addition to the largest type of collateral in the mix. If the collateral is derived synthetically, indicate "synthetic."

Detail Eliminated to Conserve Space

Column 16 – Interest Rate

Show rate of interest as stated on the face of the bond. Where the original stated rate has been renegotiated, show the latest modified rate. For long-term bonds with a variable rate of interest, use the last rate of interest. For short-term bonds with various issues of the same issuer, use the last rate of interest. All information reported in this field must be a numeric value.

For SVO Identified Funds (~~Bond Mutual Funds~~ Exchange Traded Funds) and Principal STRIP Bonds or other zero-coupon bonds, enter numeric zero (0).

Column 17 – Effective Rate of Interest

For issuer obligations, include the effective rate at which the purchase was made. For mortgage-backed/loan-backed and structured securities, report the effective yield used to value the security at the reporting date. The Effective Yield calculation should be modified for other-than-temporary impairments recognized.

For SVO Identified Funds (~~Bond Mutual Funds and~~ Exchange Traded Funds), enter Zero (0).

Column 18 – Interest – When Paid

For securities that pay interest annually, provide the first 3 letters of the month in which the interest is paid (e.g., JUN for June). For securities that pay interest semi-annually or quarterly, provide the first letter of each month in which interest is received (e.g., JD for June and December, and MJSD for March, June, September and December). For securities that pay interest on a monthly basis, include "MON" for monthly. Finally, for securities that pay interest at maturity, include "MAT" for maturity.

For SVO Identified Funds (~~Bond Mutual Funds~~ Exchange Traded Funds) and Principal STRIP Bonds or other zero-coupon bonds, enter N/A.

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Detail Eliminated to Conserve Space

Column 20 – Amount Received During Year

For SVO Identified Funds (~~Bond Mutual Funds and~~ Exchange Traded Funds) enter the amount of distributions received in cash or reinvested in additional shares.

Include: The proportionate share of interest directly related to the securities reported in this schedule.

Report amounts net of foreign withholding tax.

Column 21 – Acquired Date

For public placements use trade date, not settlement date. For private placements, use funding date. Each issue of bonds or stocks acquired at public offerings on more than one date may be totaled on one line and the date of last acquisition inserted.

For SVO Identified Funds (~~Bond Mutual Funds and~~ Exchange Traded Funds), enter date of last purchase.

Column 22 – Stated Contractual Maturity Date

For SVO Identified Funds (~~Bond Mutual Funds and~~ Exchange Traded Funds), leave blank.

For perpetual bonds, enter 01/01/9999.

For mandatory convertible bonds use the conversion date.

Detail Eliminated to Conserve Space

Column 34 – Capital Structure Code

Please identify the capital structure of the security using the following codes consistent with the SVO Notching Guidelines in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*:

Capital structure is sometimes referred to as rank or payment priority and can be found in feeds from the sources listed in the Issue and Issuer column.

As a general rule, a security is senior unsecured debt unless legal terms of the security indicate another position in the capital structure. Securities are senior or subordinated and are secured or unsecured. Municipal bonds, Federal National Mortgage Association securities (FNMA or Fannie Mae) and Federal Home Loan Mortgage Corporation securities (FHLMC or Freddie Mac) generally are senior debt, though there are examples of subordinated debt issued by Fannie and Freddie. 1st Lien is a type of security interest and not capital structure but could be used to determine which capital structure designation the security should be reported under. The capital structure of "Other" should rarely be used.

Capital structure includes securities subject to *SSAP No. 26R—Bonds* and *SSAP No. 43R—Loan-Backed and Structured Securities*.

1. Senior Secured Debt

   Senior secured is paid first in the event of a default and also has a priority above other senior debt with respect to pledged assets.

2. Senior Unsecured Debt

   Senior unsecured securities have priority ahead of subordinated debt for payment in the event of default.

3. Subordinated Debt

   Subordinated is secondary in its rights to receive its principal and interest payments from the borrower to the rights of the holders of senior debt (e.g., for loan-backed and structured securities, this would include mezzanine tranches).

   (Subordinated means noting or designating a debt obligation whose holder is placed in precedence below secured and general unsecured creditors e.g., another debtholder could block payments to that holder or prevent that holder of that subordinated debt from taking any action.)

4. Not Applicable

   Securities where the capital structure 1 through 3 above do not apply (e.g., Line 5899999 Exchange Traded Funds – as Identified by the SVO ~~and Line 5999999 Bond Mutual Funds – as Identified by the SVO~~).

NAIC Designation Category Footnote:

Provide the total book/adjusted carrying value amount by NAIC Designation Category that represents the amount reported in Column 11.

The sum of the amounts reported for each NAIC Designation Category in the footnote should equal Line 8399999.

ANNUAL & QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY & TITLE

SCHEDULE D – PART 3

LONG-TERM BONDS AND STOCKS ACQUIRED DURING CURRENT YEAR

This schedule should include a detailed listing of all securities that were purchased/acquired during the current reporting year that are still owned as of the end of the current reporting year (amounts purchased and sold during the current reporting year are reported in detail on Schedule D, Part 5 and only in subtotal in Schedule D, Part 3). This should include all transactions that adjust the cost basis of the securities. Thus, it should not be used for allocations of TBAs to specific pools subsequent to initial recording in Schedule D, Part 3 or other situations such as CUSIP number changes. The following list of items provides examples of the items that should be included:

Purchases of securities not previously owned;

Subsequent purchases of investment issues already owned;

Acquisition of a new stock through a stock dividend (e.g., spin off); and

Any increases in the investments in SCA companies that adjust the cost basis (e.g., subsequent capital infusions [investments] in SCA companies valued using the equity method).

This schedule should NOT be used for stock splits to show increases in the number of shares; nor should it be used for stock dividends to show increases in the number of shares (unless the stock shares received as dividends are in a stock that is not already owned by the reporting entity – e.g., received in a spin off). Rather, for stock splits and stock dividends of an already owned stock, adjustments for the appropriate columns should be made in Schedule D, Part 2, Section 1 and in Schedule D, Part 2, Section 2.

Bonds, preferred stocks and common stocks are to be grouped separately, showing a subtotal for each category.

~~**Bond Mutual Funds – as Identified by SVO and**~~ **Exchange Traded Funds – as Identified by SVO, which are described in the Investment Schedules General Instructions,** are to be included in SVO Identified Funds.

Bonds are to be grouped as listed below and each category arranged alphabetically (securities included in U.S. States, Territories and Possessions; U.S. Political Subdivisions of States, Territories and Possessions; and U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions should be listed with a state abbreviation in the column provided for electronic data capture).

If a reporting entity has any detail lines reported for any of the following required categories or subcategories, it shall report the subtotal amount of the corresponding category or subcategory, with the specified subtotal line number appearing in the same manner and location as the pre-printed total or grand total line and number:

Column 2 – Description

Give a description of all bonds and preferred and common stocks. As appropriate, the reporting entity is encouraged to include data consistent with that reported in Column 12, Issuer and Column 13, Issue. This does not preclude the company from including additional detail to provide a complete and accurate description. Abbreviations may be used as needed.

For SVO Identified Funds (~~Bond Mutual Funds and~~ Exchange Traded Funds), enter complete name of the fund. As appropriate, the reporting entity is encouraged to include data consistent with that reported for Column 12, Issuer.

For Certificate of Deposit Account Registry Service (CDARs) or other similar services that have a maturity of greater than one year, individually list the various banking institutions that are financially responsible for honoring certificates of deposit. As appropriate, the name of the banking institutions should follow from the registry of the Federal Financial Institutions Examination Council (FFIEC) (*www.ffiec.gov/nicpubweb/nicweb/SearchForm.aspx*).

For CDOs (Collateralized Debt Obligations) or CLOs (Collateralized Loan Obligations), indicate what the CDO/CLO collateral is, such as high-yield bonds, corporate loans, etc. If the collateral is of mixed type, indicate "Mix," in addition to the largest type of collateral in the mix. If the collateral is derived synthetically, indicate "synthetic."

Column 3 – Foreign

Insert the appropriate code in the column based on the **list provided in the Investment Schedules General Instructions**.

Column 4 – Date Acquired

For public placements use trade date, not settlement date. For private placements, use funding date. Each issue of bonds or stocks acquired at public offerings on more than one date may be totaled on one line and the date of last acquisition inserted.

For SVO Identified Funds (~~Bond Mutual Funds and~~ Exchange Traded Funds), enter date of last purchase.

Column 8 – Par Value

For mortgage-backed/loan-backed and structured securities, enter the par amount of principal purchased on a security on which the reporting entity has a claim. For interest only bonds without a principal amount on which the reporting entity has a claim, use a zero value. Enter the statement date par value for bonds with adjustable principal. An interest only bond with a small par amount of principal would use that amount.

For preferred stock, enter par value per share of stock if any.

For SVO Identified Funds (~~Bond Mutual Funds and~~ Exchange Traded Funds), enter 0.

Column 9 – Paid for Accrued Interest and Dividends

For SVO Identified Funds (~~Bond Mutual Funds and~~ Exchange Traded Funds), enter amount of dividends on shares acquired between the dividend declaration date and the ex-dividend date.

ANNUAL & QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY & TITLE

SCHEDULE D – PART 4

LONG-TERM BONDS AND STOCKS SOLD, REDEEMED OR OTHERWISE DISPOSED OF DURING CURRENT YEAR

This schedule should include a detailed listing of all securities that were sold/disposed of during the current reporting year that were owned as of the beginning of the current reporting year (amounts purchased and sold during the current reporting year are reported in detail on Schedule D, Part 5 and only in subtotal in Schedule D, Part 4). This should include all transactions that adjust the cost basis of the securities (except other-than-temporary impairments that are not part of a disposal transaction). Thus, it should not be used for allocations of TBAs to specific pools subsequent to initial recording in Schedule D, Part 3 or other situations such as CUSIP number changes. The following list of items provides examples of the items that should be included:

Pay downs of securities still owned (including CMO prepayments);

Subsequent partial sales of investment issues still owned;

Reallocation of the cost basis of an already owned stock to the cost basis of a new stock received as a dividend (e.g., spin off); and

Any decreases in the investments in SCA companies that adjust the cost basis, not including other-than-temporary impairments alone (e.g., subsequent return of capital from investments in SCA companies valued using the equity method).

Bonds, preferred stocks and common stocks are to be grouped separately, showing a subtotal for each category.

~~**Bond Mutual Funds – as Identified by the SVO and**~~ **Exchange Traded Funds – as Identified by the SVO, which are described in the Investment Schedules General Instructions**, are to be included in SVO Identified Funds.

Bonds are to be grouped as listed below and each category arranged alphabetically (securities included in U.S. States, Territories and Possessions; U.S. Political Subdivisions of States, Territories and Possessions; and U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions should be listed with a state abbreviation in the column provided for electronic data capture).

If a reporting entity has any detail lines reported for any of the following required categories or subcategories, it shall report the subtotal amount of the corresponding category or subcategory, with the specified subtotal line number appearing in the same manner and location as the pre-printed total or grand total line and number:

Column 2 – Description

Give a description of all bonds and preferred and common stock, including location of all banks, trust and miscellaneous companies. If bonds are serial issues, give amounts maturing each year. As appropriate, the reporting entity is encouraged to include data consistent with that reported in Column 24, Issuer and Column 25, Issue. This does not preclude the company from including additional detail to provide a complete and accurate description. Abbreviations may be used as needed.

For SVO Identified Funds (~~Bond Mutual Funds and~~ Exchange Traded Funds), enter complete name of the fund. As appropriate, the reporting entity is encouraged to include data consistent with that reported for Column 24, Issuer.

For Certificate of Deposit Account Registry Service (CDARs) or other similar services that have a maturity of greater than one year, individually list the various banking institutions that are financially responsible for honoring certificates of deposit. As appropriate, the name of the name of the banking institutions should follow from the registry of the Federal Financial Institutions Examination Council (FFIEC) (*www.ffiec.gov/nicpubweb/nicweb/SearchForm.aspx*).

For CDOs (Collateralized Debt Obligations) or CLOs (Collateralized Loan Obligations), indicate what the CDO/CLO collateral is, such as high-yield bonds, corporate loans, etc. If the collateral is of mixed type, indicate "Mix," in addition to the largest type of collateral in the mix. If the collateral is derived synthetically, indicate "synthetic."

Column 3 – Foreign

Insert the appropriate code in the column based on the **list provided in the Investment Schedules General Instructions**.

Column 4 – Disposal Date

For public placements use trade date, not settlement date. For private placements, use funding date. Each issue of bonds or stocks disposed of at public offerings on more than one date may be totaled on one line and the date of last disposal inserted.

For SVO Identified Funds (~~Bond Mutual Funds and~~ Exchange Traded Funds), enter date of last disposal.

Column 5 – Name of Purchaser

If matured or called under redemption option, so state and give price at which called.

Column 7 – Consideration

Include: In the determination of this amount, the broker's commission and incidental expenses of effecting delivery.

Exclude: Accrued interest and dividends.

For ~~Bond Mutual Funds – as Identified by the SVO and~~ Exchange Traded Funds – as Identified by the SVO, enter price received at sale, usually the number of shares sold times the selling price per share.

Column 8 – Par Value

For mortgage-backed/loan-backed and structured securities, enter the par amount of principal sold on a security on which the reporting entity has a claim. For interest only bonds without a principal amount on which the reporting entity has a claim, use a zero value. Enter the sale date par value for bonds with adjustable principal. An interest only bond with a small par amount of principal would use that amount.

For preferred stock, enter par value per share of stock if any.

For SVO Identified Funds (~~Bond Mutual Funds and~~ Exchange Traded Funds), enter 0.

Column 18 – Realized Gain (Loss) on Disposal

This should be the difference between the Consideration column amount and the Book/Adjusted Carrying Value at Disposal Date, excluding any portion that is attributable to foreign exchange differences.

For SVO Identified Funds (~~Bond Mutual Funds and~~ Exchange Traded Funds), enter the difference between the consideration, Column 7 and actual cost Column 9 at date of sale.

Bonds called where consideration received exceeds par:

For securities sold, redeemed or otherwise disposed of, which generate investment income as a result of a prepayment penalty and/or acceleration fee, the amount of realized gain (loss) reported is equal to the Par value of the investment (Column 8) less the BACV at the Disposal Date (Column 16).

Bonds called where consideration received is less than par:

For securities sold, redeemed or otherwise disposed of, the amount of investment income and realized gain reported shall be calculated in accordance with *SSAP No. 26R—Bonds*.

Column 19 – Total Gain (Loss) On Disposal

Enter the sum of Column 17, foreign exchange gain or (loss), and Column 18, realized gain or (loss).

Column 20 – Bond Interest/Stock Dividends Received During Year

For Mutual Funds (including ~~Bond Mutual Funds – as Identified by the SVO and~~ Exchange Traded Funds – as Identified by the SVO), enter the amount of distributions received in cash or reinvested in additional shares.

Include: The proportionate share of investment income directly related to the securities reported in this schedule.

Report amounts net of foreign withholding tax.

Bonds called where consideration received exceeds par:

For securities sold, redeemed or otherwise disposed of, which generate investment income as a result of a prepayment penalty and/or acceleration fee; the amount of investment income reported is equal to the total consideration received (Column 7) less the Par value of the investment (Column 8).

Bonds called where consideration received is less than par:

For securities sold, redeemed or otherwise disposed of, the amount of investment income and realized gain reported shall be calculated in accordance with *SSAP No. 26R—Bonds*.

Column 21 – Stated Contractual Maturity Date

For SVO Identified Funds (~~Bond Mutual Funds and~~ Exchange Traded Funds), leave blank.

For perpetual bonds, enter 01/01/9999.

Detail Eliminated to Conserve Space

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ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

SCHEDULE D – PART 5

LONG-TERM BONDS AND STOCKS ACQUIRED DURING THE YEAR AND FULLY DISPOSED OF DURING CURRENT YEAR

This schedule should include a detailed listing of all securities that were both purchased/acquired and sold/disposed of during the current reporting year (amounts purchased and sold during the current reporting year are also reported in subtotals in Schedule D, Parts 3 and 4).

Reporting entities should track information separately for securities purchased in different lots rather than using some type of averaging for the issue in aggregate. Thus, this schedule should only be used when an entire lot of a security has been purchased and sold during the current reporting year (even when different lots of the same security still exist on the reporting entity's books).

As with Schedule D, Parts 3 and 4, this schedule should not be used for a transaction unless it affects the cost basis of the securities. Thus, it should not be used for allocations of TBAs to specific pools subsequent to initial recording in Schedule D, Part 3 or other situations such as CUSIP number changes.

Bonds, preferred stocks and common stocks are to be grouped separately, showing subtotals for each category. Bonds should be grouped and arranged alphabetically as described in the instructions for Schedule D, Part 1. (Securities included in U.S. States, Territories and Possessions; U.S. Political Subdivisions of States, Territories and Possessions; and U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions should be listed with a state abbreviation in the column provided for electronic data capture).

~~**Bond Mutual Funds – as Identified by the SVO and**~~ **Exchange Traded Funds – as Identified by the SVO that are described in the Investment Schedules General Instructions** are to be included in SVO Identified Funds.

If a reporting entity has any detail lines reported for any of the following required categories or subcategories, it shall report the subtotal amount of the corresponding category or subcategory, with the specified subtotal line number appearing in the same manner and location as the pre-printed total or grand total line number:

Detail Eliminated to Conserve Space

Column 2 – Description

Give a description of all bonds and preferred and common stocks, including location of all banks, trust and miscellaneous companies. As appropriate, the reporting entity is encouraged to include data consistent with that reported in Column 24, Issuer and Column 25, Issue. This does not preclude the company from including additional detail to provide a complete and accurate description. Abbreviations may be used as needed.

For SVO Identified Funds (~~Bond Mutual Funds and~~ Exchange Traded Funds), enter complete name of the fund. As appropriate, the reporting entity is encouraged to include data consistent with that reported for Column 24, Issuer.

For Certificate of Deposit Account Registry Service (CDARs) or other similar services that have a maturity of greater than one year, individually list the various banking institutions that are financially responsible for honoring certificates of deposit. As appropriate, the name of the name of the banking institutions should follow from the registry of the Federal Financial Institutions Examination Council (FFIEC) (*www.ffiec.gov/nicpubweb/nicweb/SearchForm.aspx*).

For CDOs (Collateralized Debt Obligations) or CLOs (Collateralized Loan Obligations), indicate what the CDO/CLO collateral is, such as high-yield bonds, corporate loans, etc. If the collateral is of mixed type, indicate "Mix," in addition to the largest type of collateral in the mix. If the collateral is derived synthetically, indicate "synthetic."

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Column 3 – Foreign

Insert the appropriate code in the column based on the **list provided in the Investment Schedules General Instructions**.

Column 4 – Date Acquired

For public placements use trade date, not settlement date. For private placements, use funding date. Reporting entities may total on one line each issue of bonds or stocks acquired at public offerings on more than one date and insert the date of last acquisition.

For SVO Identified Funds (~~Bond Mutual Funds and~~ Exchange Traded Funds), enter date of last purchase.

Column 5 – Name of Vendor

The items with reference to each issue of bonds and stocks acquired at public offerings may be totaled in one line and the word "various" inserted.

Column 6 – Disposal Date

For public placements use trade date, not settlement date. For private placements, use funding date. Reporting entities may total on one line each issue of bonds or stocks disposed of at public offerings on more than one date and insert the date of last disposal.

For SVO Identified Funds (~~Bond Mutual Funds and~~ Exchange Traded Funds), enter date of last disposal.

Column 10 – Consideration

Include: In the determination of this amount, the broker's commission and incidental expenses of effecting delivery.

Exclude: Accrued interest and dividends.

For SVO Identified Funds (~~Bond Mutual Funds and~~ Exchange Traded Funds), enter price received at sale, usually the number of shares sold times the selling price per share.

Column 20 – Interest and Dividends Received During Year

For Mutual Funds (including ~~Bond Mutual Funds – as Identified by the SVO and~~ Exchange Traded Funds – as Identified by the SVO), enter the amount of distributions received in cash or reinvested in additional shares.

Include: The proportionate share of investment income directly related to the securities reported in this schedule.

Report amounts net of foreign withholding tax.

Bonds called where consideration received exceeds par:

For securities sold, redeemed or otherwise disposed of, which generate investment income as a result of a prepayment penalty and/or acceleration fee, the amount of investment income reported is equal to the total consideration received (Column 10) less the Par value of the investment (Column 8).

Bonds called where consideration received is less than par:

For securities sold, redeemed or otherwise disposed of, the amount of investment income and realized gain reported shall be calculated in accordance with *SSAP No. 26R—Bonds*.

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ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

SCHEDULE DA – PART 1

SHORT-TERM INVESTMENTS OWNED DECEMBER 31 OF CURRENT YEAR

Detail Eliminated to Conserve Space

Category	Line Number
Bonds:	
U.S. Governments	
Issuer Obligations	0199999
Residential Mortgage-Backed Securities	0299999
Commercial Mortgage-Backed Securities	0399999
Other Loan-Backed and Structured Securities	0499999
Subtotals – U.S. Governments	0599999

Detail Eliminated to Conserve Space

Parent, Subsidiaries and Affiliates Bonds	
Issuer Obligations	4999999
Residential Mortgage-Backed Securities	5099999
Commercial Mortgage-Backed Securities	5199999
Other Loan-Backed and Structured Securities	5299999
Affiliated Bank Loans – Issued	5399999
Affiliated Bank Loans – Acquired	5499999
Subtotals – Parent, Subsidiaries and Affiliates Bonds	5599999
SVO Identified Funds	
Exchange Traded Funds – as Identified by the SVO	~~5899999~~6099999
~~Bond Mutual Funds – as Identified by the SVO~~	~~5999999~~
~~Subtotals – SVO Identified Funds~~	~~6099999~~
Unaffiliated Bank Loans	
Unaffiliated Bank Loans – Issued	6399999
Unaffiliated Bank Loans – Acquired	6499999
Subtotals – Unaffiliated Bank Loans	6599999
Total Bonds	
Subtotals – Issuer Obligations	7699999
Subtotals – Residential Mortgage-Backed Securities	7799999
Subtotals – Commercial Mortgage-Backed Securities	7899999
Subtotals – Other Loan-Backed and Structured Securities	7999999
Subtotals – SVO Identified Funds	8099999
Subtotals – Affiliated Bank Loans	8199999
Subtotals – Unaffiliated Bank Loans	8299999
Subtotals – Bonds	8399999

Detail Eliminated to Conserve Space

ANNUAL & QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY & TITLE

SCHEDULE DL – PART 1

SECURITIES LENDING COLLATERAL ASSETS

Reinvested Collateral Assets Owned December 31 Current Year
(Securities lending collateral assets reported in aggregate on Line 10 of the asset page
and not included on Schedules A, B, BA, D, DB and E.)

This schedule should include a detailed listing of reinvested collateral assets that were owned as of the end of the current reporting year. For Schedule DL, reinvested collateral assets are collateral currently held as part of a securities lending program administered by the reporting entity or its agent (affiliated or unaffiliated) that can be resold or repledged. This is the **currently held collateral**, meaning original collateral if it is still in the original form received or the new invested asset resulting from the disposal and/or reinvestment of the original collateral. See *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* for accounting guidance.

Include reinvested collateral assets from securities lending programs where the program is administered by the reporting entity's unaffiliated agent (i.e., collateral is received by the reporting entity's unaffiliated agent that can be resold or repledged). These securities will be reported in aggregate on the Assets page, Line 10.

For reinvested collateral assets from securities lending programs where the program is administered by the reporting entity's affiliated agent (i.e., collateral is received by the reporting entity's affiliated agent that can be resold or repledged), the securities may be reported on Schedule DL, Part 1 if reported in aggregate on the Assets page, Line 10 or reported on Schedule DL, Part 2 if reported in other investment schedules (e.g., Schedules A, B, BA, D, DA and E), but not both.

Reinvested collateral assets reported on Schedule DL, Part 1 are excluded from other investment schedules (e.g., Schedules A, B, BA, D, DA and E).

Bonds, preferred stocks and common stocks are to be grouped separately, showing a subtotal for each category.

Securities borrowing and securities lending transactions shall be shown gross when reported in the Schedule DL. If these transactions are permitted to be reported net in accordance with *SSAP No. 64—Offsetting and Netting of Assets and Liabilities*, the investment schedule shall continue to provide detail of all transactions (gross), with the net amount from the valid right to offset reflected in the financial statements (pages 2 & 3 of the statutory financial statements). Disclosures for items reported net when a valid right to offset exists, including the gross amount, the amount offset, and the net amount reported in the financial statements are required per *SSAP No. 64—Offsetting and Netting of Assets and Liabilities*.

~~**Bond Mutual Funds – as Identified by the SVO and**~~ **Exchange Traded Funds – as Identified by the SVO, which are described in the Investment Schedules General Instructions**, are to be included in SVO Identified Funds.

If an insurer has any detail lines reported for any of the following required categories or subcategories, it shall report the subtotal amount of the corresponding category or subcategory, with the specified subtotal line number appearing in the same manner and location as the pre-printed total or grand total line and number:

NOTE: See the Investment Schedules General Instructions for the following:

- **Category definitions for bonds and stocks.**
- **Code column list of codes and definitions for securities not under the exclusive control of the reporting entity.**
- **List of stock exchange names and abbreviations.**

Category	Line Number
Bonds (Schedule D, Part 1 type):	
U.S. Governments	
Issuer Obligations	0199999
Residential Mortgage-Backed Securities	0299999
Commercial Mortgage-Backed Securities	0399999
Other Loan-Backed and Structured Securities	0499999
Subtotals – U.S. Governments	0599999

Detail Eliminated to Conserve Space

Parent, Subsidiaries and Affiliates	
Issuer Obligations	4999999
Residential Mortgage-Backed Securities	5099999
Commercial Mortgage-Backed Securities	5199999
Other Loan-Backed and Structured Securities	5299999
Affiliated Bank Loans – Issued	5399999
Affiliated Bank Loans – Acquired	5499999
Subtotals – Parent, Subsidiaries and Affiliates	5599999
SVO Identified Funds	
Exchange Traded Funds – as Identified by the SVO	~~5799999~~5999999
~~Bond Mutual Funds – as Identified by the SVO~~	~~5899999~~
~~Subtotals – SVO Identified Funds~~	~~5999999~~
Unaffiliated Bank Loans	
Unaffiliated Bank Loans – Issued	6099999
Unaffiliated Bank Loans – Acquired	6199999
Subtotals – Unaffiliated Bank Loans	6299999
Total Bonds	
Subtotals – Issuer Obligations	6399999
Subtotals – Residential Mortgage-Backed Securities	6499999
Subtotals – Commercial Mortgage-Backed Securities	6599999
Subtotals – Other Loan-Backed and Structured Securities	6699999
Subtotals – SVO Identified Funds	6799999
Subtotals – Affiliated Bank Loans	6899999
Subtotals – Unaffiliated Bank Loans	6999999
Subtotals – Total Bonds	7099999

Detail Eliminated to Conserve Space

Column 2 – Description

Give a complete and accurate description of all bonds and preferred and common stocks as listed in the *Valuations of Securities*.

For ~~Bond Mutual Funds – as Identified by the SVO and~~ Exchange Traded Funds – as Identified by the SVO, enter complete name of the fund.

For Certificate of Deposit Account Registry Service (CDARs) or other similar services that have a maturity of greater than one year, individually list the various banking institutions that are financially responsible for honoring certificates of deposit.

ANNUAL & QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY & TITLE

SCHEDULE DL – PART 2

SECURITIES LENDING COLLATERAL ASSETS

Reinvested Collateral Assets Owned December 31 Current Year
(Securities lending collateral assets included on Schedules A, B, BA, D, DB and E
and not reported in aggregate on Line 10 of the asset page.)

This schedule should include a detailed listing of reinvested collateral assets that were owned as of the end of the current reporting year. For Schedule DL, reinvested collateral assets are collateral currently held as part of a securities lending program administered by the reporting entity or its agent (affiliated or unaffiliated) that can be resold or repledged. This is the **currently held collateral**, meaning original collateral if it is still in the original form received or the new invested asset resulting from the disposal and/or reinvestment of the original collateral. See *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* for accounting guidance.

Include reinvested collateral assets from securities lending programs where the program is administered by the reporting entity (i.e., collateral is received by the reporting entity that can be resold or repledged).

For reinvested collateral assets from securities lending programs where the program is administered by the reporting entity's affiliated agent (i.e., collateral is received by the reporting entity's affiliated agent that can be resold or repledged), the securities may be reported on Schedule DL, Part 2 if reported in other investment schedules (e.g., Schedules A, B, BA, D, DA and E) or reported on Schedule DL, Part 1 if reported in aggregate on the Assets page, Line 10, but not both.

Reinvested collateral assets reported on Schedule DL, Part 2 are included in the other investment schedules (e.g., Schedules A, B, BA, D, DA and E).

Bonds, preferred stocks and common stocks are to be grouped separately, showing a subtotal for each category.

Securities borrowing and securities lending transactions shall be shown gross when reported in the Schedule DL. If these transactions are permitted to be reported net in accordance with *SSAP No. 64—Offsetting and Netting of Assets and Liabilities*, the investment schedule shall continue to provide detail of all transactions (gross), with the net amount from the valid right to offset reflected in the financial statements (pages 2 & 3 of the statutory financial statements). Disclosures for items reported net when a valid right to offset exists, including the gross amount, the amount offset, and the net amount reported in the financial statements are required per *SSAP No. 64—Offsetting and Netting of Assets and Liabilities*.

~~**Bond Mutual Funds – as Identified by the SVO and**~~ **Exchange Traded Funds – as Identified by the SVO that are described in the Investment Schedules General Instructions** are to be included in SVO Identified Funds.

If an insurer has any detail lines reported for any of the following required categories or subcategories, it shall report the subtotal amount of the corresponding category or subcategory, with the specified subtotal line number appearing in the same manner and location as the pre-printed total or grand total line and number:

NOTE: See the Investment Schedules General Instructions for the following:

- **Category definitions for bonds and stocks.**
- **Code column list of codes and definitions for securities not under the exclusive control of the reporting entity.**
- **List of stock exchange names and abbreviations.**

Category	Line Number
Bonds (Schedule D, Part 1):	
U.S. Governments	
Issuer Obligations	0199999
Residential Mortgage-Backed Securities	0299999
Commercial Mortgage-Backed Securities	0399999
Other Loan-Backed and Structured Securities	0499999
Subtotals – U.S. Governments	0599999

Detail Eliminated to Conserve Space

Parent, Subsidiaries and Affiliates	
Issuer Obligations	4999999
Residential Mortgage-Backed Securities	5099999
Commercial Mortgage-Backed Securities	5199999
Other Loan-Backed and Structured Securities	5299999
Affiliated Bank Loans – Issued	5399999
Affiliated Bank Loans – Acquired	5499999
Subtotals – Parent, Subsidiaries and Affiliates	5599999
SVO Identified Funds	
Exchange Traded Funds – as Identified by the SVO	~~5799999~~5999999
~~Bond Mutual Funds – as Identified by the SVO~~	~~5899999~~
~~Subtotals – SVO Identified Funds~~	~~5999999~~
Unaffiliated Bank Loans	
Unaffiliated Bank Loans – Issued	6099999
Unaffiliated Bank Loans – Acquired	6199999
Subtotals – Unaffiliated Bank Loans	6299999
Total Bonds	
Subtotals – Issuer Obligations	6399999
Subtotals – Residential Mortgage-Backed Securities	6499999
Subtotals – Commercial Mortgage-Backed Securities	6599999
Subtotals – Other Loan-Backed and Structured Securities	6699999
Subtotals – SVO Identified Funds	6799999
Subtotals – Affiliated Bank Loans	6899999
Subtotals – Bank Loans	6999999
Subtotals – Total Bonds	7099999

Detail Eliminated to Conserve Space

Column 2 – Description

Give a complete and accurate description of all bonds and preferred and common stocks as listed in the *Valuations of Securities*.

For ~~Bond Mutual Funds – as Identified by the SVO and~~ Exchange Traded Funds – as Identified by the SVO, enter complete name of the fund.

For Certificate of Deposit Account Registry Service (CDARs) or other similar services that have a maturity of greater than one year, individually list the various banking institutions that are financially responsible for honoring certificates of deposit.

ANNUAL & QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY & TITLE

SCHEDULE E – PART 2 – CASH EQUIVALENTS

Detail Eliminated to Conserve Space

Category	Line Number
Bonds:	
U.S. Governments	
Issuer Obligations	0199999
Residential Mortgage-Backed Securities	0299999
Commercial Mortgage-Backed Securities	0399999
Other Loan-Backed and Structured Securities	0499999
Subtotals – U.S. Governments	0599999

Detail Eliminated to Conserve Space

Parent, Subsidiaries and Affiliates Bonds	
Issuer Obligations	4999999
Residential Mortgage-Backed Securities	5099999
Commercial Mortgage-Backed Securities	5199999
Other Loan-Backed and Structured Securities	5299999
Affiliated Bank Loans – Issued	5399999
Affiliated Bank Loans – Acquired	5499999
Subtotals – Parent, Subsidiaries and Affiliates Bonds	5599999
SVO Identified Funds	
Exchange Traded Funds – as Identified by the SVO	~~5899999~~6099999
~~Bond Mutual Funds – as Identified by the SVO~~	~~5999999~~
~~Subtotals – SVO Identified Funds~~	~~6099999~~
Unaffiliated Bank Loans	
Unaffiliated Bank Loans – Issued	6399999
Unaffiliated Bank Loans – Acquired	6499999
Subtotals – Unaffiliated Bank Loans	6599999
Total Bonds	
Subtotals – Issuer Obligations	7699999
Subtotals – Residential Mortgage-Backed Securities	7799999
Subtotals – Commercial Mortgage-Backed Securities	7899999
Subtotals – Other Loan-Backed and Structured Securities	7999999
Subtotals – SVO Identified Funds	8099999
Subtotals – Affiliated Bank Loans	8199999
Subtotals – Unaffiliated Bank Loans	8299999
Subtotals – Bonds	8399999
Sweep Accounts	8499999
Exempt Money Market Mutual Funds – as Identified by SVO	8599999
All Other Money Market Mutual Funds	8699999
Other Cash Equivalents	8799999
Total Cash Equivalents	8899999

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

Line 13.02 through 13.11 – Report the amounts and percentages of admitted assets held in the ten largest equity interests including equity funds that qualify individually as one of the largest equity interests and a look-through of investments in the shares of non-diversified mutual funds and ETFs, preferred stocks, publicly traded equity securities, and other equity securities (including Schedule BA equity interests). Equity interests in all funds that are diversified in accordance with the Investment Company Act of 1940 do not need to be individually assessed and aggregated to determine the ten largest equity interests. For funds that are not diversified within the meaning of the Investment Company Act of 1940, insurance reporting entities are required to identify actual equity interests within the fund and aggregate those equity interests to determine their ten largest equity interests.

Determine the ten largest equity interests by first aggregating investments included in this line by issuer. For example, the reporting entity owns preferred stock of the XYZ Company of $600,000, common stock of the XYZ Company of $300,000 and $50,000 of XYZ identified through a look-through of a non-diversified stock closed-end fund reported on Schedule D-2-2. The total is $950,000 ($600,000+$300,000+50,000). The reporting entity also owns bonds issued by the XYZ Company of $500,000 that are excluded from this calculation because bonds are debt instruments. The reporting entity may also have exposure to equity interests in XYZ through mutual funds that are excluded from this calculation as the funds are diversified within the meaning of the Investment Company Act of 1940. Other equity securities include partnerships and Limited Liability Companies (LLC) and any other investments reported in Schedule BA classified as equity.

The following funds shall also be excluded from aggregation as equity interests: SVO-Identified U.S. Direct Obligations / Full Faith And Credit Exempt List of Money Market Mutual Funds, SVO-Identified Bond ETFs~~, SVO-Identified Bond Mutual Funds~~ and SVO Identified fund investments with underlying characteristics of fixed-income instruments, which do not contain underlying equities and that are outlined within the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*.

ANNUAL STATEMENT BLANK – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

SCHEDULE D – PART 1A – SECTION 2 (Continued)

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 No Maturity Date	7 Total Current Year	8 Col. 7 as a % of Line 11.08	9 Total from Col. 7 Prior Year	10 % From Col. 8 Prior Year	11 Total Publicly Traded	12 Total Privately Placed
9. SVO Identified Funds												
9.01 Exchange Traded Funds Identified by the SVO	XXX	XXX	XXX	XXX	XXX							
~~9.02 Bond Mutual Funds Identified by the SVO~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~							
~~9.03 Totals~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~	~~XXX~~							
10. Unaffiliated Bank Loans												
10.01 Unaffiliated Bank Loans - Issued						XXX						
10.02 Unaffiliated Bank Loans - Acquired						XXX						
10.03 Totals						XXX						
11. Total Bonds Current Year												
11.01 Issuer Obligations						XXX			XXX	XXX		
11.02 Residential Mortgage-Backed Securities						XXX			XXX	XXX		
11.03 Commercial Mortgage-Backed Securities						XXX			XXX	XXX		
11.04 Other Loan-Backed and Structured Securities						XXX			XXX	XXX		
11.05 SVO Identified Funds	XXX	XXX	XXX	XXX	XXX				XXX	XXX		
11.06 Affiliated Bank Loans						XXX			XXX	XXX		
11.07 Unaffiliated Bank Loans						XXX			XXX	XXX		
11.08 Totals									XXX	XXX		
11.09 Lines 11.08 as a % Col. 7								XXX	XXX	XXX		
12. Total Bonds Prior Year												
12.01 Issuer Obligations						XXX	XXX	XXX				
12.02 Residential Mortgage-Backed Securities						XXX	XXX	XXX				
12.03 Commercial Mortgage-Backed Securities						XXX	XXX	XXX				
12.04 Other Loan-Backed and Structured Securities						XXX	XXX	XXX				
12.05 SVO Identified Funds	XXX	XXX	XXX	XXX	XXX		XXX	XXX				
12.06 Affiliated Bank Loans						XXX	XXX	XXX				
12.07 Unaffiliated Bank Loans						XXX	XXX	XXX				
12.08 Totals							XXX	XXX				
12.09 Line 12.08 as a % of Col. 9							XXX	XXX		XXX		
13. Total Publicly Traded Bonds												
13.01 Issuer Obligations						XXX						XXX
13.02 Residential Mortgage-Backed Securities						XXX						XXX
13.03 Commercial Mortgage-Backed Securities						XXX						XXX
13.04 Other Loan-Backed and Structured Securities						XXX						XXX
13.05 SVO Identified Funds	XXX	XXX	XXX	XXX	XXX							XXX
13.06 Affiliated Bank Loans						XXX						XXX
13.07 Unaffiliated Bank Loans						XXX						XXX
13.08 Totals												XXX
13.09 Line 13.08 as a % of Col. 7								XXX	XXX	XXX		XXX
13.10 Line 13.08 as a % of Line 11.08, Col. 7, Section 11								XXX	XXX	XXX		XXX
14. Total Privately Placed Bonds												
14.01 Issuer Obligations						XXX					XXX	
14.02 Residential Mortgage-Backed Securities						XXX					XXX	
14.03 Commercial Mortgage-Backed Securities						XXX					XXX	
14.04 Other Loan-Backed and Structured Securities						XXX					XXX	
14.05 SVO Identified Funds	XXX	XXX	XXX	XXX	XXX						XXX	
14.06 Affiliated Bank Loans						XXX					XXX	
14.07 Unaffiliated Bank Loans						XXX					XXX	
14.08 Totals											XXX	
14.09 Line 14.08 as a % of Col. 7								XXX	XXX	XXX	XXX	
14.10 Line 14.08 as a % of Line 11.08, Col. 7, Section 11								XXX	XXX	XXX	XXX	

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NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

	DATE: 10/14/2020	**FOR NAIC USE ONLY**
CONTACT PERSON:		Agenda Item # 2020-30BWG MOD
		Year 2021
TELEPHONE:		Changes to Existing Reporting [X]
		New Reporting Requirement [ ]
EMAIL ADDRESS:		**REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT**
ON BEHALF OF:		No Impact [X]
		Modifies Required Disclosure [ ]
NAME:	**Kim Hudson**	**DISPOSITION**
TITLE:		[ ] Rejected For Public Comment
		[ ] Referred To Another NAIC Group
AFFILIATION:	**California Department of Insurance**	[ ] Received For Public Comment
		[X] Adopted Date 12/16/2020
ADDRESS:	**300 South Spring St.**	[ ] Rejected Date
		[ ] Deferred Date
	Los Angeles, CA 90013	[ ] Other (Specify)

BLANK(S) TO WHICH PROPOSAL APPLIES

[X] **ANNUAL STATEMENT**	[ ] **INSTRUCTIONS**	[ ] **CROSSCHECKS**
[X] **QUARTERLY STATEMENT**	[X] **BLANK**	
[X] Life, Accident & Health/Fraternal	[ ] Separate Accounts	[X] Title
[X] Property/Casualty	[ ] Protected Cell	[ ] Other
[X] Health	[ ] Health (Life Supplement)	

Anticipated Effective Date: Annual 2021

IDENTIFICATION OF ITEM(S) TO CHANGE

Move 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 2nd Quarter. For Title a new page in the Quarterly statement will be added for the Supplemental Exhibits and Schedules Interrogatories.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

By having the question in the annual some companies appear to be answering "yes" to the question on the annual statement but then don't file it. Placing in the quarterly statement puts the answering of the question in the same quarter as the filing of the document.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:

Other Comments:

**** This section must be completed on all forms.** **Revised 7/18/2018**

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ANNUAL STATEMENT BLANK – LIFE/FRATERNAL

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing unless specifically waived by the domiciliary state. However, in the event that your domiciliary state waives the filing requirement, your response of **WAIVED** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

Responses

MARCH FILING

1. Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1? .....
2. Will the confidential Risk-based Capital Report be filed with the NAIC by March 1? .....
3. Will the confidential Risk-based Capital Report be filed with the state of domicile, if required, by March 1? .....
4. Will an actuarial opinion be filed by March 1? .....

APRIL FILING

5. Will Management's Discussion and Analysis be filed by April 1? .....
6. Will the Life, Health & Annuity Guaranty Association Model Act Assessment Base Reconciliation Exhibit be filed with the state of domicile and the NAIC by April 1? (Not applicable to fraternal benefit societies) .....
7. Will the Adjustments to the Life, Health & Annuity Guaranty Association Model Act Assessment Base Reconciliation Exhibit (if required) be filed with the state of domicile and the NAIC by April 1? (Not applicable to fraternal benefit societies) .....
8. Will the Supplemental Investment Risks Interrogatories be filed by April 1? .....

JUNE FILING

9. Will an audited financial report be filed by June 1? .....
10. Will Accountants Letter of Qualifications be filed with the state of domicile and electronically with the NAIC by June 1? .....

~~AUGUST FILING~~

~~11. Will the regulator-only (non-public) Communication of Internal Control Related Matters Noted in Audit be filed with the state of domicile and electronically with the NAIC (as a regulator-only non-public document) by August 1? .....~~

The following supplemental reports are required to be filed as part of your annual statement filing **if your company is engaged in the type of business covered by the supplement. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below.** If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

MARCH FILING

~~12~~11. Will Schedule SIS (Stockholder Information Supplement) be filed with the state of domicile by March 1? (Not applicable to fraternal benefit societies) .....

~~13~~12. Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1? .....

~~14~~13. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC by March 1? .....

~~15~~14. Will the actuarial opinion on participating and non-participating policies as required in Interrogatories 1 and 2 to Exhibit 5 be filed with the state of domicile and electronically with the NAIC by March 1? .....

~~16~~15. Will the actuarial opinion on non-guaranteed elements as required in interrogatory #3 to Exhibit 5 be filed with the state of domicile and electronically with the NAIC by March 1? .....

~~17~~16. Will the actuarial opinion on X-Factors be filed with the state of domicile and electronically with the NAIC by March 1? .....

~~18~~17. Will the actuarial opinion on Separate Accounts Funding Guaranteed Minimum Benefit be filed with the state of domicile and electronically with the NAIC by March 1? .....

~~19~~18. Will the actuarial opinion on Synthetic Guaranteed Investment Contracts be filed with the state of domicile and electronically with the NAIC by March 1? .....

~~20~~19. Will the Reasonableness of Assumptions Certification required by Actuarial Guideline XXXV be filed with the state of domicile and electronically with the NAIC by March 1? .....

~~21~~20. Will the Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXV be filed with the state of domicile and electronically with the NAIC by March 1? .....

~~22~~21. Will the Reasonableness of Assumptions Certification for Implied Guaranteed Rate Method required by Actuarial Guideline XXXVI be filed with the state of domicile and electronically with the NAIC by March 1? .....

~~23~~22. Will the Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXVI (Updated Average Market Value) be filed with the state of domicile and electronically with the NAIC by March 1? .....

~~24~~23. Will the Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXVI (Updated Market Value) be filed with the state of domicile and electronically with the NAIC by March 1? .....

~~25~~24. Will the C-3 RBC Certifications required under C-3 Phase I be filed with the state of domicile and electronically with the NAIC by March 1? .....

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

~~26~~25. Will the C-3 RBC Certifications required under C-3 Phase II be filed with the state of domicile and electronically with the NAIC by March 1? .....

~~27~~26. Will the Actuarial Certifications Related to Annuity Nonforfeiture Ongoing Compliance for Equity Indexed Annuities be filed with the state of domicile and electronically with the NAIC by March 1? .....

~~28~~27. Will the actuarial opinion required by the Modified Guaranteed Annuity Model Regulation be filed with the state of domicile and electronically with the NAIC by March 1? .....

~~29~~28. Will the Actuarial Certification regarding the use of 2001 Preferred Class Tables required by the Model Regulation Permitting the Recognition of Preferred Mortality Tables for Use in Determining Minimum Reserve Liabilities be filed with the state of domicile and electronically with the NAIC by March 1? .....

~~30~~29. Will the Workers' Compensation Carve-Out Supplement be filed by March 1? (Not applicable to fraternal benefit societies) .....

~~31~~30. Will Supplemental Schedule O be filed with the state of domicile and the NAIC by March 1? .....

~~32~~31. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC by March 1? .....

~~33~~32. Will an approval from the reporting entity's state of domicile for relief related to the five-year rotation requirement for lead audit partner be filed electronically with the NAIC by March 1? .....

~~34~~33. Will an approval from the reporting entity's state of domicile for relief related to the one-year cooling off period for independent CPA be filed electronically with the NAIC by March 1? .....

~~35~~34. Will an approval from the reporting entity's state of domicile for relief related to the Requirements for Audit Committees be filed electronically with the NAIC by March 1? .....

~~36~~35. Will the VM-20 Reserves Supplement be filed with the state of domicile and the NAIC by March 1? .....

APRIL FILING

~~37~~36. Will the confidential Regulatory Asset Adequacy Issues Summary (RAAIS) required by the Valuation Manual be filed with the state of domicile by April 1? .....

~~38~~37. Will the Long-Term Care Experience Reporting Forms be filed with the state of domicile and the NAIC by April 1? .....

~~39~~38. Will the Credit Insurance Experience Exhibit be filed with the state of domicile and the NAIC by April 1? (Not applicable to fraternal benefit societies) .....

~~40~~39. Will the Accident and Health Policy Experience Exhibit be filed by April 1? .....

~~41~~40. Will the Supplemental Health Care Exhibit (Parts 1, 2 and 3) be filed with the state of domicile and the NAIC by April 1? .....

~~42~~41. Will the regulator only (non-public) Supplemental Health Care Exhibit's Allocation Report be filed with the state of domicile and the NAIC by April 1? .....

~~43~~42. Will the confidential Actuarial Memorandum required by Actuarial Guideline XXXVIII 8D be filed with the state of domicile by April 30? .....

~~44~~43. Will the Supplemental Term and Universal Life Insurance Reinsurance Exhibit be filed with the state of domicile and the NAIC by April 1? .....

~~45~~44. Will the Variable Annuities Supplement be filed with the state of domicile and the NAIC by April 1? .....

~~46~~45. Will the confidential Executive Summary of the PBR Actuarial Report be filed with the state of domicile by April 1? .....

~~47~~46. Will the confidential Life Summary of the PBR Actuarial Report be filed with the state of domicile by April 1? .....

~~48~~47. Will the confidential Variable Annuities Summary of the PBR Actuarial Report be filed with the state of domicile by April 1? .....

AUGUST FILING

~~49~~48. Will Management's Report of Internal Control Over Financial Reporting be filed with the state of domicile by August 1? .....

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ANNUAL STATEMENT BLANK –HEALTH

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing unless specifically waived by the domiciliary state. However, in the event that your domiciliary state waives the filing requirement, your response of WAIVED to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason, enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

		Responses
	MARCH FILING	
1.	Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1?	
2.	Will an actuarial opinion be filed by March 1?	
3.	Will the confidential Risk-based Capital Report be filed with the NAIC by March 1?	
4.	Will the confidential Risk-based Capital Report be filed with the state of domicile, if required by March 1?	
	APRIL FILING	
5.	Will Management's Discussion and Analysis be filed by April 1?	
6.	Will the Supplemental Investment Risks Interrogatories be filed by April 1?	
7.	Will the Accident and Health Policy Experience Exhibit be filed by April 1?	
	JUNE FILING	
8.	Will an audited financial report be filed by June 1?	
9.	Will Accountants Letter of Qualifications be filed with the state of domicile and electronically with the NAIC by June 1?	
	~~**AUGUST FILING**~~	
~~10.~~	~~Will the regulator-only (non-public) Communication of Internal Control Related Matters Noted in Audit be filed with the state of domicile and electronically with the NAIC (as a regulator-only non-public document) by August 1?~~	

The following supplemental reports are required to be filed as part of your statement filing **if your company is engaged in the type of business covered by the supplement. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below**. If the supplement is required of your company but is not being filed for whatever reason, enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

	MARCH FILING	
~~11~~10.	Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1?	
~~12~~11.	Will the Supplemental Life data due March 1 be filed with the state of domicile and the NAIC?	
~~13~~12.	Will Schedule SIS (Stockholder Information Supplement) be filed with the state of domicile by March 1?	
~~14~~13.	Will the actuarial opinion on participating and non-participating policies as required in Interrogatories 1 and 2 on Exhibit 5 to Life Supplement be filed with the state of domicile and electronically with the NAIC by March 1?	
~~15~~14.	Will the actuarial opinion on non-guaranteed elements as required in Interrogatory 3 to Exhibit 5 to Life Supplement be filed with the state of domicile and electronically with the NAIC by March 1?	
~~16~~15.	Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC by March 1?	
~~17~~16.	Will an approval from the reporting entity's state of domicile for relief related to the five-year rotation requirement for lead audit partner be filed electronically with the NAIC by March 1?	
~~18~~17.	Will an approval from the reporting entity's state of domicile for relief related to the one-year cooling off period for independent CPA be filed electronically with the NAIC by March 1?	
~~19~~18.	Will an approval from the reporting entity's state of domicile for relief related to the Requirements for Audit Committees be filed electronically with the NAIC by March 1?	
	APRIL FILING	
~~20~~19.	Will the Long-Term Care Experience Reporting Forms be filed with the state of domicile and the NAIC by April 1?	
~~21~~20.	Will the Supplemental Life data due April 1 be filed with the state of domicile and the NAIC?	
~~22~~21.	Will the Supplemental Health Care Exhibit (Parts 1, 2 and 3) be filed with the state of domicile and the NAIC by April 1?	
~~23~~22.	Will the regulator-only (non-public) Supplemental Health Care Exhibit's Allocation Report be filed with the state of domicile and the NAIC by April 1?	
~~24~~23.	Will the Life, Health & Annuity Guaranty Association Model Act Assessment Base Reconciliation Exhibit be filed with the state of d	
~~25~~24.	Will the Adjustments to the Life, Health & Annuity Guaranty Association Model Act Assessment Base Reconciliation Exhibit (if required) be filed with the state of domicile and the NAIC by April 1?	
	AUGUST FILING	
~~26~~25.	Will Management's Report of Internal Control Over Financial Reporting be filed with the state of domicile by August 1?	

ANNUAL STATEMENT BLANK –PROPERTY

SUPPLEMENTAL EXHIBITS AND SCHEDULES
INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing unless specifically waived by the domiciliary state. However, in the event that your domiciliary state waives the filing requirement, your response of WAIVED to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason, enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

MARCH FILING — RESPONSES

1. Will an actuarial opinion be filed by March 1? .....
2. Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1? .....
3. Will the confidential Risk-based Capital Report be filed with the NAIC by March 1? .....
4. Will the confidential Risk-based Capital Report be filed with the state of domicile, if required, by March 1? .....

APRIL FILING

5. Will the Insurance Expense Exhibit be filed with the state of domicile and the NAIC by April 1? .....
6. Will Management's Discussion and Analysis be filed by April 1? .....
7. Will the Supplemental Investment Risks Interrogatories be filed by April 1? .....

MAY FILING

8. Will this company be included in a combined annual statement that is filed with the NAIC by May 1? .....

JUNE FILING

9. Will an audited financial report be filed by June 1? .....
10. Will Accountants Letter of Qualifications be filed with the state of domicile and electronically with the NAIC by June 1? .....

~~**AUGUST FILING**~~

~~11. Will the regulator-only (non-public) Communication of Internal Control Related Matters Noted in Audit be filed with the state of domicile and electronically with the NAIC (as a regulator-only non-public document) by August 1?~~ .....

The following supplemental reports are required to be filed as part of your statement filing <u>if your company is engaged in the type of business covered by the supplement. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below.</u> If the supplement is required of your company but is not being filed for whatever reason, enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

MARCH FILING

~~12~~11. Will Schedule SIS (Stockholder Information Supplement) be filed with the state of domicile by March 1? .....
~~13~~12. Will the Financial Guaranty Insurance Exhibit be filed by March 1? .....
~~14~~13. Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1? .....
~~15~~14. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed by March 1? .....
~~16~~15. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC by March 1? .....
~~17~~16. Will the Premiums Attributed to Protected Cells Exhibit be filed by March 1? .....
~~18~~17. Will the Reinsurance Summary Supplemental Filing for General Interrogatory 9 be filed with the state of domicile and the NAIC by March 1? .....
~~19~~18. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC by March 1? .....
~~20~~19. Will the confidential Actuarial Opinion Summary be filed with the state of domicile, if required, by March 15 (or the date otherwise specified)? .....
~~21~~20. Will the Reinsurance Attestation Supplement be filed with the state of domicile and the NAIC by March 1? .....
~~22~~21. Will the Exceptions to the Reinsurance Attestation Supplement be filed with the state of domicile by March 1? .....
~~23~~22. Will the Bail Bond Supplement be filed with the state of domicile and the NAIC by March 1? .....
~~24~~23. Will the Director and Officer Insurance Coverage Supplement be filed with the state of domicile and the NAIC by March 1? .....
~~25~~24. Will an approval from the reporting entity's state of domicile for relief related to the five-year rotation requirement for lead audit partner be filed electronically with the NAIC by March 1? .....
~~26~~25. Will an approval from the reporting entity's state of domicile for relief related to the one-year cooling off period for independent CPA be filed electronically with the NAIC by March 1? .....
~~27~~26. Will an approval from the reporting entity's state of domicile for relief related to the Requirements for Audit Committees be filed electronically with the NAIC by March 1? .....
~~28~~27. Will the Supplemental Schedule for Reinsurance Counterparty Reporting Exception – Asbestos and Pollution contracts be filed with the state of domicile and the NAIC by March 1? .....

APRIL FILING

~~29~~28. Will the Credit Insurance Experience Exhibit be filed with the state of domicile and the NAIC by April 1? .....
~~30~~29. Will the Long-term Care Experience Reporting Forms be filed with the state of domicile and the NAIC by April 1? .....
~~31~~30. Will the Accident and Health Policy Experience Exhibit be filed by April 1? .....
~~32~~31. Will the Supplemental Health Care Exhibit (Parts 1, 2 and 3) be filed with the state of domicile and the NAIC by April 1? .....
~~33~~32. Will the regulator-only (non-public) Supplemental Health Care Exhibit's Allocation Report be filed with the state of domicile and the NAIC by April 1? .....
~~34~~33. Will the Cybersecurity and Identity Theft Insurance Coverage Supplement be filed with the state of domicile and the NAIC by April 1? .....
~~35~~34. Will the Life, Health & Annuity Guaranty Association Model Act Assessment Base Reconciliation Exhibit be filed with the state of domicile and the NAIC by April 1? .....
~~36~~35. Will the Adjustments to the Life, Health & Annuity Guaranty Association Model Act Assessment Base Reconciliation Exhibit (if required) be filed with the state of domicile and the NAIC by April 1? .....
~~37~~36. Will the Private Flood Insurance Supplement be filed with the state of domicile and the NAIC by April 1? .....

AUGUST FILING

~~38~~37. Will Management's Report of Internal Control Over Financial Reporting be filed with the state of domicile by August 1? .....

ANNUAL STATEMENT BLANK –TITLE

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing unless specifically waived by the domiciliary state. However, in the event that your domiciliary state waives the filing requirement, your response of **WAIVED** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not filed for whatever reason, enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

Response

MARCH FILING

1. Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1? .....
2. Will an actuarial opinion be filed by March 1? .....

APRIL FILING

3. Will Management's Discussion and Analysis be filed by April 1? .....
4. Will the Supplemental Schedule of Business Written by Agency be filed with the state of domicile by April 1? .....
5. Will the Supplemental Investment Risk Interrogatories be filed by April 1? .....

JUNE FILING

6. Will an audited financial report be filed by June 1? .....
7. Will Accountants Letter of Qualifications be filed with the state of domicile and electronically with the NAIC by June 1? .....

~~**AUGUST FILING**~~

~~8. Will the regulator only (non-public) Communication of Internal Control Related Matters Noted in Audit be filed with the state of domicile and electronically with the NAIC (as a regulator only non-public document) by August 1?~~ .....

The following supplemental reports are required to be filed as part of your statement filing **if your company is engaged in the type of business covered by the supplement. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below.** If the supplement is required of your company but is not filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions

Response

MARCH FILING

~~9~~8. Will Schedule SIS (Stockholder Information Supplement) be filed with the state of domicile by March 1? .....

~~10~~9. Will an approval from the reporting entity's state of domicile for relief related to the five-year rotation requirement for lead audit partner be filed electronically with the NAIC by March 1? .....

~~11~~10. Will an approval from the reporting entity's state of domicile for relief related to the one-year cooling off period for independent CPA be filed electronically with the NAIC by March 1? .....

~~12~~11. Will an approval from the reporting entity's state of domicile for relief related to the Requirements for Audit Committees be filed electronically with the NAIC by March 1? .....

AUGUST FILING

~~13~~12. Will Management's Report of Internal Control Over Financial Reporting be filed with the state of domicile by August 1? .....

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QUARTERLY STATEMENT BLANK – LIFE/FRATERNAL

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

		Response
1.	Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	.....
2.	Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	.....
3.	Will the Reasonableness of Assumptions Certification required by Actuarial Guideline XXXV be filed with the state of domicile and electronically with the NAIC?	.....
4.	Will the Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXV be filed with the state of domicile and electronically with the NAIC?	.....
5.	Will the Reasonableness of Assumptions Certification for Implied Guaranteed Rate Method required by Actuarial Guideline XXXVI be filed with the state of domicile and electronically with the NAIC?	.....
6.	Will the Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXVI (Updated Average Market Value) be filed with the state of domicile and electronically with the NAIC?	.....
7.	Will the Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXVI (Updated Market Value) be filed with the state of domicile and electronically with the NAIC?	.....
8.	Will the Life PBR Statement of Exemption be filed with the state of domicile by July 1st and electronically with the NAIC with the second quarterly filing per the Valuation Manual (by August 15)? (2nd Quarter Only) The response for 1st and 3rd quarters should be N/A. A NO response resulting with a bar code is only appropriate in the 2nd quarter.	.....
9.	Will the regulator-only (non-public) Communication of Internal Control Related Matters Noted in Audit be filed with the state of domicile and electronically with the NAIC (as a regulator-only non-public document) by August 1? (2nd Quarter Only) The response for 1st and 3rd quarters should be N/A. A NO response resulting with a bar code is only appropriate in the 2nd quarter.	.....

QUARTERLY STATEMENT BLANK –HEALTH

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

		Response
1.	**Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?**	.....
2.	**Will the regulator-only (non-public) Communication of Internal Control Related Matters Noted in Audit be filed with the state of domicile and electronically with the NAIC (as a regulator-only non-public document) by August 1? (2nd Quarter Only) The response for 1st and 3rd quarters should be N/A. A NO response resulting with a bar code is only appropriate in the 2nd quarter.**	.....

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QUARTERLY STATEMENT BLANK –PROPERTY

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

		Response
1.	Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	.....
2.	Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?	.....
3.	Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	.....
4.	Will the Director and Officer Insurance Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	.....
5.	Will the regulator-only (non-public) Communication of Internal Control Related Matters Noted in Audit be filed with the state of domicile and electronically with the NAIC (as a regulator-only non-public document) by August 1? (2nd Quarter Only) The response for 1st and 3rd quarters should be N/A. A NO response resulting with a bar code is only appropriate in the 2nd quarter.	.....

QUARTERLY STATEMENT BLANK –TITLE

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

		Response
1.	Will the regulator-only (non-public) Communication of Internal Control Related Matters Noted in Audit be filed with the state of domicile and electronically with the NAIC (as a regulator-only non-public document) by August 1? (2nd Quarter Only) The response for 1st and 3rd quarters should be N/A. A NO response resulting with a bar code is only appropriate in the 2nd quarter.	.....

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NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

	DATE: 10/20/2020	**FOR NAIC USE ONLY**
CONTACT PERSON:	Paul Peterson	Agenda Item # 2020-31BWG
		Year 2021
TELEPHONE:	703.787.4119	Changes to Existing Reporting [X]
		New Reporting Requirement [ ]
EMAIL ADDRESS:	ppeterson@nolhga.com	**REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT**
ON BEHALF OF:	life, health and annuity guaranty associations	No Impact [X] Modifies Required Disclosure [ ]
NAME:	Paul Peterson	**DISPOSITION**
TITLE:	Vice President, Accounting & Finance	[ ] Rejected For Public Comment [ ] Referred To Another NAIC Group [ ] Received For Public Comment
AFFILIATION:	NOLHGA	[X] Adopted Date 12/16/2020 [ ] Rejected Date
ADDRESS:	13873 Park Center Road, Suite 505	[ ] Deferred Date [ ] Other (Specify)
	Herndon, VA 20171	

BLANK(S) TO WHICH PROPOSAL APPLIES

[X]	**ANNUAL STATEMENT**	[ ]	**QUARTERLY STATEMENT**		
[X]	**INSTRUCTIONS**	[X]	**CROSSCHECKS**	[X]	**BLANK**
[X]	Life and Accident & Health	[X]	Property/Casualty	[X]	Health
[ ]	Separate Accounts	[ ]	Fraternal	[ ]	Title
[ ]	Other Specify				

Anticipated Effective Date: Annual 2021

IDENTIFICATION OF ITEM(S) TO CHANGE

To replace 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 as indicated below in order to promote consistent reporting of assessable premiums among industry members and to reflect changes in guaranty association laws adopted over the past two decades.

DRAFTING NOTE LIFE, HEALTH and PROPERTY ANNUAL STATEMENT BLANK AND INSTRUCTIONS

For the Life, Health and Annuity Guaranty Association Assessable Premium Exhibits Parts 1 and 2 - edit the blank and instructions as shown below. The Exhibits are to continue to be filed as stand-alone supplemental exhibits in each of the life, health and property blanks due April 1.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

To have all member companies of the life, health and annuity guaranty associations consistently file the revised referenced exhibits for purposes of collecting guaranty association assessable premium data.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:

Other Comments:

**** This section must be completed on all forms.**

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ANNUAL STATEMENT INSTRUCTIONS – LIFE, HEALTH AND PROPERTY

LIFE, HEALTH AND ANNUITY GUARANTY ASSOCIATION ASSESSABLE PREMIUM~~MODEL ACT ASSESSMENT BASE RECONCILIATION~~ EXHIBIT – PARTS 1 & 2

To be filed on or before April 1.

This 2-part exhibit must be completed for any state, District of Columbia, and Puerto Rico in which the company is licensed and should be submitted to the applicable jurisdictions.~~that jurisdiction.~~ In addition, an exhibit should be prepared for any state, District of Columbia, and Puerto Rico in which the company received any direct premiums or deposits. DO NOT SUBMIT exhibits for American Samoa, Guam, U.S. Virgin Islands, Canada, Northern Mariana Islands and other alien jurisdictions. A copy of the exhibit for each jurisdiction and a grand total page for both Parts 1 and 2 must be completed and~~the exhibits that are~~ submitted~~ should be sent~~ to the state of domicile and the NAIC Support and Services Office.

Only companies that are members of the life, health and annuity guaranty associations should complete this exhibit. If a company is unsure if it is a member of a life, health and annuity guaranty association~~,~~ it should contact the state life, health and annuity guaranty associations in its state of domicile or state(s) where it is licensed to write life, health and annuity business.

For the purpose of these instructions, references to Schedule T apply to the Life and Health blank and references to the Exhibit of Premiums and Losses apply to the Property blank.

Part 1 develops gross premiums that will be subject to further reduction in Part 2 for guaranty association coverage and/or assessment limitations. Attention should be focused on the deduction items in Part 2, in particular those associated with certain accident and health products and the various types of annuity classifications for allocated and unallocated products.

The columnar headings correspond to the annual statement, Schedule T (Life or Health blanks) or Exhibit of Premiums and Losses (Property blank) as follows:

~~**Health Blank** Schedule T Column Reference~~	~~Col. 6 Life & Annuity Premiums & Other Considerations (In part)~~	~~Col. 6 Life & Annuity Premiums & Other Considerations (In part)~~	~~Col. 2-5 Accident and Health Insurance Premiums~~	~~Col. 9 Deposit-type Contract Funds~~	~~Col. 6 Life & Annuity Premiums & Other Considerations (In part)~~
~~Base Exhibit~~	~~Col. 1 Life Insurance Premiums~~	~~Col. 2 Annuity Considerations~~	~~Col. 3 A & H Premiums~~	~~Col. 4 Deposit-Type Contract Funds~~	~~Col. 4 Other Considerations~~

~~**Life Blank** Schedule T Column Reference~~	~~Col. 2 Life Contracts – Life Insurance Premiums~~	~~Col. 3 Life Contracts – Annuity Considerations~~	~~Col. 4 Accident and Health Insurance Premiums~~	~~Col. 7 Deposit-Type Contract Funds~~	~~Col. 5 Other Considerations~~
~~Base Exhibit~~	~~Col. 1 Life Insurance Premiums~~	~~Col. 2 Annuity Considerations~~	~~Col. 3 A & H Premiums~~	~~Col. 4 Deposit-Type Contract Funds~~	~~Col. 4 Other Considerations~~

~~**Property Blank** Exhibit of Premiums and Losses (Statutory Page 14) Column and Lines Reference~~			~~Col. 1 Direct Premiums Written Lines 13-15.8 (Various Accident and Health Insurance Premiums)~~		

~~Base Exhibit~~	~~Col. 1~~ ~~Life Insurance Premiums~~	~~Col. 2~~ ~~Annuity Considerations~~	~~Col. 3~~ ~~A & H Premiums~~	~~Col. 4~~ ~~Deposit-Type Contract Funds~~	~~Col. 4~~ ~~Other Considerations~~

Assessable Premium Exhibit	Col. 1 Life Insurance Premiums	Col. 2 Allocated Annuity and Other Allocated Fund Deposits	Col. 3 Accident & Health Premiums	Col. 4 Unallocated Annuity and Other Unallocated Fund Deposits	
Health Blank Schedule T Column reference	Col. 6 Life/Annuity Premiums – Life Insurance Premiums (in part)	Col. 6 Life/Annuity Premiums or Col. 9 Deposit-type Contract Funds – Allocated Annuity Premiums (in part)	Col. 2-5 Accident and Health Insurance, Medicare, Medicaid, FEHBP Premiums	Col. 6 Life Contracts – Unallocated Annuity Considerations (in part)	Col. 9 Deposit-type Contract Funds – Unallocated Annuities (in part)
Life Blank Schedule T Column reference	Col. 2 Life Insurance Premiums	Col. 3 Annuity Considerations	Col. 4 Accident and Health Insurance Premiums	Col. 5 Other Considerations	Col. 7 Deposit-type Contract Funds
Property Blank Exhibit of Premiums and Losses (statutory page 14) Column and Lines reference			Col. 1 Direct Premiums Written Lines 13-15.8 (Various Accident and Health Insurance Premiums)		

In the event that this detailed information is not available in the reporting entity's accounting records, recognized ~~allocation to~~ estimation processes for state allocations may be utilized if consistently applied.

Adjustments to the exhibit may be required by states that have not adopted the *Life and Health Insurance Guaranty Association Model Act* (#520).

PURPOSE OF THE LIFE, HEALTH AND ANNUITY GUARANTY ASSOCIATION ASSESSABLE PREMIUM~~MODEL ACT ASSESSMENT BASE RECONCILIATION~~ EXHIBIT – PARTS 1 and 2

It is desirable to display on one page the various types of annuity considerations, deposit-type contract funds and other considerations received directly by the reporting entity, separated by state, as is currently reported in the applicable Schedule T or Exhibit of Premiums and Losses; but~~. However~~, it is not possible to use such data for state guaranty association assessments without further modification. This is because of: (a) the limits placed on certain considerations for assessment purposes,~~;~~ (b) the variations by states in designation of "funds" for assessments,~~;~~ and (c) other factors that are interpreted differently by the individual states.

As a result, the NAIC and NOLHGA have~~has~~ developed a two-part~~specific~~ exhibit, the Life, Health & Annuity Guaranty Association Assessable Premium ~~Model Act Assessment Base Reconciliation~~ Exhibit (the "Assessable Premium(~~"Base Reconciliation~~ Exhibit") that~~ which~~ uses the state figures in Schedule T or Exhibit of Premiums and Losses as the starting point for development of the guaranty association assessment base and then allows for certain adjustments in order to arrive at the applicable assessable premium base for each state.~~(as defined in the NAIC *Life and Health Insurance Guaranty Association Model Act* (#520)).~~ States should not use Schedule T or Exhibit of Premiums and Losses as the basis for guaranty association assessments, but instead use the Assessable Premium~~Base Reconciliation~~ Exhibit for~~as~~ the applicable assessment premium base~~starting point~~.

Introduction

These instructions are intended to assist companies in completing the Assessable Premium~~Life, Health and Annuity Guaranty Association Model Act Assessment Base Reconciliation~~ Exhibit-Parts 1 and 2 (the "APE Pt. 1"~~ (Base Reconciliation Exhibit)~~ and "APE Pt. 2", respectively). Both APE Parts 1~~Adjustments to the Life, Health and Annuity Guaranty Association Model Act Assessment Base Reconciliation Exhibit (Adjustments Exhibit). The~~ and 2 must be prepared~~Base Reconciliation Exhibit starts~~ with the same care~~premiums, deposit-type contract funds~~ and accuracy that would be used~~other considerations as reported~~ in preparing~~the applicable Schedule T or Exhibit of Premiums and Losses and then makes necessary adjustments (both positive and negative) to establish~~ the Annual Statement, since~~premium assessment base as defined by~~ the information is being provided to the Guaranty Associations. COMPANIES MUST READ THESE INSTRUCTIONS CAREFULLY AND REFER TO THE RELEVANT GUARANTY ASSOCIATION ACTS, WHERE APPROPRIATE.

APE Pt. 1 and APE Pt. 2~~current Model #520. The Base Reconciliation Exhibit~~ must be completed, along with a grand total page for both, for each state (as well as the District of Columbia and Puerto Rico) in which the company is licensed or does business.

The APE Pt. 1 and Pt. 2 each have four columns. Column 1 is for all individual and group life insurance premiums. Column 2 is for all allocated annuity amounts (whether called premiums, deposit-type contract funds, or other considerations) and includes both allocated and unallocated annuity governmental retirement plans established under Sections 401, 403(b) or 457 of the U.S. Internal Revenue Code ("IRC"). Column 3 is for all individual and group accident and health premiums. Column 4 is for all unallocated annuity amounts (whether called premiums, deposit-type contract funds, or other considerations) other than amounts received in connection with governmental retirement plans established under IRC Sections 401, 403(b) or 457 (which should be in Column 2).

Should you have questions about how to fill out the Assessable Premium~~Base Reconciliation~~ Exhibit, and the answers are not provided in the instructions below, you may wish to consult the Model #520, particular State Guaranty Association Acts, the *Annual Statement Instructions* manual, your company attorney, particular State Insurance Departments, or particular State Guaranty Association Administrators.

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Assessable Premium~~The Base Reconciliation~~ **Exhibit – Part**~~has four columns: Column~~ **1** ~~is for all individual and group life insurance premiums; Column 2 is for all individual and group allocated annuity amounts (whether called~~

The APE Pt. 1 starts with premiums, deposit-type contract funds and~~or~~ other considerations as reported in the applicable Schedule T or the Exhibit of Premiums and Losses,~~); Column 3 is for all individual~~ and then makes necessary adjustments (both positive~~group accident~~ and negative) to establish the initial assessable premium base before certain annuity adjustments as defined by each states' guaranty association act.

~~**Base Reconciliation Exhibit**~~

Premiums, Considerations and Deposits from Schedule T or the Exhibit of Premiums and Losses

Line 1 – THESE AMOUNTS MUST EXACTLY MATCH THE AMOUNTS REPORTED BY YOUR COMPANY ON SCHEDULE T OR THE EXHIBIT OF PREMIUMS AND LOSSES FOR ALL LINES OF BUSINESS.

~~Line 1 **These amounts must exactly match the amounts reported by your company on Schedule T or the Exhibit of Premiums and Losses for all lines of business.**~~

Modifications to Premiums, Considerations and Deposits

Lines 2 through 10 are required to adjust amounts reported on your company's Annual Statement Schedule T or Exhibit of Premiums and Losses and are critical in transforming premium data prepared for Annual Statement purposes into data suitable for Guaranty Association assessment purposes.

Line 2.1-2.99 – ~~—~~Enter any life, annuity or health premiums, ~~-~~deposit-type ~~-~~contract ~~-~~funds ~~-~~and ~~-~~other considerations, received by your company that were not reported by state on Schedule T or the Exhibit of Premiums and Losses and~~,~~ therefore~~,~~ not included in Line 1 above. ~~The total of Line 2 should equal Line 2.1 + Line 2.2.~~ Such amounts should be reported in the appropriate column based on whether such amounts relate to life insurance, annuity, accident and health, or annuity and deposit-type business. Include all amounts received for insurance contracts. ~~Guaranteed investment contract receipts, universal life insurance deposits and any other amounts received by the company for covered contracts that were not reported on the company's Schedule T or the Exhibit of Premiums and Losses (sometimes referred to as FASB 97 deposit reporting) must be reported on Line 2.~~ Annuity amounts entered on Lines 1 and 2 must include, but are not limited to, amounts received for immediate or deferred annuity contracts, structured settlement agreements, lottery contracts, group annuity contracts, guaranteed interest or investment contracts, deposit administration contracts and allocated or unallocated funding obligations. ~~In addition, allocate by state and include on Line 2 amounts reported on the applicable Schedule T as Company Contributions for Employee Benefit Plans (Line 60 (Health blank) or 90 (Life blank) of Schedule T), Dividends Applied to Purchase Paid-Up Additions and Annuities, Dividends Applied to Shorten Endowment or Premium Paying Period, Premium or Annuity Considerations Waived Under Disability or Other Contract Provisions, and Aggregate Other Amounts Not Allocable by State.~~

Line 2.1 – ~~-~~Enter fees and charges for investment management, administration and contract guarantees from the Separate Account associated with variable contracts, reduced by any contractholder dividends representing a return of such fees and charges. Specifically, in the case of variable annuity products, those portions of fees and charges paid to the general account with respect to living and death benefit guarantees, M&E charges and annual contract charges should be included on Line 2.1. In the case of variable life products with guaranteed death benefits, the portion of fees/charges paid to the general account that should be included on Line 2.1 would include the cost of insurance in addition to M&E charges and annual contract charges. Because the fees and charges are reportable by state, a reporting entity may use either a seriatim, i.e., specific contract identification by state, or an allocation method. An appropriate allocation method would be to calculate a ratio of fee income to total variable premium for the product line and multiply the ratio by the state specific variable premium.

Lines 2.2 - 2.6 – Enter any other life, annuity or health premiums, deposit-type contract funds and other considerations, received by your company that were not reported by state on Schedule T or the Exhibit of Premiums and Losses. Guaranteed investment contract receipts, universal life insurance deposits and any other amounts received by the company for covered contracts that were not reported on the company's Schedule T, Exhibit of Premiums and Losses, or Line 1 above, must be reported on Line 2.6.

Allocate by state and include on Lines 2.2 through 2.6 amounts reported on the corresponding line on Schedule T as Company Contributions for Employee Benefit Plans, Dividends Applied to Purchase Paid-Up Additions and Annuities, Dividends Applied to Shorten Endowment or Premium-Paying Period, Premium or Annuity Considerations Waived under Disability or Other Contract Provisions and Aggregate Other Amounts Not Allocable by State (such as FEGLI/SEGLI).

If by state information is not readily available, reasonable allocation methods may be used to estimate state amounts. "Data not available by state" or similar comments are not valid reasons to exclude these items.

Lines 3.1 - 3.99 – The primary purpose of Lines 3.1 to 3.99 is to add back amounts that~~,~~ as a result of statutory accounting practices~~,~~ were deducted from the amounts reported on Line 1 or 2. For the most part, these deductions represent current year benefit payouts, transfers, surrenders or withdrawals.

Enter any amounts deducted prior to determining amounts included in Lines 1 and 2. Companies reporting net amounts on Lines 1 and 2 must complete Lines 3.1 through 3.99 ~~in order~~ to provide gross premiums and deposits. Amounts reported on these lines should include transfers to separate accounts, GIC rollovers to other companies, surrenders, excess interest, and any other amounts deducted from or not included in the company's gross premium figures. Amounts that were reported as "Unallocated Annuity ~~Deposit-Type Contract Funds~~ and Other Unallocated Fund Deposits~~Considerations~~" (Column 4) in the year of receipt and transferred in the current year to "Allocated Annuity and Other Allocated Fund Deposits~~Considerations~~" (Column 2), as individuals are "annuitized," are to be included on Line 3.3 of Column 4 if these amounts were deducted from the amounts reported on Lines 1 or 2. As illustrated below, adding these amounts back to Column 4 may be necessary as amounts over $5 million may have been deducted in prior years~~ Lines 1 or 2~~.

As an example, most pension plan unallocated annuities provide for the purchase of an annuity payout benefit ("annuitization") for an individual. In the year of the receipt of the consideration for the unallocated annuity, that consideration, subject to limitations, is to be included in the total assessable premium~~assessment base~~ reported in Line 10~~11~~, Column 4. In the year of annuitization, the amounts transferred to fund the annuity payout benefits are to be included in the total assessable premium~~assessment~~ base reported in Line 10~~11~~, Column 2. There should be no corresponding reduction to the total assessment base reported in Line 10~~11~~, Column 4 for the amount transferred to fund the annuitization to the extent that such amounts would not have been included in an assessment base. When an annuity payout benefit is, pursuant to that contract, purchased for an individual from monies previously deposited with the Company, it is assumed that there is no new contract, rather~~,~~ it is an internal rollover of funds, i.e., and~~no new funds have been received by~~ the Company has received no new funds.

In order to correctly report amounts subject to assessment in Columns 2 and 4, companies should maintain transaction level detail for each deposit type contract. On a cumulative basis, the assessable premium can never be less than $0 on any given contract. For example, the following will illustrate the correct reporting of deposit -type contracts that partially or fully annuitize in a model act state (i.e., assessable premium up to $5 million per unallocated annuity contract). The amount reported on APE Pt. 2 Line 17.3~~7.4~~ is a balancing amount such that the assessable premium for any unallocated contract never exceeds $5 million nor is less than $0 over the life of the contract. The same approach applies to any state that covers unallocated annuities, irrespective of the limits. In this example, there is a $50 million unallocated contract in Year 1 and the company reports $5 million in Column 4 ($50 million on Line 1 or 2, APE Pt. 1, and a reduction of $45 million via Line 17.3 of APE Pt. 2).~~.~~ If the contract is completely annuitized in year 2, the company must report $50 million in Column 2 as allocated premium (APE Pt. Line 1 or 2) and $50 million on Line 3.3, Part 1 (as an add--back) in the unallocated premium column. The Company should report a deduction of $5 million on APE Pt. 2 Line 17.3~~7.4~~ in Column 4 in the second year~~,~~ since it has reported the full $50 million received in Column 2 by the end of the

second year. On a cumulative basis, $0 is reported in Column 4. The Company has not subjected to assessment more premiumspremium than it has received.

(Millions of Dollars)

Example -Contract	Year 1				YEAR 2		
	Total Yr. 1	Col. 2	Col. 4		Total Yr. 2	Col. 2	Col. 4
Deposit	50	X	X		0	X	X
Annuitize	0	X	X		50	X	X
Amt. Rep. APE Pt. 1 -Lines 1 & 2	X	0	50		X	50	(-50)
Amt. Rep. Line 3.3	X	X	0		X	0	50
Amt. Rep. -Line 5	X	0	50		X	50	0
Amt. Rep. APE Pt.2 Line 17.37.4	X	X	45		X	0	5
Amt. Rep. APE Pt.2 -Line 2211	X	0	5		X	50	(-5)
Cumulative All Years -Line 2211	X	0	5		X	50	0

Four additional examples will further illustrate the correct reporting of deposit type contracts that partially or fully annuitize in a model act state. In these examples, it can be seen that at any point in time, the Company has never included more in the assessable premium base (Columns 2 and 4 combined) than what was received by the Company over that period of time. Also, the Company never included more than $5 million of assessable premium in Column 4 at any point in time.

(Millions of Dollars)

Contract #1	Year1			Year2			Year3			Year4			Year5			Cumulative		
		Col 2	Col 4		Col 2	Col 4		Col 2	Col 4		Col 2	Col 4		Col 2	Col 4		Col 2	Col 4
Deposit	5	X	X	5	X	X	5	X	X	5	X	X	5	X	X	25	X	X
Annuitize	1	X	X	3	X	X	2	X	X	1	X	X	8	X	X	15	X	X
Amt. Rep. APE Pt. 1 -Lines 1 & 2	X	1	4	X	3	2	X	2	3	X	1	4	X	8	(-3)	X	15	10
Amt. Rep. Line 3.3	X	X	1	X	X	3	X	X	2	X	X	1	X	X	8	X	X	15
Amt. Rep. -Line 5	X	1	5	X	3	5	X	2	5	X	1	5	X	8	5	X	15	25
Amt. Rep. APE Pt. 2 Line 17.37.4	X	X	1	X	X	4	X	X	5	X	X	5	X	X	5	X	X	20
Amt. Rep. APE Pt. 2 -Line 2211	X	1	4	X	3	1	X	2	0	X	1	0	X	8	0	X	15	5

Cumulative -All Years -Line 22~~11~~	X	1	4	X	4	5	X	6	5	X	7	5	X	15	5	X	X	X

For Contract #1, the Company received $25 million of deposits and included $20 million in the assessable premium base ($15 million as annuity considerations and $5 million as deposit funds) over the five-year period.

(Millions of Dollars)

Contract #2	Year~~Yr~~ 1			Year~~Yr~~ 2			Year~~Yr~~ 3			Year~~Yr~~ 4			Year~~Yr~~ 5			Cumulative		
		Col 2	Col 4		Col 2	Col 4		Col 2	Col 4		Col 2	Col 4		Col 2	Col 4		Col 2	Col 4
Deposit	10	X	X	10	X	X	5	X	X	5	X	X	5	X	X	35	X	X
Annuitize	1	X	X	3	X	X	2	X	X	1	X	X	28	X	X	35	X	X
Amt. Rep. APE Pt. 1 -Lines 1 & 2	X	1	9	X	3	7	X	2	3	X	1	4	X	28	(-23)	X	35	0
Amt. Rep. Line 3.3	X	X	1	X	X	3	X	X	2	X	X	1	X	X	28	X	X	35
Amt. Rep. -Line 5	X	1	10	X	3	10	X	2	5	X	1	5	X	28	5	X	35	35
Amt. Rep. APE Pt. 2 -Line 17.3~~7.4~~	X	X	5	X	X	10	X	X	5	X	X	5	X	X	10	X	X	35
Amt. Rep. APE Pt. 2 -Line 22~~11~~	X	1	5	X	3	0	X	2	0	X	1	0	X	28	(-5)	X	35	0
Cumulative -All Years Line 22~~11~~	X	1	5	X	4	5	X	6	5	X	7	5	X	35	0	X	X	X

For Contract #2, the Company received $35 million of deposits and included $35 million in the assessable premium base ($35 million as annuity considerations and $0 as deposit funds) over the five-year period.

(Millions of Dollars)

Contract #3	Year~~Yr~~ 1			Year~~Yr~~ 2			Year~~Yr~~ 3			Year~~Yr~~ 4			Year~~Yr~~ 5			Cumulative ~~Cum~~		
		Col 2	Col 4		Col 2	Col 4		Col 2	Col 4		Col 2	Col 4		Col 2	Col 4		Col 2	Col 4
Deposit	10	X	X	10	X	X	0	X	X	0	X	X	0	X	X	20	X	X
Annuitize	1	X	X	3	X	X	2	X	X	1	X	X	8	X	X	15	X	X
Amt. Rep. APE Pt. 1 -Lines 1 & 2	X	1	9	X	3	7	X	2	(-2)	X	1	(-1)	X	8	(-8)	X	15	5
Amt. Rep. Line 3.3	X	0	1	X	X	3	X	X	2	X	X	1	X	X	8	X	X	15
Amt. Rep. -Line 5	X	1	10	X	3	10	X	2	0	X	1	0	X	8	0	X	15	20

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Amt. Rep. APE Pt. 2 Line 17.3~~7.4~~	X	0	5	X	X	10	X	X	0	X	X	0	X	X	0	X	X	15
Amt. Rep. APE Pt. 2 -Line 22~~11~~	X	1	5	X	3	0	X	2	0	X	1	0	X	8	0	X	15	5
Cumulative -All Years -Line 22~~11~~	X	1	5	X	4	5	X	6	5	X	7	5	X	15	5	X	X	X

For Contract #3, the Company received $20 million of deposits and included $20 million in the assessable premium base ($15 million as annuity considerations and $5 million as deposit funds) over the five-year period.

(Millions of Dollars)

Contract #4	Year~~Yr~~ 1			Year~~Yr~~ 2			Year~~Yr~~ 3			Year~~Yr~~ 4			Year~~Yr~~ 5			Cumulative ~~Cum~~		
		Col 2	Col 4		Col 2	Col 4		Col 2	Col 4		Col 2	Col 4		Col 2	Col 4		Col 2	Col 4
Deposit	5	X	X	5	X	X	5	X	X	5	X	X	5	X	X	25	X	X
Annuitize	1	X	X	6	X	X	0	X	X	0	X	X	8	X	X	15	X	X
Amt. Rep. APE Pt. 1 -Lines 1 & 2	X	1	4	X	6	(-1)	X	0	5	X	0	5	X	8	(-3)	X	15	10
Amt. Rep. Line 3.3	X	X	1	X	X	6	X	X	0	X	X	0	X	X	8	X	X	15
Amt. Rep. -Line 5	X	1	5	X	6	5	X	0	5	X	0	5	X	8	5	X	15	25
Amt. Rep. APE Pt. 2 -Line 17.3~~7.4~~	X	X	1	X	X	6	X	X	3	X	X	5	X	X	5	X	X	20
Amt. Rep. APE Pt. 2 -Line 22~~11~~	X	1	4	X	6	(-1)	X	0	2	X	0	0	X	8	0	X	15	5
Cumulative -All Years Line 22~~11~~	X	1	4	X	7	3	X	7	5	X	7	5	X	15	5	X	X	X

For Contract #4, the Company received $25 million of deposits and included $220 million in the assessable premium base ($15 million as annuity considerations and $5 million as deposit funds) over the five-year period. Contract #4 is different than~~from~~ Contract #1 in that after Year 2, only $3 million has been included in Column 4 since $7 million of the $10 million of deposits received has annuitized. For Year 3, $2 million is included in Column 4, bringing the cumulative total to $5 million, since a total of $15 million has been received, but only $7 million has annuitized.

You must provide a clear explanation of any -amounts -listed within ~~on~~ Line~~s~~ 3.5~~01, 3.502, 3.503, etc~~. Line 3.99 (Total) should represent the difference between gross and net premiums for each column.

Lines 4.1 through 4.4 are intended to transfer allocated and unallocated premiums between Columns 2 and 4 due to reporting differences with how a company may reflect such premiums in Schedule T (and thus Line 1 since Schedule T is the starting point of the APE Pt. 1). **If transfers are properly completed:**

- Column 2 should contain BOTH allocated and unallocated annuities associated with governmental retirement plans qualified under IRC Sections 401, 403(b) and 457 and all other allocated annuities.

- Column 4 should contain unallocated annuities associated with benefit plans protected by the Federal Pension Benefit Guaranty Corporation ("PBGC"), government lotteries, book value accounting guaranty for defined contribution benefit plan participants by reference to a portfolio of assets owned by the trustee (commonly referred to as "synthetic GICS"), and all other unallocated annuities including those that fund employee, union or association of natural persons benefit plans (other than those associated with governmental retirement plans qualified under IRC Sections 401,403(b) or 457, which should be included in Column 2 as mentioned above).

~~Line 4.1 Transfer amounts received to fund annuity contracts qualified under Internal Revenue Code Section 403(b) (sometimes referred to as tax sheltered annuities) from the Annuity Considerations column (Column 2) to the Deposit-Type Contract Funds and Other Considerations column (Column 4). This transfer line should be completed by companies that report 403(b) annuity amounts in the Life Contracts – Annuity Considerations column 3 (Life blank) or Life & Annuity Premiums & Other Considerations Column 6 in part (Health blank) of Schedule T. All 403(b) amounts in that column should be transferred to Column 4 of the Base Reconciliation Exhibit, whether the 403(b) contract was issued to a governmental or non-governmental policyholder. The amount entered as a negative in the Annuity Considerations column must exactly match the amount entered as a positive in the Deposit- Type Contract Funds and Other Considerations column.~~

~~NOTE: In 1995, the NAIC adopted changes to Section 6.A(1)(b) and 6.A(1)(c) of the Model #520 which effectively reclassified contracts issued under a governmental retirement plan established under Section 401, 403(b) or 457 of the U.S. Internal Revenue Code from the unallocated annuity to the allocated annuity account (Non-governmental 401 and 403(b) contracts funded by an unallocated annuity contract remain in the unallocated annuity account.) Although now inconsistent with the adopted change, Base Exhibit, Line 4.1 must continue to be completed in accordance with the instructions in the preceding paragraph since no state has yet adopted this change. Changes to future annual statement instructions, forms or formula charts will be considered at such future date if and when adopted by individual state(s).~~

~~Line 4.2 Transfer any allocated annuity amounts included in the Deposit Type Contract Funds and Other Considerations column (Column 4) to the Annuity Considerations column (Column 2), except for amounts received to fund annuity contracts qualified under Internal Revenue Code Section 403(b) contracts. This includes all allocated annuity contracts, regardless of whether the annuity is in deferred or payout status, whether the annuity is group or individual, and whether the annuity is qualified or non-qualified for tax purposes.~~

According to Model #520, an "unallocated annuity contract means any annuity contract or group annuity certificate that is not issued to and owned by an individual, except to the extent of any annuity benefits guaranteed to an individual by an insurer~~a reporting entity~~ under the~~such~~ contract or certificate." An annuity is considered allocated unless it is unallocated. Examples of unallocated annuity contracts might be guaranteed investment contracts, deposit administration contracts, and unallocated funding agreements where no contract or agreement issued by the reporting entity, nor any certificate issued by the reporting entity there under~~thereunder~~, guarantees individual benefits to specifically identified individuals.

Annuity contracts issued by the reporting entity that are held or owned in an individual retirement account under IRC Section 408(a) (whether the account is a custodial account or a trust), or which qualify as individual retirement annuities under IRC Section 408(b), should be considered allocated.

Group annuities may be allocated or unallocated. (The term "unallocated" is not synonymous with the term "group".) A group contract or certificate that guarantees annuity benefits to an individual (this is not the guarantee typically found in a guaranteed investment contract or deposit administration contract which allows the pension trustee or administrator to purchase an annuity for a plan participant at a guaranteed purchase rate) should be considered allocated. In addition to contracts under which periodic payments are being made to individuals, group annuity contracts should be considered allocated if the reporting entity is obligated under the contract upon the request of an individual (or his or her beneficiary) to make either partial or full cash withdrawal payments, which may be subject to plan or statutory restrictions, to the individual (or his or her beneficiary).

The reporting entity will be considered to be obligated upon the request of an individual to make either partial or full cash withdrawal payments if withdrawals or death benefit payments are made from that participant's account maintained (by the reporting entity or its designee) under the terms of the group annuity contract and regardless of whether such requests are submitted to the reporting entity directly by the individual (or his or her beneficiary) or indirectly through the plan trustee, administrator, sponsor or contract holder at the direction of the individual. ~~As discussed in Line 4.1, the NAIC adopted a change to Model #520 that reclassifies governmental retirement plans established under Section 401, 403(b) and 457 of the Internal Revenue Code to the allocated annuity account. However, until adopted by a state legislature, 403(b) annuities should remain in the Deposit-Type Contract Funds and Other Considerations column (Column 4) to be consistent with existing statutes that require that these contracts be included with unallocated annuities for assessment purposes where applicable. Note that the amount entered as a negative in the Deposit-Type Contract Funds and Other Considerations column must exactly match the amount entered as a positive in the Annuity Considerations column.~~

Line 4.1 – ~~3~~ Transfer all~~any unallocated annuity~~ amounts received to fund ALLOCATED contracts qualified under IRC Sections 401, 403(b) or 457 from~~included in~~ the Unallocated Annuity Column (Column 4) to the Allocated Annuity Column~~Considerations column~~ (Column 2). Companies that report these amounts in the Annuity Considerations Column 5 or 7 (Life blank) or Life & Annuity Premiums & ~~) to the Deposit-Type Contract Funds and~~ Other Considerations Column 6 in part (Health blank) of Schedule T, should complete this transfer line.

All amounts received for allocated contracts qualified under IRC Sections 401, 403(b) or 457 should be transferred to Column 2 of the APE Pt. 1, whether the contracts were issued to a governmental or non-governmental policyholder. ~~column (Column 4).~~ The amount entered as a negative in the Unallocated Annuity Column (Column 4)~~Considerations column~~ must exactly match the amount entered as a positive in the Allocated Annuity Column (Column 2).

Line 4.2 – Transfer all amounts received to fund UNALLOCATED contracts for governmental plans (or its trustee) qualified under IRC Sections 401, 403(b) or 457 from the Unallocated Annuity Column (Column 4) to the Allocated Annuity Column (Column 2). Companies that report these amounts in the Annuity Considerations Column 5 or 7 (Life blank) or Life & Annuity Premiums & ~~Deposit-Type Contract Funds and~~ Other Considerations Column 6 in part (Health blank) of Schedule T, should complete this transfer line. The amount entered as a negative in the Unallocated Annuity Column (Column 4) must exactly match the amount entered as a positive in the Allocated Annuity Column (Column 2).~~column.~~

Line 4.3 – Transfer any allocated annuity amounts included in the Unallocated Annuity Column (Column 4) to the Allocated Annuity Column (Column 2), except for amounts received to fund allocated annuity contracts qualified under IRC Sections 401, 403(b) or 457, which are to be transferred on Line 4.1. This includes all allocated annuity contracts, regardless of whether the annuity is in deferred or payout status, whether the annuity is group or individual, whether the annuity is qualified or non-qualified for tax purposes and whether the annuity is held or owned in an individual retirement account under IRC Section 408(a) or an individual retirement annuity under IRC Section 408(b). The amount entered as a negative in the Unallocated Annuity Column (Column 4) must exactly match the amount entered as a positive in the Allocated Annuity Column (Column 2).

Line 4.4 – Transfer any unallocated annuity amounts included in the Allocated Annuity Column (Column 2) to the Unallocated Annuity Column (Column 4) other than amounts that fund unallocated contracts owned by a governmental retirement plan (or its trustee) established under IRC Sections 401, 403(b) or 457. The amount entered as a negative in the Allocated Annuity Column must exactly match the amount entered as a positive in the Unallocated Annuity Column.

Line 4.99 – Total for Lines 4.1 through 4.4 Columns 2 and 4. The sum of Columns 2 and 4 on Lines 4.1 through 4.99 should equal zero (0) for each state.

Development of Amounts Included in Lines 1 through~~Through~~ 5 That Should Be Deducted in Determining the Gross Premium Base

On both APE Part 1 and 2, companies~~Lines 6 through 9.99 are deductions from assessable premium based on the *Life and Health Insurance Guaranty Association Model Act* (#520) provisions. Companies~~ must be careful not to deduct the same

premium or deposits on more than one line. For example, amounts deducted on Line 6.1 as non-guaranteed separate account deposits should not be deducted a second time on APE Pt. 2.Line 7.3 if those separate account deposits represent unallocated annuity deposits for a pension plan contract in excess of $5 million. Companies may only deduct amounts on Lines 6 through 9.99 (except for certain dividends allowed inamounts on Line 98) to the extent those amounts have been included on Lines 1 through 5 of APE Pt. 1. Lines 6 through 9 are allowable exclusions prior to deductions on APE Pt. 2the Base Reconciliation Exhibit.

Lines 6.01 – 6.99 – Enter amounts received for any portion of a policy or contract not guaranteed by the reporting entity, or under which the investment risk is borne entirely by the policy or contract holder. These amounts are those specified at the time of deposit as intended for deposit in separate accounts. Amounts entered on this linethese lines are typically non-guaranteed separate account premiums. DO NOT INCLUDE on these lines amounts transferred to any guaranteed separate accounts. **Two types of annuity contracts that should NOT be reported on Line 6 are: (i) modified guaranteed annuities, market-adjusted annuities, or other contracts where the amounts payable on at least one future date do not (or may not) depend solely on the investment performance of assets in the separate accounts**; **and (ii) guaranteed investment contracts issued to fund pension plans, even if there are nonot mortality guarantees or only incidental mortality guarantees.** Such contracts are not properly includable on Line 6 since the reporting entity retains an investment risk.

Amounts entered on Line 6 should correspond to amounts reported on the Annual Statement of Separate Accounts to the extent amounts are included on Lines 1 through 5 of the APE Pt. 1. Line 6Base Reconciliation Exhibit. Specify deductions and indicate where such amounts were reported in the Annual Statement. Lines 6.1 – 6.99 should not include transfers to a separate account except to the extent such transfers represent current year premiums included on Lines 1 through 5 of the APE Pt. 1. Do NOT include such amounts in APE Pt. 2 line itemsBase Reconciliation Exhibit. Companies must specifically identify deductions on Lines 6.01 through 6.99 and indicate where such amounts are reported in the Annual Statement and where they are reported on Lines 1 through 5 of the Base Reconciliation Exhibit.

Line 7 – Enter amounts received during the current year for unallocated annuity contracts associated with the Federal Home Loan Bank Program BUT ONLY IF included in Line 5 above. Do NOT include such amounts in APE Pt. 2 line items.

Line 8 – Enter amounts received during the current year only for supplemental contacts (with and without life contingencies) and contracts associated with retained asset programs BUT ONLY IF such amounts are included in APE Pt. 1 Line 5 AND the prior year amounts for the original contracts were reported as assessable premium. For example, if the original premiums were reported as life premiums but deducted as variable separate account business, then the supplemental contract funds would not be an allowable deduction since the original premiums were not reported as assessable premium in the prior years. Do NOT include such amounts in APE-Pt. 2 line items.

Line 9 – Enter dividends, but only if such amounts were not guaranteed in advance. Examples of items that might be reported on Line 9 include dividends applied to pay renewal premiums, paid in cash or left on deposit. Dividends applied to shorten the endowment or premium paying period or to provide paid-up additions or annuities may also be included BUT ONLY IF such items are also reported on APE Pt. 1 lLines 2.3 or 2.4Lines 7.1 –

7.4 – Enter unallocated amounts that meet the descriptions provided on Lines 7.1, 7.2 and 7.3.

Line 7.1 – Allows a deduction for any . Excess interest should not be deducted as dividends.

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Assessable Premium Base – Part 1

Line 10 – Assessable premium base before further adjustments.

Footnote 1 – Costs associated with long-term care business are now to be allocated among all accounts (historically they have been treated solely as health business) such that the costs are allocated between life and health companies as defined in the guaranty association statutes or plan of operations for long-term care cost allocation purposes only. In general, the allocation is designed to achieve a 50/50 split, although variances may occur by state. In order to determine if a member company is a life or health company, assessable health premiums for this purpose only are to exclude premiums associated with disability and long-term care business. Report in Footnote 1 (Parts a and b) the assessable premium for standalone business included on APE Pt. 1 Line 10 for these blocks. Include both short term and long-term disability premiums. Do NOT include disability or long-term care premiums that relate to coverage under a rider attached to a life or annuity product. Premiums for these riders should be reported with the original base policy designation (e.g. life or annuity).

Footnote 2 – Please provide for each state in which business is reported the primary contact information that a guaranty association may use to address assessment inquiries (billing, payment etc.).

Name:	
Department	
Street Address	
City, State, Zip	
Direct Phone Number	
Email address	

Assessable Premium Exhibit – Part 2

The APE Pt. 2 has the same four columns used for APE Pt. 1. Column 1 is for all individual and group life insurance premiums. Column 2 is for all allocated annuity amounts (whether called premiums, deposits, or considerations), including annuities held or owned in an individual retirement account under IRC Section 408(a) (whether the account is a custodial account or a trust), or which qualify as individual retirement annuities under IRC Section 408(b) and both allocated and unallocated annuity governmental retirement plans established under IRC Sections 401, 403(b) or 457. Column 3 is for all individual and group accident and health premiums. Column 4 is for all unallocated annuity amounts (whether called premiums, deposits, or considerations) other than amounts received ~~contract that is not issued to or~~ in connection with governmental retirement benefit plans qualified under IRC Sections 401, 403(b) or 457 (which should be in Column 2). Companies are required to complete each line of the APE Pt. 2 for all states, District of Columbia and Puerto Rico in which they were licensed or had business during the reporting year along with a grand total page. DO NOT SUBMIT the APE Pt. 2 for American Samoa, Guam, U.S. Virgin Islands, Canada, Northern Mariana Islands and other alien jurisdictions.

APE Pt. 2 requires certain adjustments in all accounts to obtain the correct state level assessable premium with emphasis in both the allocated and unallocated annuity accounts. All lines for all columns must be completed for all states in which your company is licensed or had business during the survey year. Deductions related to unallocated annuity contracts MUST be detailed on Lines 14 through 21, where appropriate.

Certain line items pertain only to specific states (Iowa, Kansas, Louisiana, Minnesota and New Jersey) and must be completed accordingly

Line 11 – Assessable Premium Base – Part 1

The amount from Line 10 of the APE Pt. 1 should be transferred to Line 11 of the APE Pt. 2.

Line 12.1-12.2 – Enter amounts received in excess of $1 million (Line 12.1) or $5 million (Line 12.2) for multiple non-group policies of life insurance owned by one owner (commonly referred to as "COLI/BOLI") whether the policy or contract owner is an individual, firm, corporation or other person, and whether the persons insured are officers, managers, employees or other persons regardless of the number of policies and contracts held by the owner.

Line 13.1-13.99– Enter amounts received for certain accident & health policies. Lines 13.5 (stop loss) and 13.6 (MEWA, ASO etc.) should only apply to the extent the plan or program is self-funded or uninsured.

Line 14 – All amounts related to annuities issued in connection with plans qualified under IRC Section 403(b) ("403(b) premiums") (both allocated and unallocated) should be included in Column 2 (Allocated Annuity and Other Allocated Fund Deposits) on the APE Pt. 1 presuming your transfers on APE Pt. 1 Line 4.1 are done correctly. These amounts must be transferred to Column 4 (Unallocated Annuity and Other Unallocated Fund Deposits) in order to include the 403(b) premiums for allocated annuities in Column 4 for certain states that have not adopted the most recent account structure. The amount to be transferred from Column 2 to Column 4 represents the amount of 403(b) premiums for allocated annuity contracts ONLY to the extent included in Lines 10 of APE Pt. 1 and 11 of APE Pt. 2. Those companies that originally reported these 403(b) premiums in Column 2 of the APE Pt. 1 must transfer such amounts to Column 4 even though no original transfer was required on APE Pt. 1 ~~I~~Line 4.1. Enter in Column 2 a negative amount and Column 4 a corresponding positive amount (both amounts must be the same).

The total for Line 14 Columns 2 and 4 should equal zero (0) in all states.

Line 15.1-15.6 – Companies that have unallocated funding obligations to provide a book value accounting guaranty for defined contribution benefit plan participants by reference to a portfolio of assets that is owned by the benefit plan or its trustee, which in each case is not an affiliate of the member insurer (commonly referred to as "synthetic GICs") must report such amounts on the applicable Line 15. Lines 15.1, 15.2 and 15.3 are mutually exclusive.

Lines 15.5 and 15.6 need to be completed (respectively) for Minnesota and New Jersey business only.

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Line 15.3 should only include those amounts in excess of $5 million. For example, for a $15 million contract providing a book value accounting guaranty, the company should report $1 million on Line 15.1, $4 million on Line 15.2 and $10 million on Line 15.3.

Lines 16.1-16.3 – Companies that have unallocated funding obligations that are not issued to or in connection with a specific employee, union, or association of natural persons benefit plan or ~~a~~ government lottery must report such amounts on the applicable Line 16. An example of an appropriate Line 16~~7.1~~ deduction would be amounts received to fund a municipal guaranteed investment contract (commonly referred to as "Muni-GICs"). Line 16.3 applies to New Jersey business only.

Lines 17.1-18~~Line 7~~.2 – Companies that have~~Allows a deduction for any~~ unallocated funding obligations~~annuity contract~~ issued to fund government lotteries or in connection with a specific ~~an~~ employee, union, or association of natural persons benefit plans that are NOT: (a) governmental retirement plans established under IRC Sections 401, 403(b) or 457, or (b)~~plan~~ protected by ~~under~~ the Federal Pension Benefit Guaranty Corporation must report such amounts on the applicable Lines 17 or 18. Lines 17.1, 17.2 and 17.3 are mutually exclusive.

Lines 17.5 to 18.2 need to be completed (respectively) for Minnesota (line 17.5), New Jersey (line 18.1) and Iowa (Line 18.2) business only. Like the example in Line 15, Line 17.3 should only include those amounts in excess of $5 million. As mentioned on APE Pt. 1 Line 3, for those contracts that have annuitized, the Company should report a deduction of $5 million on APE Pt. 2 Line 17.3 in Column 4 in the second or subsequent years. For additional details, please refer to the instructions for lines APE Pt. 1 Lines 3.1-3.99.

Lines 19.1-19.8 – Premium, funds or considerations related to unallocated annuities that fund governmental retirement benefit plans qualified under IRC Sections 401, 403(b) and 457 are included in APE Pt. 1 Line 10 and APE Pt. 2 Line 11, Column 2. They must be transferred to Column 4 before certain unallocated deductions can be taken. For all such premiums, funds or considerations enter in Column 2 a negative amount and in Column 4 a corresponding positive amount (both amounts must be the same). Lines 19.1, 19.2 and 19.3 are mutually exclusive. Like the example in Line 15, Line 19.3 should only include those amounts in excess of $5 million.

Lines 19.5 and 19.6 need to be completed (respectively) for Minnesota and New Jersey business only.

For Louisiana, Line 19.7 should include only amounts related to unallocated annuities issued in connection with governmental retirement benefit plans qualified under IRC Section 403(b). Report all such amounts as a positive in Column 4.

For Kansas, Line 19.8 should include only amounts related to unallocated annuities issued in connection with governmental deferred compensation plans qualified under IRC Section 457. Report all such amounts as a positive in Column 2.

Lines 20.1-20.2 – Companies that have unallocated annuity contracts issued to an employee benefit plan protected by the Federal Pension Benefit Guaranty Corporation must report such amounts on Lines 20.1 and 20.2.~~(PBGC).~~ Employee benefit plans protected by the PBGC are defined benefit plans only and do not include defined contribution plans.

~~Line 7.3 Allows a deduction for unallocated annuity premiums in excess of $5 million for unallocated government lotteries and for any unallocated employee, union or association of natural persons benefit plans that is not: (a) governmental retirement plan established under Sections 401, 403(b) or 457 of the U.S. Internal Revenue Code or (b) protected under the Federal Pension Benefit Guaranty Corporation. Line 7.3 should only include those amounts in excess of $5 million. For example, for a $15 million guaranteed investment contract issued to an employee benefit plan, the company should report $10 million (i.e., amounts in excess of $5 million) on Line 7.3. Do not include on Lines 7.1, 7.2 or 7.3 amounts that have been reported as transfers or deductions on any other lines (e.g., Lines 4.2, 6, 7.1, 7.2 or 7.3).~~

~~Line 8 Enter dividends and experience rating credits, but only if such amounts were not guaranteed in advance. Examples of items that might be reported on Line 8 include: (i) non-guaranteed amounts that constitute a return of premiums collected in the current year and paid out of divisible surplus; and (ii) non-guaranteed experience rating credits that were not already deducted in determining Lines 1 and 2. Excess interest should not be deducted as dividends.~~

Line 21 – ~~Lines 9.01 – 9.99~~ Enter any other deductible amounts with a clear explanation of the nature of such deduction on Lines 21~~9~~.01, 21~~9~~.02, 21~~9~~.03, etc. An example of an appropriate deduction is experience rating refunds (Column 3 but only if reported as premium income) or annuitization activity to avoid double counting premiums (Column 2 or 4~~the premiums received for the Federal Employee Health Benefits Plan contracts in the Accident and Health column (Column 3~~). Deductions are not permitted for premiums received for the Federal Employee Group Life Insurance. Line 21~~9~~ should not be used as a substitute for deductions that are to be reported on any of the above lines. Deductions are not permitted ~~in the first three columns~~ for amounts received in excess of coverage limits specified in the Guaranty Laws (i.e., a reporting entity cannot deduct amounts received or contract values in excess of $250~~100~~,000 related to allocated annuity contracts).

Line 22 – Represents the assessable premium base for all states – see state specific formula.

NOTE: Cross check for APE Pt. 2 Column 4

The aggregate amounts on APE Pt. 2 Lines 15.4, 16.2, 17.4, and 20.2 should equal APE Pt. 2 Line 11, Column 4.

~~**Model Act Base**~~

~~Line 11 – Line 11 equals Line 5 minus Line 10.~~

~~ADJUSTMENTS TO THE~~
~~LIFE, HEALTH AND ANNUITY GUARANTY ASSOCIATION~~
~~MODEL ACT ASSESSMENT BASE RECONCILIATION EXHIBIT~~

~~Introduction~~

~~The purpose of the Adjustments to the Life, Health and Annuity Guaranty Association Model Act Assessment Base Reconciliation Exhibit (Adjustments Exhibit) is to collect premium information needed by State Guaranty Associations to make assessments. The Adjustments Exhibit must be prepared with the same care and accuracy that would be used in preparing the Annual Statement, since the information is being provided to the Guaranty Fund Associations.~~

~~These instructions are intended to assist companies in completing the Adjustments Exhibit.~~22 – Represents the assessable premium base ~~If a company is unsure if it is a member of a life, health and annuity guaranty association, it should contact the state life, health and annuity guaranty associations in its state of domicile or state(s) where it is licensed to write life, health and annuity business.~~

~~The Adjustments Exhibit has four columns: Column 1 is~~ for all ~~individual and group life insurance premiums; Column 2 is for all individual and group allocated annuity amounts (whether called premiums, deposits, or considerations); Column 3 is for all individual and group accident and health premiums; and Column 4 is for all unallocated annuity amounts (whether called premiums, deposits or considerations). However, the Adjustments Exhibit requires annuity information only for~~ states – see state ~~that have not adopted the most recent *Life and Health Insurance Guaranty Association Model Act* (#520). Companies are required to complete each line of the Adjustments Exhibit for all states, District of Columbia and Puerto Rico in which they were licensed or had business during the reporting year, except for those states that use the Base Reconciliation Exhibit for their respective assessment premium base (these states may be identified by referring to the respective assessment premium base formulas). DO NOT SUBMIT the Adjustments Exhibit for American Samoa, Guam, U.S. Virgin Islands, Canada, Northern Mariana Islands and other alien jurisdictions. If your company writes only life and/or accident and health insurance, there is no need to submit the Adjustments Exhibit (you may enter any miscellaneous adjustment your company may have to life and accident and health business on Line 9 of the Base Exhibit pursuant to the applicable instructions.)~~

~~Should you have questions about how to fill out the Adjustments Exhibit, and the answers are not provided in the instructions below, you may wish to consult the Model #520, particular State Guaranty Acts, the *Annual Statement Instructions*, your company attorney, particular State Insurance Departments, or particular State Guaranty Association Administrators.~~

~~Adjustments to the Base Reconciliation Exhibit~~

~~All Lines (except Lines 5.3, 6.4 and 9) of Column 4 (Unallocated Annuity Considerations and Other Unallocated Fund Deposits) and Line 2 of Column 2 (Allocated Annuity and Other Allocated Fund Deposits) must be completed for all states in which your company is licensed or did business during the survey year, except for those states that use the Base Reconciliation Exhibit for their respective assessment premium base. (These states may be identified by referring to the respective assessment premium base formulas.) DO NOT SUBMIT the Adjustments Exhibit for American Samoa, U.S. Virgin Islands, Canada, Northern Mariana Islands and other alien jurisdictions.~~

~~Deductions related to unallocated annuity contracts MUST be detailed on Lines 3 through 9, where appropriate. Deductions on Line 10 related to amounts received on unallocated annuity contracts WILL NOT be allowed.~~

~~Line 1 Model Act Base~~

~~The amount from Line 11 of the Base Reconciliation Exhibit should be transferred to Line 1 of the Adjustments Exhibit.~~

~~Line 2 — All 403(b) annuities are included in Column 4 (Unallocated Annuity and Other Unallocated Fund Deposits) on the Base Reconciliation Exhibit and must be transferred to Column 2 (Allocated Annuity and Other Allocated Fund Deposits) for certain states that have not adopted the most recent Model #520 in its entirety. The amount to be transferred from Column 4 to Column 2 represents the amount of 403(b) annuity premiums included in Line 1 of the Adjustments Exhibit, regardless of whether it was originally reported in Column 2 or Column 4 of the Base Reconciliation Exhibit. Those companies that originally reported 403(b) premiums in Column 4 of the Base Reconciliation Exhibit must transfer such amounts to Column 2 even though no original transfer was required on Line 4.1 of the Base Reconciliation Exhibit.~~

~~Lines 3.1 and 3.2 — Companies that have unallocated funding obligations that are not issued to or in connection with a~~ specific formula~~employee, union or association of natural persons benefit plan or government lottery (Line 7.1 of the Base Reconciliation Exhibit) must report such amounts on Lines 3.1 and 3.2. Line 3.2 should include any amounts reported on Line 3.1.~~

~~Lines 4.1, 4.2 4.3 and 4.5 — Companies that have unallocated funding obligations issued to fund government lotteries or employee, union or association of natural persons benefit plans that are NOT: (a) governmental retirement plans established under Sections 401, 403(b) or 457 of the U.S. Internal Revenue Code, or (b) protected by the Federal Pension Benefit Guaranty Corporation must report such amounts on Lines 4.1, 4.2 and 4.3. Line 4.4 equals the sum of Lines 4.1, 4.2 and 4.3. Lines 4.1, 4.2 and 4.3 are mutually exclusive. Line 4.5 needs to be completed for Minnesota business only.~~

~~Lines 5.1, 5.2 5.3 and 5.4 — Companies that have unallocated funding obligations issued to fund governmental retirement plans established under Sections 401 and 457 of the U.S. Internal Revenue Code must report such amounts on Lines 5.1, 5.2 and 5.3. Line 5.2 should include the amounts reported on Line 5.1. Line 5.3 needs to be completed for New Jersey business only. Line 5.4 needs to be completed for Minnesota business only.~~

~~Lines 6.1, 6.2 6.4 and 6.5 — Companies that have unallocated funding obligations issued to fund governmental retirement plans established under Section 403(b) of the U.S. Internal Revenue Code must report such amounts on Lines 6.1 and 6.2. Line 6.3 equals the sum of Lines 6.1 and 6.2. Lines 6.1 and 6.2 are mutually exclusive. Line 6.4 needs to be completed for New Jersey business only. Line 6.5 needs to be completed for Minnesota business only.~~

~~Lines 7.1, 7.2 and 7.3 — Companies that have unallocated annuity contracts issued to an employee benefit plan protected by the Federal Pension Benefit Guaranty Corporation (Line 7.2 of the Base Reconciliation Exhibit) must report such amounts on Lines 7.1 and 7.2. Line 7.2 should include the amounts reported on Line 7.1. Line 7.3 needs to be completed for New Jersey business only.~~

~~Line 8 — Companies that have unallocated funding obligations issued to fund government lotteries must report such amounts up to $5 million per contract holder. This line should be completed for New Jersey business only.Line 9 — Companies that have unallocated funding obligations that fund employee or association of natural persons benefit plans in New Jersey in excess of $2 million need to report receipts up to $5 million per contract. This line should be completed for New Jersey business only.~~

~~Line 10 – Aggregate Write-ins for Other Deductions~~

~~Enter the total of the write-ins listed in schedule "Details of Write-ins Aggregated at Line 10 for Other Deductions."~~

~~Line 11 – Represents the preliminary assessment base calculation for those states that have not adopted the most recent Model #520.~~

~~Details of Write-ins Aggregated at Line 10 for Other Deductions~~

~~The company must provide a clear explanation of the amounts included on Line 10. Amounts deducted on any other lines on the Base Reconciliation Exhibit or Adjustments Exhibit should not be reported here, since to do so would amount to a duplicate deduction. Line 10 should not be used as a substitute for deductions that are to be reported on any of the above lines. In addition, deductions are not permitted in the first three columns for amounts received in excess of coverage limitations specified in the Guaranty Laws (e.g., a reporting entity cannot deduct amounts received or contract values in excess of $100,000 related to allocated annuity contracts).~~

~~NOTE: Cross check for Adjustments Exhibit Lines 3.2, 4.3 and 7.2, Column 4~~

~~The aggregate amounts on Adjustments Exhibit Lines 3.2, 4.3 and 7.2 should equal the aggregate of the amounts on Base Exhibit Lines 7.1, 7.2 and 7.3 less the amount reported on Base Exhibit Line 3.3.~~

ANNUAL STATEMENT BLANK – LIFE, HEALTH AND PROPERTY

LIFE, HEALTH & ANNUITY GUARANTY ASSOCIATION
ASSESSABLE PREMIUM~~MODEL ACT ASSESSMENT BASE RECONCILIATION~~ EXHIBIT – PART 1
For The Year Ended December 31, ____
(To Be Filed by April 1)

OF THE ..... NAIC COMPANY CODE .....

Direct Business in the State of _____

DEVELOPMENT OF ASSESSABLE PREMIUMS, CONSIDERATIONS AND DEPOSITS BEFORE ADDITIONAL ADJUSTMENTS ~~PREMIUMS, CONSIDERATIONS AND DEPOSITS~~	1 Life Insurance Premiums	2 Allocated Annuity and Other Allocated Fund Deposits~~Considerations~~	3 Accident and ~~&~~ Health Premiums	4 Unallocated Annuity and Other Unallocated Fund Deposits~~Deposit-Type Contract Funds and Other Considerations~~
1. Premiums, considerations and deposits from Schedule T or Exhibit of Premiums and Losses				
2. Premiums, considerations and deposits NOT reported in Schedule T or Exhibit of Premiums and Losses, including investment contract receipts credited to liability account				
2.1 Contract fees for variable contracts with guarantees				
2.2 Reporting entity contributions to employee benefits plans ~~Any other premiums, considerations and deposits not reported in Schedule T or Exhibit of Premiums and Losses~~				
2.3 Dividends or refunds applied to purchase paid-up additions and annuities				
2.4 Dividends or refunds applied to shorten endowment or premium paying period				
2.5 Premium and annuity considerations waived under disability or other contract provisions				
2.6 Aggregate write-ins for other considerations, if any				
2.99 Total (Lines 2.1 through 2.6)				
3. Amounts, if applicable, that were deducted prior to determining amounts included in Lines 1 and 2 which are in the following categories:				
3.1 Transfers to guaranteed Separate Accounts				
3.2 Roll over of GICs or annuities into other companies				
3.3 Surrenders or other benefits paid out				
3.4 Excess interest credited to accounts				
3.5 Aggregate write-ins for other amounts deducted prior to determining amounts included in Lines 1 or 2				
3.99 Total (Lines 3.1 through 3.5)				
4. Transfers between Columns 2 and 4 (Note allocated governmental retirement plans established under Sections 401, 403(b) or 457 are to be transferred on Line 4.1. unallocated governmental retirement plans are to be transferred on Lines 4.2:~~s~~				
4.1 Enter in Column 2, as a positive~~negative~~ number, and Column 4, as a negative~~positive~~ number, the total~~—~~ of all ALLOCATED contracts issued to fund both governmental and non-governmental retirement plans (or its trustee) ~~amounts received to fund contracts~~ established under Sections 401, 403(b) or 457 of the U.S. Internal Revenue Code, that are included in Column ~~4~~2, Lines 1, 2.99 ~~,~~and 3.99	XXX		XXX	
4.2 Enter in Column 2, as a positive number, and Column 4 as a negative number, the total of all UNALLOCATED contracts issued to fund ONLY governmental retirement plans (or its trustee) established under Sections 401, 403(b) or 457 of the U.S Internal Revenue Code~~any amounts~~ that are included~~any amounts reported~~ in Column 4, Lines 1, 2.99 and 3.99 ~~that are allocated. (Note: amounts received to fund contracts established under 403(b) of the U.S. Internal Revenue Code should not be included in Line 4.2~~	XXX		XXX	
4.3 Enter in Column 2, as a positive number, and Column 4, as a negative number, the total of all other amounts reported in Column 4, Lines 1, 2.99 and 3.99 that are **allocated**. (Note: Do NOT include amounts received to fund allocated annuity contracts owned by both non-governmental and governmental retirement plans (or its trustee) established under Section 401, 403(b) or 457 of the U.S. Internal Revenue Code as these amounts are to be included on ~~t~~Line 4.1).	XXX		XXX	
4.~~4~~3 Enter in Column 4, as a positive number, and Column 2 as a negative number, the total of all amounts ~~any amounts~~ reported in Column 2, Lines 1, 2.99, and 3.99 that are unallocated , other than amounts that fund unallocated contracts owned by a governmental retirement plan (or its trustee) established under Section 401, 403(b) or 457 of the U.S. Internal Revenue Code as these amounts should remain in Col. 2	XXX		XXX	
4.99 Total (Lines 4.1 through 4.~~+~~ 4.2 ~~+~~ 4.3)				
5. Total (Lines 1 + 2.99 + 3.99 + 4.99)				
DEVELOPMENT OF AMOUNTS INCLUDED IN LINES~~ 1 THRU~~ 5 THAT SHOULD BE DEDUCTED IN DETERMINING THE BASE THE BASE PRIOR TO ADDITIONAL ADJUSTMENTS IN PART 2. Do not include any amount more than once in Lines 6 through 9.				
6. Non-guaranteed separate account business in which the ~~Aggregate write-ins for amounts where the insurer is not subject to risk. P~~premiums are for portions of policies or contracts NOT guaranteed or under which the entire investment risk is borne by the policyholder ~~. (Please specify such deductions and indicate where such amounts were reported in the Annual Statement~~				
7. Current year amounts received as part of the Federal Home Loan Bank program BUT ONLY IF included in Line 5				
8. Current year amounts received for supplemental contracts and retained asset programs BUT ONLY IF included in Line 5 and if any prior years original premiums were reported as assessable premium				
~~7. Amounts NOT allocated to individuals or individual certificate holders or amounts received for such contracts in excess of limits::~~				

~~7.1 Unallocated funding obligations that do NOT fund government lotteries or employee, union, or association of natural persons benefit plans~~	~~XXX~~	~~XXX~~	~~XXX~~	
~~7.2 Unallocated funding obligations that fund any employee, union or association of natural persons benefits plans protected by the Federal Pension Benefit Guaranty Corporation~~	~~XXX~~	~~XXX~~	~~XXX~~	
~~7.3 Unallocated funding obligations that fund governmental lotteries or employee, union, or association of natural persons benefit plans in excess of $5 million per contract which are NOT: (a) government retirement plans established under Section 401, 403(b) or 457 of the U.S. Internal Revenue Code, or (b) protected by the Federal Pension Benefit Guaranty Corporation~~	~~XXX~~	~~XXX~~	~~XXX~~	
~~7.4 Total (Lines 7.1 + 7.2 + 7.3)~~	~~XXX~~	~~XXX~~	~~XXX~~	
9~~8~~. Dividends~~/Experience rating credits~~ paid or credited, but only if NOT guaranteed in advance~~ (include only amounts NOT already deducted in determining Lines 1 and 2~~				
~~9. Aggregate write-ins for Other Deductions~~				
~~10. Total (Lines 6 + 7.4 +8 + 9)~~				
ASSESSABLE PREMIUM ~~MODEL ACT~~ BASE BEFORE ADDITIONAL ADJUSTMENTS IN PART 2~~(LINE 5 - LINE 10)~~				
10~~1~~.Current Year before Part 2 additional adjustments – (Line 5 – 6 – 7 - 8 - 9)				
DETAILS OF WRITE-INS				
2.601				
2.602				
2.603				
2.698 Summary of remaining write-ins for Line 3.5 from overflow page				
2.699 Total (Lines 2.601 through 2.603 plus 2.698) (Line 3.5 above)				
~~**DETAILS OF WRITE-INS**~~				
3.501				
3.502				
3.503				
3.598 Summary of remaining write-ins for Line 3.5 from overflow page				
3.599 Total (Lines 3.501 through 3.503 plus 3.598) (Line 3.5 above)				
~~0601~~				
~~0602~~				
~~0603~~				
~~0698 Summary of remaining write-ins for Line 6 from overflow page~~				
~~0699 Total (Lines 0601 through 0603 plus 0698) (Line 6 above)~~				
~~0901~~				
~~0902~~				
~~0903~~				
~~0998 Summary of remaining write-ins for Line 9 from overflow page~~				
~~0999 Total (Lines 0901 through 0903 plus 0998) (Line 9 above)~~				

Footnote 1: For purposes of allocating Long Term Care ("LTC") costs involving an insolvent company, please indicate the premium associated with standalone Disability Income ("DI" - include both short and long term) and Long-Term Care business included in Line 10, Column 3. Note DI and LTC premium associated with a rider that is attached to a life or annuity policy should NOT be included.

1 a) Disability Income (include both short and long term)	XXX	XXX		XXX
1 b) Long-term care	XXX	XXX		XXX

Footnote 2: For purposes of all billed assessment inquiries, please indicate the individual for each state that the guaranty association should contact regarding assessment inquiries (billing, payment, etc.)

Individual name	
Title	
Department	
Street address	
City, State ZIP	
Direct phone number	
Email address	

~~**ADJUSTMENTS TO THE**~~
LIFE, HEALTH & ANNUITY GUARANTY ASSOCIATION ~~MODEL ACT~~
~~**ASSESSMENT BASE RECONCILIATION**~~
ASSESSABLE PREMIUM EXHIBIT – PART 2

For The Year Ended December 31, ____
(To Be Filed by April 1)

OF THE ..... NAIC COMPANY CODE.....

Direct Business in the State of _____

	1 Life Insurance Premium	2 Allocated Annuity and Other Allocated Fund Deposits	3 Accident & Health Premium	4 Unallocated Annuity & Other Unallocated Fund Deposits
11. Line 10 of the Assessable Premium Exhibit – Part 1~~MODEL ACT BASE (Line 11 of the Reconciliation Exhibit)~~				
AMOUNTS REQUIRED TO DETERMINE THIS STATE'S ASSESSMENT BASE				
12. Premium received for multiple non-group policies of life insurance owned by one owner:				
12.1 Amounts in excess of $1 million	.....	XXX	XXX	XXX
12.2 Amounts in excess of $5 million	.....	XXX	XXX	XXX
13. Excludable premiums for accident and health contracts:				
13.1 Federal Employees Health Benefit Program	XXX	XXX	.....	XXX
13.2 Medicare Title XVIII (note Medicare Part D stand alone plans are to be reported separately on ~~I~~Line 13.3	XXX	XXX	.....	XXX
13.3 Medicare Part D stand alone plans	XXX	XXX	.....	XXX
13.4 Medicaid Title XIX	XXX	XXX	.....	XXX
13.5 Stop loss contracts	XXX	XXX	.....	XXX
13.6 MEWA, ASO, minimum premium group plans to the extent these plan or program are self-funded or uninsured	XXX	XXX	.....	XXX
13.7 State Children's Health Insurance Program Title XXI	XXX	XXX	.....	XXX
13.99 Total (Lines 13.1 through 13.7)	XXX	XXX	.....	XXX
14~~2~~. Enter in Column 2, as a negative~~positive~~ number, and Column 4, as a positive~~negative~~ number, the total of all amounts included in Column 2, Line 11 above that have been received to fund ALLOCATED~~allocated~~ contracts established under Section 403(b) of the U.S. Internal Revenue Code, include both governmental and non-governmental plans~~that are included in Column 4, Line 1 above~~	XXX	.....	XXX	.....
15. Amounts received from obligations to provide a book value accounting guaranty for defined contribution benefit plan participants by reference to a portfolio of assets that is owned by the benefit plan or its trustee, which in each case is not an affiliate of the member insurer:				
15.1 Amounts NOT in excess of $1 million per contract	XXX	XXX	XXX	.....
15.2 Amounts in excess of $1 million but NOT in excess of $5 million per contract	XXX	XXX	XXX	.....
15.3 Amounts in excess of $5 million per contract	XXX	XXX	XXX	.....
15.4 Total (Lines 15.1+ 15.2 + 15.3)	XXX	XXX	XXX	.....
15.5 Amounts NOT in excess of $10 million per contract (Minnesota only)	XXX	XXX	XXX	.....
15.6 Amounts in excess of $2 million per contract (New Jersey only)	XXX	XXX	XXX	.....
16.~~3~~. Unallocated funding obligations that are~~do~~ NOT issued to or in connection with a ~~fund~~ government lottery~~ies~~ or a specific employee, union, or association of natural persons benefit plans:				
16~~3~~.1 Amounts NOT in excess of $1 million per contract	XXX	XXX	XXX	.....
16~~3~~.2 All amounts (include amounts reported on Line 16.1)	XXX	XXX	XXX	.....
16.3 Amounts in excess of $2 million per contract that are NOT issued to a specific employee, union, or association of natural persons benefit plans (New Jersey only)	XXX	XXX	XXX	.....
17~~4~~. Unallocated funding obligations issued to or in connection with a ~~fund~~ government lottery~~ie~~, based on the resident of the owner, ~~s~~ or a specific employee, union, or association of natural persons benefit plans, based on the principal place of business of the plan sponsor, which are NOT: (a) governmental retirement plans established under Sections 401, 403(b) or 457 of the U.S. Internal Revenue Code, or (b) protected by the Federal Pension Benefit Guaranty Corporation:				
17~~4~~.1 Amounts NOT in excess of $1 million per contract	XXX	XXX	XXX	.....
17~~4~~.2 Amounts in excess of $1 million but NOT in excess of $5 million per contract	XXX	XXX	XXX	.....
17~~4~~.3 Amounts in excess of $5 million per contract	XXX	XXX	XXX	.....
17~~4~~.4 Total (Lines 17~~4~~.1 + 17~~4~~.2 + 17~~4~~.3)	XXX	XXX	XXX	.....
17~~4~~.5 Amounts up to $10.0~~7.5~~ million per contract (Minnesota only)	XXX	XXX	XXX	.....
18. Amounts for contracts issued to fund a specific employee, union, or association of natural persons benefit plans, based on the principal place of business of the plan sponsor:				
18.1. Amounts NOT in excess of $2 million per contract for contracts issued to fund a specific employee, union, or association of natural persons benefit plans, based on the principal place of business of the plan sponsor (New Jersey only)	XXX	XXX	XXX	.....

18.2. Amounts NOT in excess of $5 million per contract for contracts issued to fund a specific employee, union, or association of natural persons benefit plans, based on the principal place of business of the plan sponsor (Iowa only)	XXX	XXX	XXX	
~~5. Unallocated funding obligations issued to fund governmental retirement plans established under Sections 401 and 457 of the U.S. Internal Revenue Code:~~				
~~5.1 Amounts in excess of $1 million per contract~~	~~XXX~~	~~XXX~~	~~XXX~~	
~~5.2 All amounts~~	~~XXX~~	~~XXX~~	~~XXX~~	
~~5.3 Amounts in excess of $2 million per contract. (New Jersey Only)~~	~~XXX~~	~~XXX~~	~~XXX~~	
~~5.4 Amounts not in excess of $7.5 million per contract (Minnesota only)~~	~~XXX~~	~~XXX~~	~~XXX~~	
19~~6~~. Enter in ~~c~~Column 2, as a negative number, and Column 4, as a positive number, the total of all amounts included in ~~c~~Column 2 Line 11 above that have been received to fund UNALLOCATED~~nallocated~~ contracts owned by a ~~funding obligations issued to fund~~ governmental retirement benefit plans ~~established~~ under Sections 401, 403(b) or 457 of the U.S. Internal Revenue Code:				
19~~6~~.1 Amounts NOT in excess of $1 million per contract	XXX	~~XXX~~	XXX	
19.2 Amounts in excess of $1 million but NOT in excess of $5 million per contract	XXX		XXX	
19.3~~6.2~~ Amounts in excess of $~~5+~~ million per contract	XXX	~~XXX~~	XXX	
19.~~4~~6. ~~3~~Total (Lines ~~6~~19.1 + ~~6~~19.2 + 19.3)	XXX	~~XXX~~	XXX	
19.5 Amounts NOT in excess of $10 million per contract (Minnesota only	XXX	XXX	XXX	
19.~~6~~6.~~4~~Amounts NOT in excess of $2 million per contract (New Jersey only)	XXX	XXX	XXX	
~~6.5 Amounts not in excess of $7.5 million per contract (Minnesota only….)~~	~~XXX~~	~~XXX~~	~~XXX~~	
19.7 Enter in Column 4, as a positive number, all amounts received to fund UNALLOCATED contracts owned by a governmental retirement benefit plan (or its trustee) established under Section 403(b) of the U.S. Internal Revenue Code (Louisiana only)	XXX	XXX	XXX	
19.8 Enter in Column 2, as a positive number, all amounts received to fund UNALLOCATED contracts owned by a governmental deferred compensation plan (or its trustee) established under Section 457 of the U.S. Internal Revenue Code (Kansas only)	XXX		XXX	
20~~7~~. Unallocated funding obligations issued to or in connection with ~~that fund employee, union, or association of natural persons~~ benefit plans protected by the Federal Pension Benefit Guaranty Corporation:				
20~~7~~.1 Amounts NOT in excess of $1 million per contract	XXX	XXX	XXX	
20~~7~~.2 All amounts (include amounts reported on Line 20.1)	XXX	XXX	XXX	
~~7.3 Amounts NOT in excess of $2 million per contract (New Jersey only….)~~	~~XXX~~	~~XXX~~	~~XXX~~	
~~8. Unallocated funding obligations issued to fund government lotteries NOT in excess of $5 million per contractholder (New Jersey Only~~	~~XXX~~	~~XXX~~	~~XXX~~	
~~9. Unallocated funding obligations that fund employee or association of natural persons benefit plans in excess of $2 million but NOT in excess of $5 million per contract. (New Jersey Only)~~	~~XXX~~	~~XXX~~	~~XXX~~	
21~~1~~0. Aggregate write-ins for other deductions				
~~BASE~~				
22~~1~~1. ASSESSABLE PREMIUM BASE after adjustments – see state specific formula~~Current Year (20___)~~				
DETAILS OF WRITE-INS				
21.~~1~~001.				
21.~~1~~002.				
21.~~1~~003.				
21.~~1~~098. Summary of remaining write-ins for Line ~~10~~ 21 from overflow page				
21.~~1~~099. Totals (Lines 21.~~1~~001 through 21.~~1~~003 plus 21.~~1~~098) (Line 21~~1~~0 above)				

OVERFLOW PAGE FOR WRITE-INS

ANNUAL STATEMENT BLANK – LIFE

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing unless specifically waived by the domiciliary state. However, in the event that your domiciliary state waives the filing requirement, your response of WAIVED to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

Responses

MARCH FILING

1. Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1? .....

2. Will the confidential Risk-based Capital Report be filed with the NAIC by March 1? .....

3. Will the confidential Risk-based Capital Report be filed with the state of domicile, if required, by March 1? .....

4. Will an actuarial opinion be filed by March 1? .....

APRIL FILING

5. Will Management's Discussion and Analysis be filed by April 1? .....

6. Will the Life, Health & Annuity Guaranty Association ASSESSABLE PREMIUM~~Model Act Assessment Base Reconciliation~~ Exhibit – Parts 1 and 2 be filed with the state of domicile and the NAIC by April 1?

~~7. Will the Adjustments to the Life, Health & Annuity Guaranty Association Model Act Assessment Base Reconciliation Exhibit (if required) be filed with the state of domicile and the NAIC by April 1?~~ .....

78. Will the Supplemental Investment Risks Interrogatories be filed by April 1? .....

JUNE FILING

98. Will an audited financial report be filed by June 1? .....

109. Will Accountants Letter of Qualifications be filed with the state of domicile and electronically with the NAIC by June 1? .....

AUGUST FILING

1110. Will the regulator-only (non-public) Communication of Internal Control Related Matters Noted in Audit be filed with the state of domicile and electronically with the NAIC (as a regulator-only non-public document) by August 1? .....

The following supplemental reports are required to be filed as part of your annual statement filing **if your company is engaged in the type of business covered by the supplement. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below.** If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

MARCH FILING

1211. Will Schedule SIS (Stockholder Information Supplement) be filed with the state of domicile by March 1? (Not applicable to fraternal benefit societies) .....

1312. Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1? .....

1413. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC by March 1? .....

1514. Will the actuarial opinion on participating and non-participating policies as required in Interrogatories 1 and 2 to Exhibit 5 be filed with the state of domicile and electronically with the NAIC by March 1? .....

1615. Will the actuarial opinion on non-guaranteed elements as required in interrogatory #3 to Exhibit 5 be filed with the state of domicile and electronically with the NAIC by March 1? .....

1716. Will the actuarial opinion on X-Factors be filed with the state of domicile and electronically with the NAIC by March 1? .....

1817. Will the actuarial opinion on Separate Accounts Funding Guaranteed Minimum Benefit be filed with the state of domicile and electronically with the NAIC by March 1? .....

1918. Will the actuarial opinion on Synthetic Guaranteed Investment Contracts be filed with the state of domicile and electronically with the NAIC by March 1? .....

2019. Will the Reasonableness of Assumptions Certification required by Actuarial Guideline XXXV be filed with the state of domicile and electronically with the NAIC by March 1? .....

2120. Will the Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXV be filed with the state of domicile and electronically with the NAIC by March 1? .....

2221. Will the Reasonableness of Assumptions Certification for Implied Guaranteed Rate Method required by Actuarial Guideline XXXVI be filed with the state of domicile and electronically with the NAIC by March 1? .....

2322. Will the Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXVI (Updated Average Market Value) be filed with the state of domicile and electronically with the NAIC by March 1? .....

~~24~~23. Will the Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXVI (Updated Market Value) be filed with the state of domicile and electronically with the NAIC by March 1? .....

~~25~~24. Will the C-3 RBC Certifications required under C-3 Phase I be filed with the state of domicile and electronically with the NAIC by March 1? .....

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

~~26~~25. Will the C-3 RBC Certifications required under C-3 Phase II be filed with the state of domicile and electronically with the NAIC by March 1? .....

~~27~~26. Will the Actuarial Certifications Related to Annuity Nonforfeiture Ongoing Compliance for Equity Indexed Annuities be filed with the state of domicile and electronically with the NAIC by March 1? .....

~~28~~27. Will the actuarial opinion required by the Modified Guaranteed Annuity Model Regulation be filed with the state of domicile and electronically with the NAIC by March 1? .....

~~29~~28. Will the Actuarial Certification regarding the use of 2001 Preferred Class Tables required by the Model Regulation Permitting the Recognition of Preferred Mortality Tables for Use in Determining Minimum Reserve Liabilities be filed with the state of domicile and electronically with the NAIC by March 1? .....

~~30~~29. Will the Workers' Compensation Carve-Out Supplement be filed by March 1? (Not applicable to fraternal benefit societies) .....

~~31~~30. Will Supplemental Schedule O be filed with the state of domicile and the NAIC by March 1? .....

~~32~~31. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC by March 1? .....

~~33~~32. Will an approval from the reporting entity's state of domicile for relief related to the five-year rotation requirement for lead audit partner be filed electronically with the NAIC by March 1? .....

~~34~~33. Will an approval from the reporting entity's state of domicile for relief related to the one-year cooling off period for independent CPA be filed electronically with the NAIC by March 1? .....

~~35~~34. Will an approval from the reporting entity's state of domicile for relief related to the Requirements for Audit Committees be filed electronically with the NAIC by March 1? .....

~~36~~35. Will the VM-20 Reserves Supplement be filed with the state of domicile and the NAIC by March 1? .....

APRIL FILING

~~37~~36. Will the confidential Regulatory Asset Adequacy Issues Summary (RAAIS) required by the Valuation Manual be filed with the state of domicile by April 1? .....

~~38~~37. Will the Long-Term Care Experience Reporting Forms be filed with the state of domicile and the NAIC by April 1? .....

~~39~~38. Will the Credit Insurance Experience Exhibit be filed with the state of domicile and the NAIC by April 1? (Not applicable to fraternal benefit societies) .....

~~40~~39. Will the Accident and Health Policy Experience Exhibit be filed by April 1? .....

~~41~~40. Will the Supplemental Health Care Exhibit (Parts 1, 2 and 3) be filed with the state of domicile and the NAIC by April 1? .....

~~42~~41. Will the regulator only (non-public) Supplemental Health Care Exhibit's Allocation Report be filed with the state of domicile and the NAIC by April 1? .....

~~43~~42. Will the confidential Actuarial Memorandum required by Actuarial Guideline XXXVIII 8D be filed with the state of domicile by April 30? .....

~~44~~43. Will the Supplemental Term and Universal Life Insurance Reinsurance Exhibit be filed with the state of domicile and the NAIC by April 1? .....

~~45~~44. Will the Variable Annuities Supplement be filed with the state of domicile and the NAIC by April 1? .....

~~46~~45. Will the confidential Executive Summary of the PBR Actuarial Report be filed with the state of domicile by April 1? .....

~~47~~46. Will the confidential Life Summary of the PBR Actuarial Report be filed with the state of domicile by April 1? .....

~~48~~47. Will the confidential Variable Annuities Summary of the PBR Actuarial Report be filed with the state of domicile by April 1? .....

AUGUST FILING

~~49~~48. Will Management's Report of Internal Control Over Financial Reporting be filed with the state of domicile by August 1? .....

Explanation:

Bar code:

ANNUAL STATEMENT BLANK – HEALTH

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing unless specifically waived by the domiciliary state. However, in the event that your domiciliary state waives the filing requirement, your response of **WAIVED** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason, enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

MARCH FILING **Responses**

1. Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1? .....
2. Will an actuarial opinion be filed by March 1? .....
3. Will the confidential Risk-based Capital Report be filed with the NAIC by March 1? .....
4. Will the confidential Risk-based Capital Report be filed with the state of domicile, if required by March 1? .....

Detail Eliminated To Conserve Space

APRIL FILING

21. Will the Long-Term Care Experience Reporting Forms be filed with the state of domicile and the NAIC by April 1? .....
22. Will the Supplemental Life data due April 1 be filed with the state of domicile and the NAIC? .....
23. Will the Supplemental Property/Casualty Insurance Expense Exhibit due April 1 be filed with any state that requires it, and, if so, the NAIC? .....
24. Will the Supplemental Health Care Exhibit (Parts 1, 2 and 3) be filed with the state of domicile and the NAIC by April 1? .....
25. Will the regulator-only (non-public) Supplemental Health Care Exhibit's Allocation Report be filed with the state of domicile and the NAIC by April 1? .....
26. Will the Life, Health & Annuity Guaranty Association ASSESSABLE PREMIUM~~Model Act Assessment Base Reconciliation~~ Exhibit – Parts 1 and 2 be filed with the state of domicile and the NAIC by April 1? .....

~~27. Will the Adjustments to the Life, Health & Annuity Guaranty Association Model Act Assessment Base Reconciliation Exhibit (if required) be filed with the state of domicile and the NAIC by April 1? .....~~

AUGUST FILING

27~~8~~. Will Management's Report of Internal Control Over Financial Reporting be filed with the state of domicile by August 1? .....

Explanation:

Bar code:

ANNUAL STATEMENT BLANK – PROPERTY

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing unless specifically waived by the domiciliary state. However, in the event that your domiciliary state waives the filing requirement, your response of WAIVED to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason, enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

	MARCH FILING	RESPONSES
1.	Will an actuarial opinion be filed by March 1?	.....
2.	Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1?	.....
3.	Will the confidential Risk-based Capital Report be filed with the NAIC by March 1?	.....
4.	Will the confidential Risk-based Capital Report be filed with the state of domicile, if required, by March 1?	.....

Detail Eliminated To Conserve Space

	APRIL FILING	
29.	Will the Credit Insurance Experience Exhibit be filed with the state of domicile and the NAIC by April 1?	.....
30.	Will the Long-term Care Experience Reporting Forms be filed with the state of domicile and the NAIC by April 1?	.....
31.	Will the Accident and Health Policy Experience Exhibit be filed by April 1?	.....
32.	Will the Supplemental Health Care Exhibit (Parts 1, 2 and 3) be filed with the state of domicile and the NAIC by April 1?	.....
33.	Will the regulator-only (non-public) Supplemental Health Care Exhibit's Allocation Report be filed with the state of domicile and the NAIC by April 1?	.....
34.	Will the Cybersecurity and Identity Theft Insurance Coverage Supplement be filed with the state of domicile and the NAIC by April 1?	.....
35.	Will the Life, Health & Annuity Guaranty Association ASSESSABLE PREMIUM ~~Model Act Assessment Base Reconciliation~~ Exhibit – Parts 1 and 2 be filed with the state of domicile and the NAIC by April 1?	.....
~~36.~~	~~Will the Adjustments to the Life, Health & Annuity Guaranty Association Model Act Assessment Base Reconciliation Exhibit (if required) be filed with the state of domicile and the NAIC by April 1?~~	~~.....~~
~~37~~36.	Will the Private Flood Insurance Supplement be filed with the state of domicile and the NAIC by April 1?	.....
	AUGUST FILING	
~~38~~37.	Will Management's Report of Internal Control Over Financial Reporting be filed with the state of domicile by August 1?	.....

Explanation:

Bar Code:

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Blanks (E) Working Group
Editorial Revisions to the Blanks and Instructions
(presented at the December 16, 2020, Meeting)

Statement Type:
H = Health; **L/F** = Life/Fraternal Combined; **P/C** = Property/Casualty; **SA** = Separate Accounts; **T** = Title

Effective	Table Name	Description	Statement Type	Filing Type
2020	Long-Term Care Form 5	**CHANGE TO INSTRUCTION** Add the requirement to include a grand total page back into the instructions at end of first paragraph for Form 5. Form 5 provides LTC sales and claims experience on a state-by-state basis. These are the state's portion of a number of statistics reported on a nationwide basis elsewhere in these experience forms. Form 5 also includes data on products that include extension of and/or acceleration of LTC benefits on life policies or annuity contracts. <u>In addition, a schedule must be prepared that contains the grand total (GT) for the company.</u>	H, L/F, P/C	Annual
2020	Notes to Financial Statements	**CHANGE TO INSTRUCTION** Add the below back to Note 33. The instruction for 33F was deleted by mistake but the illustration for 33F remained. The instructions were part of the 2019-21BWG adopted by the BWG that modified the disclosure. F. Reconcile total life insurance reserves amount disclosed to the appropriate sections of the Aggregate Reserves for Life Policies and Contracts Exhibit (Exhibit 5) of the Life, Accident and Health Annual Statement and the corresponding lines in the Separate Accounts Statement. The reconciliation is a single presentation including all amounts from the sections on Individual Life Insurance and Group Life Insurance.	L/F	Annual

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Effective	Table Name	Description	Statement Type	Filing Type
2021	Schedule D, Part 4	**CHANGE TO INSTRUCTION** Add the word "tendered" to reference of called bonds and prepayment penalty. Column 18 – Realized Gain (Loss) on Disposal This should be the difference between the Consideration column amount and the Book/Adjusted Carrying Value at Disposal Date, excluding any portion that is attributable to foreign exchange differences. For SVO Identified Funds (Bond Mutual Funds and Exchange Traded Funds), enter the difference between the consideration, Column 7 and actual cost Column 9 at date of sale. Bonds called or tendered where consideration received exceeds par: For securities sold, redeemed or otherwise disposed of, which generate investment income as a result of a prepayment penalty and/or acceleration fee, the amount of realized gain (loss) reported is equal to the Par value of the investment (Column 8) less the BACV at the Disposal Date (Column 16). Bonds called or tendered where consideration received is less than par: For securities sold, redeemed or otherwise disposed of, the amount of investment income and realized gain reported shall be calculated in accordance with *SSAP No. 26R—Bonds*.	H, L/F, P/C, T	Annual

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Effective	Table Name	Description	Statement Type	Filing Type
2021	Schedule D, Part 4	**CHANGE TO INSTRUCTION** Add the word "tendered" to reference of called bonds and prepayment penalty. Column 20 – Bond Interest/Stock Dividends Received During Year For Mutual Funds (including Bond Mutual Funds – as Identified by the SVO and Exchange Traded Funds – as Identified by the SVO), enter the amount of distributions received in cash or reinvested in additional shares. Include: The proportionate share of investment income directly related to the securities reported in this schedule. Report amounts net of foreign withholding tax. Bonds called or tendered where consideration received exceeds par: For securities sold, redeemed or otherwise disposed of, which generate investment income as a result of a prepayment penalty and/or acceleration fee; the amount of investment income reported is equal to the total consideration received (Column 7) less the Par value of the investment (Column 8). Bonds or tendered called where consideration received is less than par: For securities sold, redeemed or otherwise disposed of, the amount of investment income and realized gain reported shall be calculated in accordance with *SSAP No. 26R—Bonds*.	H, L/F, P/C, T	Annual

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Effective	Table Name	Description	Statement Type	Filing Type
2021	Schedule D, Part 5	**CHANGE TO INSTRUCTION** Add the word "tendered" to reference of called bonds and prepayment penalty. Column 18 – Realized Gain (Loss) on Disposal This should be the difference between the Consideration column amount and the Book/Adjusted Carrying Value at Disposal Date, excluding any portion that is attributable to foreign exchange differences. Bonds called or tendered where consideration received exceeds par: For securities sold, redeemed or otherwise disposed of, which generate investment income as a result of a prepayment penalty and/or acceleration fee; the amount of realized gain (loss) reported is equal to the Par value of the investment (Column 8) less the BACV at the Disposal Date (Column 11). Bonds called or tendered where consideration received is less than par: For securities sold, redeemed or otherwise disposed of, the amount of investment income and realized gain reported shall be calculated in accordance with *SSAP No. 26R—Bonds*.	H, L/F, P/C, T	Annual

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Effective	Table Name	Description	Statement Type	Filing Type
2021	Schedule D, Part 5	**CHANGE TO INSTRUCTION** Add the word "tendered" to reference of called bonds and prepayment penalty. Column 20 – Interest and Dividends Received During Year For Mutual Funds (including Bond Mutual Funds – as Identified by the SVO and Exchange Traded Funds – as Identified by the SVO), enter the amount of distributions received in cash or reinvested in additional shares. Include: The proportionate share of investment income directly related to the securities reported in this schedule. Report amounts net of foreign withholding tax. Bonds called or tendered where consideration received exceeds par: For securities sold, redeemed or otherwise disposed of, which generate investment income as a result of a prepayment penalty and/or acceleration fee, the amount of investment income reported is equal to the total consideration received (Column 10) less the Par value of the investment (Column 8). Bonds called or tendered where consideration received is less than par: For securities sold, redeemed or otherwise disposed of, the amount of investment income and realized gain reported shall be calculated in accordance with *SSAP No. 26R—Bonds*.	H, L/F, P/C, T	Annual

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Effective	Table Name	Description	Statement Type	Filing Type
2021	Schedule D, Part 4	**CHANGE TO INSTRUCTION** Add the word "tendered" to reference of called bonds and prepayment penalty. Column 18 – Realized Gain or (Loss) on Disposal This should be the difference between the Consideration column amount and the Book/Adjusted Carrying Value at Disposal Date, excluding any portion that is attributable to foreign exchange differences. For Bond Mutual Funds – as Identified by the SVO and Exchange Traded Funds – as Identified by the SVO, enter the difference between the consideration, Column 7 and actual cost Column 9 at date of sale. Bonds called or tendered where consideration received exceeds par: For securities sold, redeemed or otherwise disposed of, which generate investment income as a result of a prepayment penalty and/or acceleration fee; the amount of realized gain (loss) reported is equal to the Par value of the investment (Column 8) less the BACV at the Disposal Date (Column 16). Bonds called or tendered where consideration received is less than par: For securities sold, redeemed or otherwise disposed of, the amount of investment income and realized gain reported shall be calculated in accordance with *SSAP No. 26R—Bonds*.	H, L/F, P/C, T	Quarterly

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Effective	Table Name	Description	Statement Type	Filing Type
2021	Schedule D, Part 4	**CHANGE TO INSTRUCTION** Add the word "tendered" to reference of called bonds and prepayment penalty. Column 20 – Bond Interest/Stock Dividends Received During Year For Mutual Funds (including Bond Mutual Funds – as Identified by the SVO and Exchange Traded Funds – as Identified by the SVO), enter the amount of distributions received in cash or reinvested in additional shares. Include: The proportionate share of investment income directly related to the securities reported in this schedule. Report amounts net of foreign withholding tax. Bonds called or tendered where consideration received exceeds par: For securities sold, redeemed or otherwise disposed of, which generate investment income as a result of a prepayment penalty and/or acceleration fee; the amount of investment income reported is equal to the total consideration received (Column 7) less the Par value of the investment (Column 8). Bonds called or tendered where consideration received is less than par: For securities sold, redeemed or otherwise disposed of, the amount of investment income and realized gain reported shall be calculated in accordance with *SSAP No. 26R—Bonds*.	H, L/F, P/C, T	Quarterly
2021	Notes to Financial Statements	**CHANGE TO INSTRUCTION** Add reference to tendered bonds to Note 5Q. Q. Prepayment Penalty and Acceleration Fees For securities sold, redeemed or otherwise disposed as a result of a callable or tender offer feature (including make whole call provisions), disclose the number of CUSIPs sold, disposed or otherwise redeemed and the aggregate amount of investment income generated as a result of a prepayment penalty and/or acceleration fee for the General Account and Separate Account.	H, L/F, P/C, T	Annal

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Effective	Table Name	Description	Statement Type	Filing Type
2021	Jurat	**CHANGE TO INSTRUCTION** Add the clarification below for signatures. Signatures Complete the Jurat signature requirements in accordance with the requirements of the domiciliary state. Direct any questions concerning signature requirements to that state. ~~At least one statement filed with~~ Consult the requirements of the domiciliary state regarding filing of the statement with ~~must have~~ original signatures ~~and must be~~ manually signed by the appropriate corporate officers with~~, have~~ the corporate seal affixed thereon where appropriate, and ~~be~~ properly notarized. For statements filed in non-domestic states, facsimile signatures or reproductions of original signatures may be used except where otherwise mandated. If the appropriate corporate officers are incapacitated or otherwise not available due to a personal emergency, the reporting entity should contact the domiciliary state for direction as to who may sign the statement. NOTE: If the United States Manager of a U.S. Branch or the Attorney-in-Fact of a Reciprocal Exchange or Lloyds Underwriters is a corporation, the affidavit should be signed by two (or three) principal officers of the corporation; or, if a partnership, by two (or three) of the principal members of the partnership. For domiciliary jurisdictions that require the reporting entity to submit signatures on the Jurat page as part of the PDF filed with the NAIC see the instructions for submitting a signed Jurat in the General Electronic Filing Directive. The link to that directive can be found at the following Web address: *www.naic.org/cmte_e_app_blanks.htm*	H, L/F, P/C, T	Annual

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Effective	Table Name	Description	Statement Type	Filing Type
2022	Jurat	**CHANGE TO INSTRUCTION** Add the clarification below for signatures. Signatures Complete the Jurat signature requirements in accordance with the requirements of the domiciliary state. Direct any questions concerning signature requirements to that state. ~~At least one statement filed with~~ Consult the requirements of the domiciliary state regarding filing of the statement with ~~must have~~ original signatures ~~and must be~~ manually signed by the appropriate corporate officers~~, have~~ with the corporate seal affixed thereon where appropriate and ~~be~~ properly notarized. For statements filed in non-domestic states, facsimile signatures or reproductions of original signatures may be used except where otherwise mandated. If the appropriate corporate officers are incapacitated or otherwise not available due to a personal emergency, the reporting entity should contact the domiciliary state for direction as to who may sign the statement. NOTE: If the United States Manager of a U.S. Branch or the Attorney-in-Fact of a Reciprocal Exchange or Lloyds Underwriters is a corporation, the affidavit should be signed by two (or three) principal officers of the corporation; or, if a partnership, by two (or three) of the principal members of the partnership. For domiciliary jurisdictions that require the reporting entity to submit signatures on the Jurat page as part of the PDF filed with the NAIC, see the instructions for submitting a signed Jurat in the General Electronic Filing Directive. The link to that directive can be found at the following Web address: *www.naic.org/cmte_e_app_blanks.htm*	H, L/F, P/C, T	Quarterly

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NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

		FOR NAIC USE ONLY
	DATE: 11/03/2020	Agenda Item # 2020-32BWG
CONTACT PERSON:		Year 2021
TELEPHONE:		Changes to Existing Reporting [X]
EMAIL ADDRESS:		New Reporting Requirement [ ]
		REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT
ON BEHALF OF:		No Impact [X]
		Modifies Required Disclosure [ ]
NAME:	Jacob W. Garn	**DISPOSITION**
TITLE:	Chair, Blanks Working Group	[ ] Rejected For Public Comment
		[ ] Referred To Another NAIC Group
AFFILIATION:		[ ] Received For Public Comment
		[X] Adopted Date 03/16/2021
ADDRESS:		[ ] Rejected Date
		[ ] Deferred Date
		[ ] Other (Specify)

BLANK(S) TO WHICH PROPOSAL APPLIES

[X] **ANNUAL STATEMENT**	[X] **INSTRUCTIONS**	[X] **CROSSCHECKS**
[ ] **QUARTERLY STATEMENT**	[X] **BLANK**	
[X] Life, Accident & Health/Fraternal	[ ] Separate Accounts	[ ] Title
[ ] Property/Casualty	[ ] Protected Cell	[ ] Other
[ ] Health	[ ] Health (Life Supplement)	

Anticipated Effective Date: Annual 2021

IDENTIFICATION OF ITEM(S) TO CHANGE

Add a new Health Care Receivables Supplement to the Life\Fraternal Annual Statement that adds Exhibits 3 and 3A from the Health Annual Statement to the to the Life\Fraternal annual filings. Add guidance document reference to Exhibit 3A of the Health Annual Statement.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The purpose of the proposal is to allow for more consistency of reporting between the life and health blanks with regards to health care receivables. The addition is intended to provide regulators with detailed health care receivables information from life companies that write a large amount of health business to allow for analysis at the nationwide level.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:

Other Comments:

**** This section must be completed on all forms.** **Revised 7/18/2018**

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ANNUAL STATEMENT INSTRUCTIONS – HEALTH

EXHIBIT 3A – ANALYSIS OF HEALTH CARE RECEIVABLES

The purpose of this exhibit is to analyze health care receivables collected and accrued for the current year compared to the prior year.

This exhibit is based on the gross health care receivable, not just the admitted portion.

Report the total asset (health care receivable) in this exhibit not just the admitted portion. Amounts are gross of reinsurance.

Refer to *SSAP No. 84—Health Care and Government Insured Plan Receivables* for accounting guidance. (See reporting guidance at [**INSERT WEB ADDRESS WHEN GUIDANCE POSTED**].

In this exhibit, the term "accrued" is analogous to the term "incurred" on the U&I Exhibit, Part 2B. Accrued pertains to the health care receivable asset, whereas incurred pertains to the claim liability.

Detail Eliminated to Conserve Space

ANNUAL STATEMENT INSTRUCTIONS – LIFE\FRATERNAL

HEALTH CARE RECEIVABLES SUPPLEMENT

The Health Care Receivables Supplement shall be completed by those companies reporting accident and health business.

This supplement is required to be filed no later than March 1.

EXHIBIT 3 – HEALTH CARE RECEIVABLES

Individually list the greater of any account balances greater than $10,000 or those that are 10% of gross health care receivables. Use Lines 0100001 through 0699996, as needed. Report gross amounts for insured plans although these amounts may be offset against corresponding liabilities on the balance sheet. Report the aggregate of amounts not individually listed on Lines 0199998 through 0699998. The subtotal and grand total amounts should be reported on the following lines:

Category	Line Number
Pharmaceutical Rebate Receivables	0199999
Claim Overpayment Receivables	0299999
Loans and Advances to Providers	0399999
Capitation Arrangement Receivables	0499999
Risk sharing Receivables	0599999
Other Receivables	0699999
Gross Health Care Receivables	0799999

Column 7 – Admitted

Total line should equal the inset amount on Line 24 of the Asset Page.

EXHIBIT 3A – ANALYSIS OF HEALTH CARE RECEIVABLES

The purpose of this exhibit is to analyze health care receivables collected and accrued for the current year compared to the prior year.

This exhibit is based on the gross health care receivable, not just the admitted portion.

Report the total asset (health care receivable) in this exhibit not just the admitted portion. Amounts are gross of reinsurance.

Refer to *SSAP No. 84—Health Care and Government Insured Plan Receivables* for accounting guidance. (See reporting guidance at [**INSERT WEB ADDRESS WHEN GUIDANCE POSTED**].

Columns 1 and 2:

Enter separately in Columns 1 and 2, Lines 1 through 6, all amounts collected or offset during the year accrued prior to the current year and accrued during the current year. Record only those amounts actually collected including offsets, that meet the offset conditions of *SSAP No. 64—Offsetting and Netting of Assets and Liabilities*.

Line 3 includes amounts charged against those gross health care receivables, such as loans or advances to non-related party hospitals, established as prepaid assets that are not expensed until the related claims have been received from the provider as the claims have not been paid as of the statement date.

All amounts collected, including offsets, related to prior year receivables accrued should be reported in Column 1. All amounts collected, including offsets, related to current year receivables accrued should be reported in Column 2.

Columns 3 and 4:

Enter separately in Columns 3 and 4 the gross health care receivables accrual amount between those accrued prior to the current year and those accrued during the year. All amounts accrued related to prior year receivables accrued should be reported in Column 3. All amounts accrued related to current year receivables accrued should be reported in Column 4.

For each of Lines 1 through 7, the sum of Columns 3 through 4 should agree to Exhibit 3 Health Care Receivables, sum of Columns 6 and 7, for each type of health care receivable and in total.

Column 5:

Enter the sum of Columns 1 and 3. This is the amount collected or offset during the current year on health care receivables that were accrued prior to the current year, plus amounts still accrued at the end of the current year, related to the health care receivable accrued at the end of the prior year.

Column 6:

Column 6 reports the amounts of prior year-end accounting accrual for gross health care receivables.

The comparison between Columns 5 and 6 is to the total receivables, not just the portion that is an admitted asset.

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ANNUAL STATEMENT BLANK – LIFE\FRATERNAL

HEALTH CARE RECEIVABLES SUPPLEMENT

For The Year Ended December 31, 2021
(To Be Filed by March 1)

Of The .....Insurance Company
Address (City, State, Zip Code).....
NAIC Group Code..... NAIC Company Code..... Employer's ID Number.....

EXHIBIT 3 – HEALTH CARE RECEIVABLES

1 Name of Debtor	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
0799999 Gross health care receivables						

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HEALTH CARE RECEIVABLES SUPPLEMENT

EXHIBIT 3A – ANALYSIS OF HEALTH CARE RECEIVABLES COLLECTED AND ACCRUED

Type of Health Care Receivable	Health Care Receivables Collected During the Year		Health Care Receivables Accrued as of December 31 of Current Year		5	6
	1 On Amounts Accrued Prior to January 1 of Current Year	2 On Amounts Accrued During the Year	3 On Amounts Accrued December 31 of Prior Year	4 On Amounts Accrued During the Year	Health Care Receivables in Prior Years (Cols. 1 + 3)	Estimated Health Care Receivables Accrued as of December 31 of Prior Year
1. Pharmaceutical rebate receivables						
2. Claim overpayment receivables						
3. Loans and advances to providers						
4. Capitation arrangement receivables						
5. Risk sharing receivables						
6. Other health care receivables						
7. Totals (Lines 1 through 6)						

Note that the accrued amounts in Columns 3, 4 and 6 are the total health care receivables, not just the admitted portion.

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SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing unless specifically waived by the domiciliary state. However, in the event that your domiciliary state waives the filing requirement, your response of **WAIVED** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

Responses

MARCH FILING

Detail Eliminated to Conserve Space

The following supplemental reports are required to be filed as part of your annual statement filing **if your company is engaged in the type of business covered by the supplement. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below.** If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

MARCH FILING

Detail Eliminated to Conserve Space

25. Will the C-3 RBC Certifications required under C-3 Phase I be filed with the state of domicile and electronically with the NAIC by March 1? .....

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

Detail Eliminated to Conserve Space

36. Will the VM-20 Reserves Supplement be filed with the state of domicile and the NAIC by March 1? .....

37. Will the Health Care Receivables Supplement be filed with the state of domicile and the NAIC by March 1? .....

APRIL FILING

~~37~~38. Will the confidential Regulatory Asset Adequacy Issues Summary (RAAIS) required by the Valuation Manual be filed with the state of domicile by April 1? .....

~~38~~39. Will the Long-Term Care Experience Reporting Forms be filed with the state of domicile and the NAIC by April 1? .....

~~39~~40. Will the Credit Insurance Experience Exhibit be filed with the state of domicile and the NAIC by April 1? (Not applicable to fraternal benefit societies) .....

~~40~~41. Will the Accident and Health Policy Experience Exhibit be filed by April 1? .....

~~41~~42. Will the Supplemental Health Care Exhibit (Parts 1, 2 and 3) be filed with the state of domicile and the NAIC by April 1? .....

~~42~~43. Will the regulator only (non-public) Supplemental Health Care Exhibit's Allocation Report be filed with the state of domicile and the NAIC by April 1? .....

~~43~~44. Will the confidential Actuarial Memorandum required by Actuarial Guideline XXXVIII 8D be filed with the state of domicile by April 30? .....

~~44~~45. Will the Supplemental Term and Universal Life Insurance Reinsurance Exhibit be filed with the state of domicile and the NAIC by April 1? .....

~~45~~46. Will the Variable Annuities Supplement be filed with the state of domicile and the NAIC by April 1? .....

~~46~~47. Will the confidential Executive Summary of the PBR Actuarial Report be filed with the state of domicile by April 1? .....

~~47~~48. Will the confidential Life Summary of the PBR Actuarial Report be filed with the state of domicile by April 1? .....

~~48~~49. Will the confidential Variable Annuities Summary of the PBR Actuarial Report be filed with the state of domicile by April 1? .....

AUGUST FILING

~~49~~50. Will Management's Report of Internal Control Over Financial Reporting be filed with the state of domicile by August 1? .....

Explanation:

Bar code:

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NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

		FOR NAIC USE ONLY
	DATE: 11/05/2020	Agenda Item # 2020-33BWG MOD
CONTACT PERSON:		Year ~~2021~~ 2022
TELEPHONE:		Changes to Existing Reporting [X]
EMAIL ADDRESS:		New Reporting Requirement [ ]
		REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT
ON BEHALF OF:		No Impact [X]
		Modifies Required Disclosure [ ]
NAME:	**Justin C. Schrader**	**DISPOSITION**
TITLE:	**Chief Financial Examiner**	[ ] Rejected For Public Comment
		[ ] Referred To Another NAIC Group
AFFILIATION:	**Nebraska Department of Insurance**	[ ] Received For Public Comment
		[X] Adopted Date 03/16/2021
ADDRESS:	**1135 M St. Ste. 300**	[ ] Rejected Date
		[ ] Deferred Date
	Lincoln, NE 68501-2089	[ ] Other (Specify)

BLANK(S) TO WHICH PROPOSAL APPLIES

[X] **ANNUAL STATEMENT**	[X] **INSTRUCTIONS**	[X] **CROSSCHECKS**
[X] **QUARTERLY STATEMENT**	[X] **BLANK**	
[ ] Life, Accident & Health/Fraternal	[ ] Separate Accounts	[ ] Title
[X] Property/Casualty	[ ] Protected Cell	[ ] Other _____
[ ] Health	[ ] Health (Life Supplement)	

Anticipated Effective Date: ~~Annual 2021~~ 1st Quarter 2022

IDENTIFICATION OF ITEM(S) TO CHANGE

Modify Annual Statement Lines (ASLs) used on Underwriting and Investment (U&I) Exhibits, State Page and Insurance Expense Exhibit (IEE). Change Health ASL categories used in Property to be consistent with other statement types. Update ASL references used in crosschecks. Update definitions used in the appendix for the Health ASLs. See next page for details

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The purpose of the proposal is to provide consistency in the granularity of reporting of ASLs on the U&I pages, IEE and State Page and consistency in Health ASLs used across statement types. See next page for details.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:

Other Comments:

**** This section must be completed on all forms.** **Revised 7/18/2018**

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IDENTIFICATION OF ITEM(S) TO CHANGE

Modify the Annual Statement Line (ASL) numbers on the Underwriting and Investment Exhibits, State Page and Insurance Expense Exhibit to show the same ASL numbers. Make the same modification to the Quarterly Part 1 and Part 2.

Eliminate Interrogatory Questions 1 for the Insurance Expense Exhibit Interrogatories.

Change the Health ASL categories to match the Lines of Business (LOB) categories used in the Health and Life\Fraternal statements. Add the appropriate LOB definitions for those lines to the Lines of Business definitions in the appendix of the annual statement instructions.

Modify the ASL references in the State Page and Insurance Expense Exhibit instructions to reflect additions of ASL numbers to the Underwriting and Investment Exhibits, State Page and Insurance Expense Exhibit.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The differences in line titles and degree of granularity between schedules results in difficulty cross-comparing information from one schedule to another. For example, “Allied” is reported as a single line on the Underwriting and Investment Exhibit – Part 1B Premiums Written while the Exhibit of Premiums and Losses (EPL) reports, “Allied Lines,” “Multiple Peril Crop,” “Federal Flood,” “Private Crop,” and “Private Flood” all as separate components of “Allied.” The level of granularity on the EPL should be carried throughout the financial blank to ensure consistency in the review of the data across schedules.

Changing the Health ASL categories to match the Lines of Business (LOB) categories used in the Health and Life\Fraternal statements brings consistency of the LOB categories used in reporting in Health, Life\Fraternal and Property.

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ANNUAL STATEMENT BLANK – PROPERTY

Underwriting & Investment Exhibit I Parts 1, 1A, 1B, 2, and 2A

	Line of Business
1.	Fire
2.1	Allied lines
2.2	Multiple peril crop
2.3	Federal flood
2.4	Private crop
2.5	Private flood
3.	Farmowners multiple peril
4.	Homeowners multiple peril
5.1	Commercial multiple peril (non-liability portion)
5.2	Commercial multiple peril (liability portion)
6.	Mortgage guaranty
8.	Ocean marine
9.	Inland marine
10.	Financial guaranty
11.1	Medical professional liability—occurrence
11.2	Medical professional liability—claims-made
12.	Earthquake
13.1	Comprehensive (hospital and medical) individual
13.2	Comprehensive (hospital and medical) ~~Group~~ group~~accident and health~~
14.	Credit accident and health (group and individual)
15.1	Vision only~~Other accident and health~~
15.2	Dental only
15.3	Disability income
15.4	Medicare supplement
15.5	Medicaid title XIX
15.6	Medicare title XVIII
15.7	Long-term care
15.8	Federal employees health benefits plan premium
15.9	Other health
16.	Workers' compensation
17.1	Other liability—occurrence
17.2	Other liability—claims-made
17.3	Excess workers' compensation
18.1	Products liability—occurrence
18.2	Products liability—claims-made
~~19.1,19.2~~	~~Private passenger auto liability~~
19.1	Private passenger auto no-fault (personal injury protection)
19.2	Other private passenger auto liability
~~19.3,19.4~~	~~Commercial auto liability~~
19.3	Commercial auto no-fault (personal injury protection)
19.4	Other commercial auto liability
21.1	Private passenger ~~Auto~~ auto physical damage
21.2	Commercial auto physical damage
22.	Aircraft (all perils)
23.	Fidelity
24.	Surety
26.	Burglary and theft
27.	Boiler and machinery
28.	Credit
29.	International
30.	Warranty
31.	Reinsurance-nonproportional assumed property
32.	Reinsurance-nonproportional assumed liability
33.	Reinsurance-nonproportional assumed financial lines
34.	Aggregate write-ins for other lines of business
35.	TOTALS
DETAILS OF WRITE-INS	
3401.	
3402.	
3403.	
3498.	Sum. of remaining write-ins for Line 34 from overflow page
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)

Insurance Expense Exhibit Parts II and III

1.	Fire
2.1	Allied Lines
2.2	Multiple Peril Crop
2.3	Federal Flood
2.4	Private Crop
2.5	Private Flood
3.	Farmowners Multiple Peril
4.	Homeowners Multiple Peril
5.1	Commercial Multiple Peril (Non-Liability Portion)
5.2	Commercial Multiple Peril (Liability Portion)
6.	Mortgage Guaranty
8.	Ocean Marine
9.	Inland Marine
10.	Financial Guaranty
11.1	Medical Professional Liability—Occurrence
11.2	Medical Professional Liability—Claims-Made
12.	Earthquake
13.1	Comprehensive (Hospital and Medical) Individual
13.2	Comprehensive (Hospital and Medical) Group A&H (See Interrogatory 1)
14.	Credit A&H
15.1	Vision Only Other A&H (See Interrogatory 1)
15.2	Dental Only
15.3	Disability Income
15.4	Medicare Supplement
15.5	Medicaid Title XIX
15.6	Medicare Title XVIII
15.7	Long-Term Care
15.8	Federal Employees Health Benefits Plan FEHBP Premium
15.9	Other Health
16.	Workers' Compensation
17.1	Other Liability—Occurrence
17.2	Other Liability—Claims-Made
17.3	Excess Workers' Compensation
18.1	Products Liability—Occurrence
18.2	Products Liability—Claims-Made
19.1, 19.2.	Private Passenger Auto Liability
19.1	Private Passenger Auto No-Fault (Personal Injury Protection)
19.2	Other Private Passenger Auto Liability
19.3, 19.4.	Commercial Auto Liability
19.3	Commercial Auto No-Fault (Personal Injury Protection)
19.4	Other Commercial Auto Liability
21.1	Private Passenger Auto Physical Damage
21.2	Commercial Auto Physical Damage
22.	Aircraft (all perils)
23.	Fidelity
24.	Surety
26.	Burglary and Theft
27.	Boiler and Machinery
28.	Credit
29.	International
30.	Warranty
Reinsurance-Nonproportional Assumed	
31.	Reinsurance-Nonproportional Assumed Property
32.	Reinsurance-Nonproportional Assumed Liability
33.	Reinsurance-Nonproportional Assumed Financial Lines
34.	Aggregate Write-Ins for Other Lines of Business
35.	TOTAL (Lines 1 through 34)
DETAILS OF WRITE-INS	
3401.	
3402.	
3403.	
3498.	Summary of remaining write-ins for Line 34 from overflow page
3499.	TOTAL (Lines 3401 through 3403 plus 3498) (Line 34 above)

DRAFTING NOTE: ASL 31, 32 and 33 would be X'd out for Part III (ALLOCATION TO LINES OF DIRECT BUSINESS WRITTEN) of the Insurance Expense Exhibit.

Exhibit of Premiums and Losses (Statutory Page 14)

Line of Business
1. Fire
2.1 Allied Lines
2.2 Multiple Peril Crop
2.3 Federal Flood
2.4 Private Crop
2.5 Private Flood
3. Farmowners Multiple Peril
4. Homeowners Multiple Peril
5.1 Commercial Multiple Peril (Non-Liability Portion)
5.2 Commercial Multiple Peril (Liability Portion)
6. Mortgage Guaranty
8. Ocean Marine
9. Inland Marine
10. Financial Guaranty
11.1 Medical Professional Liability—Occurrence
11.2 Medical Professional Liability—Claims-Made
12. Earthquake
13.1 Comprehensive (Hospital and Medical) Individual (b)
13.2 Comprehensive (Hospital and Medical) Group ~~Accident and Health~~ (b)
14. Credit A&H (Group and Individual)
15.1 Vision Only~~Collectively Renewable A&H~~ (b)
15.2 Dental Only~~Non-Cancelable A&H~~ (b)
15.3 Disability Income ~~Guaranteed Renewable A&H~~ (b)
15.4 Medicare Supplement~~Non-Renewable for Stated Reasons Only~~ (b)
15.5 Medicaid Title XIX (b)~~Other Accident Only~~
15.6 Medicare Title XVIII (b) ~~Exempt from State Taxes or Fees~~
15.7 Long-Term Care~~All Other A&H~~ (b)
15.8 Federal Employees Health Benefits Plan Premium (b)
15.9 Other Health (b)
16. Workers' Compensation
17.1 Other Liability—Occurrence
17.2 Other Liability—Claims-Made
17.3 Excess Workers' Compensation
18.1 Products Liability—Occurrence
18.2 Products Liability—Claims-Made
19.1 Private Passenger Auto No-Fault (Personal Injury Protection)
19.2 Other Private Passenger Auto Liability
19.3 Commercial Auto No-Fault (Personal Injury Protection)
19.4 Other Commercial Auto Liability
21.1 Private Passenger Auto Physical Damage
21.2 Commercial Auto Physical Damage
22. Aircraft (all perils)
23. Fidelity
24. Surety
26. Burglary and Theft
27. Boiler and Machinery
28. Credit
29. International
30. Warranty
31. Reinsurance-Nonproportional Assumed Property
32. Reinsurance-Nonproportional Assumed Liability
33. Reinsurance-Nonproportional Assumed Financial Lines
34. Aggregate Write-Ins for Other Lines of Business
35. TOTAL (a)
DETAILS OF WRITE-INS
3401.
3402.
3403.
3498. Summary of remaining write-ins for Line 34 from overflow page
3499. TOTAL (Lines 3401 through 3403 plus 3498) (Line 34 above)

DRAFTING NOTE: ASL 31, 32 and 33 would be X'd.

QUARTERLY STATEMENT BLANK – PROPERTY

PART 1 – LOSS EXPERIENCE and PART 2 – DIRECT PREMIUMS WRITTEN

	Line of Business
1.	Fire
2.1	Allied lines
2.2	Multiple peril crop
2.3	Federal flood
2.4	Private crop
2.5	Private flood
3.	Farmowners multiple peril
4.	Homeowners multiple peril
5.	Commercial multiple peril
6.	Mortgage guaranty
8.	Ocean marine
9.	Inland marine
10.	Financial guaranty
11.1.	Medical professional liability -occurrence
11.2.	Medical professional liability -claims made
12.	Earthquake
13.1	Comprehensive (hospital and medical) individual
13.2	Comprehensive (hospital and medical) ~~Group~~ group~~accident and health~~
14.	Credit accident and health
15.1	Vision only~~Other accident and health~~
15.2	Dental only
15.3	Disability income
15.4	Medicare supplement
15.5	Medicaid title XIX
15.6	Medicare title XVIII
15.7	Long-term care
15.8	Federal employees health benefits plan premium
15.9	Other health
16.	Workers' compensation
17.1.	Other liability occurrence
17.2.	Other liability-claims made
17.3	Excess Workers' Compensation
18.1.	Products liability-occurrence
18.2.	Products liability-claims made
~~19.1, 19.2 Private passenger auto liability~~	
19.1	Private passenger auto no-fault (personal injury protection)
19.2	Other private passenger auto liability
~~19.3, 19.4 Commercial auto liability~~	
19.3	Commercial auto no-fault (personal injury protection)
19.4	Other commercial auto liability
21.1	Private passenger ~~Auto~~ auto physical damage
21.2	Commercial auto physical damage
22.	Aircraft (all perils)
23.	Fidelity
24.	Surety
26.	Burglary and theft
27.	Boiler and machinery
28.	Credit
29.	International
30.	Warranty
31.	Reinsurance-Nonproportional Assumed Property
32.	Reinsurance-Nonproportional Assumed Liability
33.	Reinsurance-Nonproportional Assumed Financial Lines
34.	Aggregate write-ins for other lines of business
35.	TOTALS
DETAILS OF WRITE-INS	
3401.	
3402.	
3403.	
3498.	Sum. of remaining write-ins for Line 34 from overflow page
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34)

INSURANCE EXPENSE EXHIBIT

For The Year Ended December 31, 2021
(To Be Filed by April 1)

Detail Eliminated to Conserve Space

INTERROGATORIES

~~1. Change in reserve for deferred maternity and other similar benefits are reflected in:~~

~~1.1 Premiums Earned..... [ ]~~

~~1.2 Losses Incurred..... [ ]~~

~~1.3 Not Applicable..... [ ]~~

~~2~~1. Indicate amounts received from securities subject to proration for federal tax purposes. Report amounts in whole dollars only:

~~2~~1.1 Amount included on Exhibit of Net Investment Income, Line 1.1, Column 2.....
$.....

~~2~~1.2 Amount included on Exhibit of Net Investment Income, Line 2.1, Column 2.....
$.....

~~2~~1.3 Amount included on Exhibit of Net Investment Income, Line 2.11, Column 2.....
$.....

~~2~~1.4 Amount included on Exhibit of Net Investment Income, Line 2.2, Column 2.....
$.....

~~2~~1.5 Amount included on Exhibit of Net Investment Income, Line 2.21, Column 2.....
$.....

~~3~~2. Indicate amounts shown in the Annual Statement for the following items. Report amounts in whole dollars only:

~~3~~2.1 Net Investment Income, Page 4, Line 9, Column 1 .....
$.....

~~3~~2.2 Net realized Capital Gain or (Loss), Page 4, Line 10, Column 1 .....
$.....

~~4~~3.1 The information provided in the Insurance Expense Exhibit will be used by many persons to estimate the allocation of expenses and profit to the various lines of business. Are there any items requiring special comment or explanation? Yes [ ] No [ ]

~~4~~3.2 Are items allocated to lines of business in Parts II and III using methods not defined in the instructions? Statement may be attached. Yes [ ] No [ ]

~~4~~3.3 If yes, explain: .....
.....
.....
.....
.....

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ANNUAL STATEMENT INSTRUCTIONS – PROPERTY

EXHIBIT OF PREMIUMS AND LOSSES

DIRECT BUSINESS IN THE STATE OF...

(Statutory Page 14 Data)

Detail Eliminated to Conserve Space

Column 1 – Direct Premiums Written

The amounts reported on the GT (Grand Total) Page for the lines in this column should agree with the amounts reported for the identical line in Column 1 of the Underwriting and Investment Exhibit, Part 1B. ~~with the following exceptions:~~

~~The sum of Lines 2.1, 2.2, 2.3, 2.4 and 2.5 should equal Underwriting and Investment Exhibit, Part 1B, Column 1, Line 2.~~

~~The sum of Lines 5.1 and 5.2 should equal Underwriting and Investment Exhibit, Part 1B, Column 1, Line 5.~~

~~Line 11 should equal the sum of Lines 11.1 and 11.2, Underwriting and Investment Exhibit, Part 1B, Column 1.~~

~~The sum of Lines 15.1 through 15.8 should equal Underwriting and Investment Exhibit, Part 1B, Column 1, Line 15.~~

~~Line 18 should equal the sum of Lines 18.1 and 18.2, Underwriting and Investment Exhibit, Part 1B, Column 1.~~

~~The sum of Lines 19.1 and 19.2 should equal Underwriting and Investment Exhibit, Part 1B, Column 1, Line 19.1 and 19.2.~~

~~The sum of Lines 19.3 and 19.4 should equal Underwriting and Investment Exhibit, Part 1B, Column 1, Line 19.3 and 19.4.~~

~~The sum of Lines 21.1 and 21.2 should equal Underwriting and Investment Exhibit, Part 1B, Column 1, Line 21.~~

Column 2 – Direct Premiums Earned

May be estimated by formula on the basis of countrywide ratios for the respective lines of business except where adjustments are required to recognize special situations.

Column 5 – Direct Losses Paid (Deducting Salvage)

The amounts reported on the GT (Grand Total) Page for the lines in this column should agree with the amounts reported for the identical line in Column 1 of the Underwriting and Investment Exhibit, Part 2, Column 1. ~~with the following exceptions:~~

~~The sum of Lines 2.1, 2.2, 2.3, 2.4 and 2.5 should equal Underwriting and Investment Exhibit, Part 2, Column 1, Line 2.~~

~~The sum of Lines 5.1 and 5.2 should equal Underwriting and Investment Exhibit, Part 2, Column 1, Line 5.~~

~~Line 11 should equal the sum of Lines 11.1 and 11.2, Underwriting and Investment Exhibit, Part 2, Column 1.~~

~~The sum of Lines 15.1 through 15.8 should equal Underwriting and Investment Exhibit, Part 2, Column 1, Line 15.~~

~~Line 18 should equal the sum of Lines 18.1 and 18.2, Underwriting and Investment Exhibit, Part 2, Column 1.~~

~~The sum of Lines 19.1 and 19.2 should equal Underwriting and Investment Exhibit, Part 2, Column 1, Line 19.1 and 19.2.~~

~~The sum of Lines 19.3 and 19.4 should equal Underwriting and Investment Exhibit, Part 2, Column 1, Line 19.3 and 19.4.~~

~~The sum of Lines 21.1 and 21.2 should equal Underwriting and Investment Exhibit, Part 2, Column 1, Line 21.~~

Column 7 – Direct Losses Unpaid

The amounts reported on the GT (Grand Total) Page for the lines in this column should agree with the amounts reported for the identical line in Column 1 plus Column 5 of the Underwriting and Investment Exhibit, Part 2A. ~~with the following exceptions:~~

~~The sum of Lines 2.1, 2.2, 2.3, 2.4 and 2.5 should equal Underwriting and Investment Exhibit, Part 2A, Column 1 plus Column 5, Line 2.~~

~~The sum of Lines 5.1 and 5.2 should equal Underwriting and Investment Exhibit, Part 2A, Column 1 plus Column 5, Line 5.~~

~~Line 11 should equal the sum of Lines 11.1 and 11.2, Underwriting and Investment Exhibit, Part 2A, Column 1 plus Column 5.~~

~~The sum of Lines 15.1 through 15.8 should equal Underwriting and Investment Exhibit, Part 2A, Column 1 plus Column 5, Line 15.~~

~~Line 18 should equal the sum of Lines 18.1 and 18.2, Underwriting and Investment Exhibit, Part 2A, Column 1 plus Column 5.~~

~~The sum of Lines 19.1 and 19.2 should equal Underwriting and Investment Exhibit, Part 2A, Column 1 plus Column 5, Line 19.1 and 19.2.~~

~~The sum of Lines 19.3 and 19.4 should equal Underwriting and Investment Exhibit, Part 2A, Column 1 plus Column 5, Line 19.3 and 19.4.~~

~~The sum of Lines 21.1 and 21.2 should equal Underwriting and Investment Exhibit, Part 2A, Column 1 plus Column 5, Line 21.~~

INSURANCE EXPENSE EXHIBIT

INTERROGATORIES

Interrogatory ~~4~~ 3 shall be used to explain any item or items requiring special comment or explanation. Disclose the method of allocation for any items in Parts II and III that are not allocated by means defined in the Uniform Classification of Expenses found in the Appendix of the *Annual Statement Instructions.*

Part II – Allocation to Lines of Business Net of Reinsurance

For Columns 1, 3, 7, 13 and 19, the amounts reported in these columns for the individual lines should equal the amounts reported in the identical lines of annual statement schedules as referenced parenthetically below each respective column heading in the exhibit. ~~with the following exceptions:~~

~~The sum of IEE Lines 2.1, 2.2, 2.3, 2.4 and 2.5 should equal Line 2 of the annual statement schedules as referenced parenthetically below each respective column heading in the exhibit for Columns 1, 3, 7, 13 and 19.~~

~~The sum of IEE Lines 5.1 and 5.2 should equal Line 5 of the annual statement schedules as referenced parenthetically below each respective column heading in the exhibit for Columns 1, 3, 7, 13 and 19.~~

~~IEE Line 11 should equal the sum of Lines 11.1 and 11.2 of the annual statement schedules as referenced parenthetically below each respective column heading in the exhibit for Columns 1, 3, 7, 13 and 19.~~

~~IEE Line 18 should equal the sum of Lines 18.1 and 18.2 of the annual statement schedules as referenced parenthetically below each respective column heading in the exhibit for Columns 1, 3, 7, 13 and 19.~~

~~The sum of IEE Lines 21.1 and 21.2 should equal Line 21 of the annual statement schedules as referenced parenthetically below each respective column heading in the exhibit for Columns 1, 3, 7, 13 and 19.~~

~~IEE Line 31, 32 and 33 should equal the sum of Lines 31, 32 and 33 of the annual statement schedules as referenced parenthetically below each respective column heading in the exhibit for Columns 1, 3, 7, 13 and 19.~~

Allocate by lines of business for Column 5, Dividends to Policyholders, Column 21, Agents' Balances, Column 23, Commission and Brokerage Expenses Incurred, Column 25, Taxes, Licenses & Fees Incurred, Column 27, Other Acquisitions, Field Supervision, and Collection Expenses Incurred, Column 29, General Expenses Incurred, and Column 31, Other Income Less other Expenses.

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Part III – Allocation to Lines of Direct Business Written

For Column 1, the amounts reported in the individual lines should agree with the identical lines on the Underwriting and Investment Schedule, Part 1B, Column 1. ~~with the following exceptions:~~

~~The sum of IEE Lines 2.1, 2.2, 2.3, 2.4 and 2.5 should equal the Underwriting and Investment Exhibit, Part 1B, Column 1, Line 2.~~

~~The sum of IEE Lines 5.1 and 5.2 should equal the Underwriting and Investment Exhibit, Part 1B, Column 1, Line 5.~~

~~IEE Line 11 should equal the sum of Lines 11.1 and 11.2, Underwriting and Investment Exhibit, Part 1B, Column 1.~~

~~IEE Line 18 should equal the sum of Lines 18.1 and 18.2, Underwriting and Investment Exhibit, Part 1B, Column 1.~~

~~The sum of IEE Lines 21.1 and 21.2 should equal the Underwriting and Investment Exhibit, Part 1B, Column 1, Line 21.~~

APPENDIX

PROPERTY AND CASUALTY LINES OF BUSINESS

These definitions should be applied when reporting all applicable amounts for the following schedules: Underwriting and Investment Exhibit Parts 1, 1A, 1B, 2, and 2A; Exhibit of Premiums and Losses (Statutory Page 14); and the Insurance Expense Exhibit. Policy fees, service charges or membership charges are to be included with the line of business or in Other Income, as determined by *SSAP No. 53—Property Casualty Contracts – Premiums*.

Line 13 – Comprehensive (Hospital and Medical)	Policies that provide fully insured indemnity, HMO, PPO, or Fee for Service coverage for hospital, medical, and surgical expenses. This category excludes Short-Term Medical Insurance, the Federal Employees Health Benefit Program and non-comprehensive coverage such as basic hospital only, medical only, hospital confinement indemnity, surgical, outpatient indemnity, specified disease, intensive care, and organ and tissue transplant coverage as well as any other coverage described in the other categories of this exhibit.
Line 14 – Credit Accident and Health	Coverage provided to, or offered to, borrowers in connection with a consumer credit transaction where the proceeds are used to repay a debt or an installment loan in the event the consumer is disabled as the result of an accident, including business not exceeding 120 months duration (Group and Individual).
Line 15 – Other Accident and Health	Accident and health coverages not otherwise properly classified as Comprehensive (Hospital and Medical) and Health or Credit Accident and Health. Include all Medicare Part D Prescription Drug Coverage, whether sold on a stand-alone basis or through a Medicare Advantage product and whether sold directly to an individual or through a group.

15.1 – Vision Only

Include: Policies providing for vision only coverage issued as stand-alone vision or as a rider to a medical policy that is not related to the medical policy through premiums, deductibles or out-of-pocket limits. Does not include self-insured business, federal employees health benefit plans (FEHBP), or Medicare and Medicaid programs.

15.2 – Dental Only

Include: Policies providing for dental only coverage (dental treatment benefits such as routine dental examinations, preventive dental work, and dental procedures needed to treat tooth decay and diseases of the teeth and jaw) issued as stand-alone dental or as a rider to a medical policy that is not related to the medical policy through premiums, deductibles or out-of-pocket limits. If dental benefits are part of a comprehensive medical plan, then include data under comprehensive/major medical category. Does not include self-insured business, as well as federal employee's health benefits plans (FEHBP), or Medicare and Medicaid programs.

15.3 – Disability Income

Include: Policies that provide a weekly or monthly income benefit for more than five years for individual coverage and more than one year for group coverage for full or partial disability arising from accident and/or sickness. Include policies that provide Overhead Expense Benefits. Does not include credit disability.

Policies that provide a weekly or monthly income benefit for up to five years for individual coverage and up to one year for group coverage for full or partial disability arising from accident and/or sickness. Include policies that provide Overhead Expense Benefits. Does not include credit disability.

15.4 – Medicare Supplement

Include: Policies that qualify as Medicare Supplement policy forms as defined in the NAIC Medicare Supplement Insurance Minimum Standards Model Act. This includes standardized plans, pre-standardized plans and Medicare select. Does not include Medicare (Title XVIII) or Medicaid (Title XIX) risk contracts.

15.5 – Medicaid title XIX

Include: Policies issued in association with the Federal/State entitlement program created by Title XIX of the Social Security Act of 1965 that pays for medical assistance for certain individuals and families with low incomes and resources.

15.6 – Medicare title XVIII

Include: Policies issued as Medicare Advantage Plans providing Medicare benefits to Medicare eligible beneficiaries created by title XVIII of the Social Security Act of 1965. This includes Medicare Managed Care Plans (i.e., HMO and PPO) and Medicare Private Fee-for-Service Plans. This also includes all Medicare Part D Prescription Drug Coverage through a Medicare Advantage product and whether sold directly to an individual or through a group.

15.7 – Long-Term Care

Include: Policies that provide coverage for not less than one year for diagnostic, preventive, therapeutic, rehabilitative, maintenance, or personal care services provided in a setting other than an acute care unit of a hospital, including policies that provide benefits for cognitive impairment or loss of functional capacity. This includes policies providing only nursing home care, home health care, community-based care, or any combination. Do not include coverage provided under comprehensive/major medical policies, Medicare Advantage, or for accelerated death benefit-type products.

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15.8 – Federal Employees Health Benefits Plan Premium

Include: Business allocable to the Federal Employees Health Benefit Plan premium that are exempted from state taxes or other fees by Section 8909(f)(1) of Title 5 of the United States Code. Does not include Medicare and Medicaid programs.

15.9 – Other Health

Include: Stop loss/excess loss and any other accident and health coverages not specifically required in Annual Statement lines 13, 14, 15.1 through 15.8.

~~Line 13 – Group Accident and Health~~ ~~Coverage written on a group basis (e.g., employees of a single employer and their dependents) that pays scheduled benefits or medical expenses caused by disease, accidental injury or accidental death. Excludes amounts attributable to uninsured accidents and health plans and the uninsured portion of partially insured accident and health plans. Coverage is usually provided in the following manner:~~

~~A single policy called a "master contract" is issued to the group policyholder to cover a group of individuals who have a defined relationship (other than insurance) to the policyholder, such as:~~

- ~~employee/employer~~
- ~~member/union~~
- ~~debtor/creditor~~

~~The contract provides specified types of insurance coverage for the individuals in a group. Policies generally provide benefits for one or more of the following coverages: short- or long-term disability income benefits, accidental death or dismemberment coverage, major medical expense benefits, and dental expense benefits.~~

~~Line 14 – Credit Accident and Health (Group and Individual)~~ ~~Coverage provided to, or offered to, borrowers in connection with a consumer credit transaction where the proceeds are used to repay a debt or an installment loan in the event the consumer is disabled as the result of an accident, including business not exceeding 120 months duration.~~

~~Line 15 – Other Accident and Health~~ ~~Accident and health coverages not otherwise properly classified as Group Accident and Health or Credit Accident and Health (e.g., collectively renewable and individual non-cancelable, guaranteed renewable, non-renewable for stated reasons only, etc.). Include all Medicare Part D Prescription Drug Coverage, whether sold on a stand-alone basis or through a Medicare Advantage product and whether sold directly to an individual or through a group.~~
~~Line 15.1 – Collectively Renewable A&H~~

~~Include: Amounts pertaining to policies that are made available to groups of persons under a plan sponsored by an employer, or an association or a union or affiliated associations or unions or a group of individuals supplying materials to a central point of collection or handling a common product or commodity, under which the reporting entity has agreed with respect to such policies that renewal will not be refused, subject to any specified age limit, while the insured remains a member of the group~~

~~specified in the agreement unless the reporting entity simultaneously refuses renewal to all other policies in the same group. A sponsored plan shall not include any arrangement where a reporting entity's customary individual policies are made available without special underwriting considerations and where the employer's participation is limited to arranging for salary allotment premium payments with or without contribution by the employer. Such plans are sometimes referred to as payroll budget or salary allotment plans. A sponsored plan may be administered by an agent or trustee.~~

~~Amounts pertaining to policies issued by a company or group of companies under a plan, other than a group insurance plan, authorized by special legislation for the exclusive benefit of the aged through mass enrollment.~~

~~Amounts pertaining to policies issued under mass enrollment procedures to older people, such as those age 65 and over, in some geographic region or regions under which the reporting entity has agreed with respect to such policies that renewal will not be refused unless the reporting entity simultaneously refuses renewal to all other policies specified in the agreement.~~

~~Line 15.2 Non-Cancelable A&H~~

~~Include: Amounts pertaining to policies, which are guaranteed renewable for life or to a specified age, such as 60 or 65, at guaranteed premium rates.~~

~~Line 15.3 Guaranteed Renewable A&H~~

~~Include: Amounts pertaining to policies that are guaranteed renewable for life or to a specified age, such as 60 or 65, but under which the reporting entity reserves the right to change the scale of premium rates.~~

~~Line 15.4 Non-Renewable for Stated Reasons Only~~

~~Include: Amounts pertaining to policies in which the reporting entity has reserved the right to cancel or refuse renewal for one or more stated reasons, but has agreed implicitly or explicitly that, prior to a specified time or age, it will not cancel or decline renewal solely because of deterioration of health after issue.~~

~~Line 15.5 Other Accident Only~~

~~Include: Policies that provide coverage, singly or in combination, for death, dismemberment, disability, or hospital and medical care caused by or necessitated as a result of accident or specified kinds of accidents not included in Annual Statement lines 13, 14, 15.1 through 15.4, 15.6 and 15.8. Types of coverage include student accident, sports accident, travel accident, blanket accident, specific accident or accidental death and dismemberment (AD&D).~~

~~Line 15.6 Medicare Title XVIII Exempt from State Taxes or Fees~~

~~Report Medicare Title XVIII premiums that are exempted from state taxes or other fees by Section 1854(g) of the federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003. This includes, but is not limited to, premiums written under a Medicare Advantage product, a Medicare PPO product or a stand-alone Medicare Part D product.~~

~~Line 15.7 – All Other A&H~~

~~Include: Any other accident and health coverages not specifically required in Annual Statement lines 13, 14, 15.1 through 15.6 and 15.8.~~

~~Line 15.8 – Federal Employees Health Benefits Plan Premium~~

~~Include: Premiums, dividends and losses allocable to the Federal Employees Health Benefits Plan that are exempted from state taxes or other fees by Section 8909(f)(1) of Title 5 of the U.S. Code.~~

Detail Eliminated to Conserve Space

W:\National Meetings\2021\Spring\TF\App\BlanksWG\minutes\Att C_2020-33BWG_Modified.doc

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

	DATE: 11/10/2020	**FOR NAIC USE ONLY**
CONTACT PERSON:		Agenda Item # 2020-34BWG
		Year 2021
TELEPHONE:		Changes to Existing Reporting [X]
		New Reporting Requirement [ ]
EMAIL ADDRESS:		**REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT**
ON BEHALF OF:		No Impact [X] Modifies Required Disclosure [ ]
NAME:	**Jacob W. Garn**	**DISPOSITION**
TITLE:	**Chair, Blanks Working Group**	[ ] Rejected For Public Comment [ ] Referred To Another NAIC Group [ ] Received For Public Comment
AFFILIATION:		[X] Adopted Date 03/16/2021
ADDRESS:		[ ] Rejected Date [ ] Deferred Date [ ] Other (Specify)

BLANK(S) TO WHICH PROPOSAL APPLIES

[X] **ANNUAL STATEMENT**	[X] **INSTRUCTIONS**	[ ] **CROSSCHECKS**
[ ] **QUARTERLY STATEMENT**	[ ] **BLANK**	
[ ] Life, Accident & Health/Fraternal	[ ] Separate Accounts	[ ] Title
[X] Property/Casualty	[ ] Protected Cell	[ ] Other
[ ] Health	[ ] Health (Life Supplement)	

Anticipated Effective Date: Annual 2021

IDENTIFICATION OF ITEM(S) TO CHANGE

Add definitions for the Occupational Accident, Fiduciary Liability, Premises and Operations (OL&T and M&C), Professional Errors and Omissions Liability, Kidnap & Ransom Liability and Tuition Reimbursement Plans products to the appropriate Line of Business in the appendix.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The purpose of this proposal is to modify definitions in the Property Lines of Business Definitions section of the appendix to new product definition included in the Property Uniform Product Matrix that are not included in the definitions in the Annual Statement Instructions.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:

Other Comments:

**** This section must be completed on all forms.** **Revised 7/18/2018**

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ANNUAL STATEMENT INSTRUCTIONS - PROPERTY

APPENDIX

PROPERTY AND CASUALTY LINES OF BUSINESS

Detail Eliminated to Conserve Space

Line 10 – Financial Guaranty

A surety bond, insurance policy, or when issued by an insurer, an indemnity contract and any guaranty similar to the foregoing types, under which loss is payable upon proof of occurrence of financial loss to an insured claimant, obligee or indemnitee as a result of failure to perform a financial obligation (see *Financial Guaranty Insurance Guideline* (#1626)).

Line 11 – Medical Professional Liability

Insurance coverage protecting a licensed health care provider or health care facility against legal liability resulting from the death or injury of any person due to the insured's misconduct, negligence, or incompetence in rendering professional services. Medical Professional Liability is also known as Medical Malpractice.

Include Medical Professional Liability for:

Acupuncture, Ambulance Services, Chiropractic, Community Health Centers, Dental Hygienists, Dentists – General Practice, Dentists – Oral Surgeons, Home Care Service Agencies, Hospitals, Nurse – Anesthetists, Nurse - Licensed Practical, Nurse – Midwife, Nurse – Practitioners, Nurse – Private Duty, Nurse – Registered, Nursing Homes, Occupational Therapy, Ophthalmic Dispensing, Optometry, Osteopathy, Pharmacy, Physical Therapy, Physicians & Surgeons, Physicians Assistants, Podiatry, Psychiatry, Psychology, Speech Pathology and Assisted Living Facility

Line 12 – Earthquake

Property coverages for losses resulting from a sudden trembling or shaking of the earth, including that caused by volcanic eruption. Excluded are losses resulting from fire, explosion, flood or tidal wave following the covered event.

Detail Eliminated to Conserve Space

Line 16 – Workers' Compensation

Insurance that covers an employer's liability for injuries, disability or death to persons in their employment, without regard to fault, as prescribed by state or Federal workers' compensation laws and other statutes. Includes employer's liability coverage against the common law liability for injuries to employees (as distinguished from the liability imposed by Workers' Compensation Laws). Excludes excess workers' compensation.

Alternative Workers' Compensation

Other than standard workers' compensation coverage, employer's liability and excess workers' compensation (e.g., large deductible, managed care).

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Employers' Liability

Employers' liability coverage for the legal liability of employers arising out of injuries to employees. This line of business should be used when coverage is issued as an endorsement, or as part of a statutory workers' compensation policy. When coverage is issued as a stand-alone policy, or as an endorsement a package policy, the appropriate "Other Liability" line of business should be used.

Standard Workers' Compensation

Insurance that covers an employer's liability for injuries, disability or death to persons in their employment, without regard to fault, as prescribed by state or federal workers' compensation laws and included within the basic policy employers' liability coverage.

Occupational Accident

Insurance that covers occupational accident to include comparable workers' compensation.

Line 17 – Other Liability

Insurance coverage protecting the insured against legal liability resulting from negligence, carelessness or a failure to act, causing property damage or personal injury to others. Typically, coverages include construction and alteration liability; contingent liability; contractual liability; elevators and escalators liability; errors and omissions liability, environmental pollution liability; excess stop loss, excess over insured or self-insured amounts and umbrella liability; liquor liability; personal injury liability; premises and operations liability; completed operations liability, nonmedical professional liability, etc. Also includes indemnification coverage provided to self-insured employers on an excess of loss basis (excess workers' compensation).

Completed Operations Liability

Premiums attributable to policies covering the liability of contractors, plumbers, electricians, repair shops and similar firms to persons who have incurred bodily injury or property damage from defective work or operations completed or abandoned by or for the insured, away from the insured's premises.

Construction and Alteration Liability

Premiums attributable to policies covering the liability of an insured to persons who have incurred bodily injury or property damage from alterations involving demolition, new construction or change in size of a structure on the insured's premises.

Contingent Liability

Premiums attributable to policies covering the liability of an insured to persons who have incurred bodily injury or property damage from work done by an independent contractor hired by the insured to perform work that was illegal, inherently dangerous, supervised too closely; or it was a situation that does not permit delegation of responsibility.

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Contractual Liability

Premiums attributable to policies covering the liability of an insured that has assumed the legal liability of another party by written or oral contract. Includes coverage that names the lender/lessor as beneficiary and indemnifies the borrower/lessee for the liability of the balance due on the automobile loan/lease for an automobile that has been destroyed in an accident.

Elevators and Escalators Liability

Premiums attributable to policies covering the liability of an insured to persons who have incurred bodily injury or property damage from use of elevators or escalators operated, maintained or controlled by the insured.

Errors and Omissions Liability
Professional Liability Other Than Medical

Premiums attributable to policies covering the liability of a professional or quasi-professional insured to persons who have incurred bodily injury or property damage, or who have sustained any loss from omissions arising from the performance of services for others, errors in judgment, breaches of duty, or negligent or wrongful acts in business conduct.

Environmental Pollution Liability

Premiums attributable to policies covering the liability of an insured to persons who have incurred bodily injury or property damage from acids, fumes, smoke, toxic chemicals, waste materials or other pollutants.

Excess and Umbrella Liability

Premiums attributable to policies covering the liability of an insured above a specific amount set forth in a basic policy issued by the primary insurer; or a self-insurer for losses over a stated amount; or an insured or self-insurer for known or unknown gaps in basic coverages or self-insured retentions.

Liquor Liability

Premiums attributable to policies covering the liability of an insured to persons who have incurred bodily injury or property damage from an intoxicated person.

Personal Injury Liability

Premiums attributable to policies covering the liability of an insured to persons who have been discriminated against, falsely arrested, illegally detained, libeled, maliciously prosecuted, slandered, suffered mental anguish or alienation of affections, or have had their right of privacy violated. Includes identity theft.

Premises and Operations Liability

Premiums attributable to policies covering the liability of an insured to persons who have incurred bodily injury or property damage on an insured's premises during normal operations or routine maintenance, or from an insured's business operations either on or off of the insured's premises.

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Excess Workers' Compensation

Either specific and/or aggregate excess workers' compensation insurance written above an attachment point or self-insured retention.

Commercial General Liability

Flexible and broad commercial liability coverage with two major sub-lines: premises/operations sub-line and products/completed operations sub-line.

Comprehensive Personal Liability

Comprehensive liability coverage for exposures arising out of the residence premises and activities of individuals and family members. (Non-business liability exposure protection for individuals.)

Day Care Centers

Liability coverage for day care centers.

Directors and Officers Liability

Liability coverage protecting directors or officers of a corporation from liability arising out of the performance of their professional duties on behalf of the corporation.

Employee Benefit Liability

Liability protection for an employer for claims arising from provisions in an employee benefit insurance plan provided for the economic and social welfare of employees. Examples of items covered are pension plans, group life insurance, group health insurance, group disability income insurance, and accidental death and dismemberment.

Employers' Liability

Employers' liability coverage for the legal liability of employers arising out of injuries to employees. This line of business should be used when coverage is issued as a stand-alone policy, or as an endorsement to a package policy. When this coverage is issued as an endorsement to a statutory workers' compensation policy, the "Workers' Compensation" line of business should be used.

Employment Practices Liability

Liability protection for an employer providing personal injury coverage arising out of employment-related practices, personnel policies, acts or omissions. Examples of claims such policies respond to are refusal to employ, termination, coercion, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation and discrimination.

Fire Legal Liability

Coverage for property loss liability as the result of separate negligent acts and/or omissions of the insured that allows a spreading fire to cause bodily injury or property damage of others. An example is a tenant who, while occupying another party's property, through negligence causes fire damage to the property.

Municipal Liability

Liability coverage for the acts of a municipality.

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Nuclear Energy Liability

Coverage for bodily injury and property damage liability resulting from the nuclear energy material (whether or not radioactive) on the insured business's premises or in transit.

Veterinarian

Liability coverage for the acts of a veterinarian.

Internet Liability

Liability arising out of claims for wrongful acts related to the content posted on a website by the insured or the insured's failure to maintain the security of its computer systems.

Cyber Liability

Stand-alone comprehensive coverage for liability arising out of claims related to unauthorized access to or use of personally identifiable or sensitive information due to events including, but not limited to, viruses, malicious attacks, or system errors or omissions. This coverage could also include expense coverage for business interruption, breach management and/or mitigation services. When cyber liability is provided as an endorsement or as part of a multi-peril policy, as opposed to a stand-alone policy, use the appropriate annual statement line of business of the product to which the coverage will be attached.

Fiduciary Liability

This type of insurance provides protection for fiduciaries against legal liability for claims made against them for a wrongful act (defined as a breach of fiduciary duty imposed by ERISA or similar common or statutory law). It'll respond to claims for damages arising out of improper investments, plan and employee advice, insufficient funding and failure of an insurer to perform.

Examples include failure to invest plan assets prudently or failure to select a qualified service provider for a covered plan. Some fiduciary liability policies may also provide coverage for negligent acts, as well as errors or omissions in the administration of employee benefit plans.

Premises and Operations (OL&T and M&C)

Policies covering the liability of an insured to persons who have incurred bodily injury or property damage on an insured's premises during normal operations or routine maintenance, or from an insured's business operations either on or off of the insured's premises.

Professional Errors and Omissions Liability

Coverage available to pay for liability arising out of the performance of professional or business-related duties, with coverage being tailored to the needs of the specific profession. Examples include abstracters, accountants, insurance adjusters, architects, engineers, insurance agents and brokers, lawyers, real estate agents, stockbrokers.

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Line 17.1 – Other Liability Occurrence

Exclude: Excess workers' compensation included in Line 17.3.

Line 17.2 – Other Liability Claims Made

Exclude: Excess workers' compensation included in Line 17.3.

Line 17.3 – Excess Workers' Compensation

Include: Indemnification coverage provided to self-insured employers on an excess of loss basis.

Line 18 – Product Liability

Insurance coverage protecting the manufacturer, distributor, seller or lessor of a product against legal liability resulting from a defective condition causing personal injury, or damage, to any individual or entity, associated with the use of the product.

Detail Eliminated to Conserve Space

Line 25 – Glass
(1996 Annual Statement and previous)

Coverage for the costs of replacement and incidental costs of building glass due to breakage or application of chemicals to glass. NOTE: This coverage should be included in Allied Lines.

Line 26 – Burglary and Theft

Coverage for property taken or destroyed by breaking and entering the insured's premises, burglary or theft, forgery or counterfeiting, fraud, kidnap and ransom, and off-premises exposure.

Kidnap & Ransom Liability

Liability coverage up to specific limits for payments demanded by kidnappers for the release of an insured held against his or her will.

Line 27 – Boiler and Machinery

Coverage for the failure of boilers, machinery and electrical equipment. Benefits include:

(i) property of the insured that has been directly damaged by the accident.
(ii) Costs of temporary repairs and expediting expenses.
(iii) Liability for damage to the property of others.

Detail Eliminated to Conserve Space

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Line 34 – Details for Write-ins

Coverages not generally described above.

Involuntary Unemployment Insurance

Space

Coverage of satellites, shuttles, hull, drones and other non-standard aircraft.

Political and Natural Disaster Evacuation

Coverage of specified costs for an insured person to return to their country of residence or nearest place of safety and specified reasonable accommodation costs (if the insured person is unable to return to their country of residence), as a direct result of a covered evacuation or if a natural disaster has occurred in the country the insured person is currently in requiring their immediate evacuation to avoid the risk of bodily injury or sickness, while the insured person is on a journey covered by the policy.

War Risk Insurance/War Terrorism and Political Violence

Mortgage Interest Insurance

Money Insurance

Tuition Reimbursement Plans

Product which reimburses for the tuition expenses of students who drop out, are expelled, leave for medical reasons, etc.

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NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

	DATE: 11/11/2020	**FOR NAIC USE ONLY**
CONTACT PERSON:		Agenda Item # 2020-35BWG MOD
		Year 2022
TELEPHONE:		Changes to Existing Reporting [X]
		New Reporting Requirement [ ]
EMAIL ADDRESS:		**REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT**
ON BEHALF OF:		No Impact [X] Modifies Required Disclosure [ ]
NAME:	Kim Hudson	**DISPOSITION**
TITLE:		[ ] Rejected For Public Comment [ ] Referred To Another NAIC Group [ ] Received For Public Comment
AFFILIATION:	California Department of Insurance	[X] Adopted Date 03/16/2021
ADDRESS:	300 South Spring St.	[ ] Rejected Date [ ] Deferred Date
	Los Angeles, CA 90013	[ ] Other (Specify)

BLANK(S) TO WHICH PROPOSAL APPLIES

[X] **ANNUAL STATEMENT**	[X] **INSTRUCTIONS**	[X] **CROSSCHECKS**
[X] **QUARTERLY STATEMENT**	[X] **BLANK**	
[X] Life, Accident & Health/Fraternal	[ ] Separate Accounts	[X] Title
[X] Property/Casualty	[ ] Protected Cell	[ ] Other
[X] Health	[ ] Health (Life Supplement)	

Anticipated Effective Date: 1st Quarter 2022

IDENTIFICATION OF ITEM(S) TO CHANGE

Expand the number of characters used from seven to ten in the investment line categories for Schedules D, DA, DL and E excluding Schedule D, Part 6 (Sections 1 and 2) and Schedule E (Part 1 and 3). Add line categories for Unaffiliated Certificates of Deposit and Exchange Traded Funds. Split 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 SVO or not. Make changed to Summary Investment Schedule, Summary by Country and Schedule D, Part 1A (Sections 1 and 2) to reflect the additional line categories.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The purpose of the proposal is to change the line number size 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.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:

Other Comments:

** **This section must be completed on all forms.** **Revised 7/18/2018**

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ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

SCHEDULE D – PART 1

LONG-TERM BONDS OWNED DECEMBER 31 OF CURRENT YEAR

Detail Eliminated to Conserve Space

Category	Line Number
Bonds:	
U.S. Governments	
Issuer Obligations	0019999999
Residential Mortgage-Backed Securities	0029999999
Commercial Mortgage-Backed Securities	0039999999
Other Loan-Backed and Structured Securities	0049999999
Subtotals – U.S. Governments	~~05999990~~109999999
All Other Governments	
Issuer Obligations	~~06999990~~219999999
Residential Mortgage-Backed Securities	~~07999990~~229999999
Commercial Mortgage-Backed Securities	~~08999990~~239999999
Other Loan-Backed and Structured Securities	~~09999990~~249999999
Subtotals – All Other Governments	~~10999990~~309999999
U.S. States, Territories and Possessions (Direct and Guaranteed)	
Issuer Obligations	~~11999990~~419999999
Residential Mortgage-Backed Securities	~~12999990~~429999999
Commercial Mortgage-Backed Securities	~~13999990~~439999999
Other Loan-Backed and Structured Securities	~~14999990~~449999999
Subtotals – U.S. States, Territories and Possessions (Direct and Guaranteed)	~~17999990~~509999999
U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	
Issuer Obligations	~~18999990~~619999999
Residential Mortgage-Backed Securities	~~19999990~~629999999
Commercial Mortgage-Backed Securities	~~20999990~~639999999
Other Loan-Backed and Structured Securities	~~21999990~~649999999
Subtotals – U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	~~24999990~~709999999
U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	
Issuer Obligations	~~25999990~~819999999
Residential Mortgage-Backed Securities	~~26999990~~829999999
Commercial Mortgage-Backed Securities	~~27999990~~839999999
Other Loan-Backed and Structured Securities	~~28999990~~849999999
Subtotals – U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	~~31999990~~909999999
Industrial and Miscellaneous (Unaffiliated)	
Issuer Obligations	~~32999990~~1019999999
Residential Mortgage-Backed Securities	~~33999990~~1029999999
Commercial Mortgage-Backed Securities	~~34999990~~1039999999
Other Loan-Backed and Structured Securities	~~35999990~~1049999999
Subtotals – Industrial and Miscellaneous (Unaffiliated)	~~38999990~~1109999999

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Hybrid Securities

Issuer Obligations ~~4299999~~1219999999
Residential Mortgage-Backed Securities ~~4399999~~1229999999
Commercial Mortgage-Backed Securities ~~4499999~~1239999999
Other Loan-Backed and Structured Securities ~~4599999~~1249999999
Subtotals – Hybrid Securities ~~4899999~~1309999999

Parent, Subsidiaries and Affiliates

Issuer Obligations ~~4999999~~1419999999
Residential Mortgage-Backed Securities ~~5099999~~1429999999
Commercial Mortgage-Backed Securities ~~5199999~~1439999999
Other Loan-Backed and Structured Securities ~~5299999~~1449999999
Affiliated Bank Loans – Issued ~~5399999~~1459999999
Affiliated Bank Loans – Acquired ~~5499999~~1469999999
Subtotals – Parent, Subsidiaries and Affiliates ~~5599999~~1509999999

SVO Identified Funds

Exchange Traded Funds – as Identified by the SVO ~~5899999~~1619999999
~~Bond Mutual Funds – as Identified by the SVO 5999999~~
~~Subtotals – SVO Identified Funds 6099999~~

Unaffiliated Bank Loans

Unaffiliated Bank Loans – Issued ~~6399999~~1819999999
Unaffiliated Bank Loans – Acquired ~~6499999~~1829999999
Subtotals – Unaffiliated Bank Loans ~~6599999~~1909999999

Unaffiliated Certificates of Deposit 2019999999

Total Bonds

Subtotals – Issuer Obligations ~~7699999~~2419999999
Subtotals – Residential Mortgage-Backed Securities ~~7799999~~2429999999
Subtotals – Commercial Mortgage-Backed Securities ~~7899999~~2439999999
Subtotals – Other Loan-Backed and Structured Securities ~~7999999~~2449999999
Subtotals – SVO Identified Funds ~~8099999~~2459999999
Subtotals – Affiliated Bank Loans ~~8199999~~2469999999
Subtotals – Unaffiliated Bank Loans ~~8299999~~2479999999
Subtotals – Unaffiliated Certificates of Deposit 2489999999
Subtotals – Total Bonds ~~8399999~~2509999999

Detail Eliminated to Conserve Space

Column 3 – Code

Enter "*" in this column for all SVO Identified Funds designated for systematic value.

Enter "@" in this column for all Principal STRIP Bonds or other zero-coupon bonds.

~~Enter "$" in this column for Certificates of Deposit under the FDIC limit.~~

Enter "&" in this column for TBA (To Be Announced) securities.

Enter "^" in this column for all assets that are bifurcated between the insulated separate account filing and the non-insulated separate account filing.

If bonds are not under the exclusive control of the company as shown in the General Interrogatories, they are to be identified by placing one of the codes **identified in the Investment Schedules General Instructions** in this column.

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If the security is an SVO Identified Fund designated for systematic value, Principal STRIP bond or other zero coupon bond, Certificates of Deposit under the FDIC limit or a TBA (To Be Announced) security and is not under the exclusive control of the company, the "*", "@", ~~"$"~~ or "&" should appear first, immediately followed by the appropriate code (**identified in the Investment Schedules General Instructions**).

Separate Account Filing Only:

If the asset is a bifurcated asset between the insulated separate account filing and the non-insulated separate account filing, the "^" should appear first and may be used simultaneously with the"*", "@", ~~"$"~~ or "&" with the "^" preceding the other characters ("*", "@", ~~"$"~~ or "&") depending on the asset being reported, immediately followed by the appropriate code (**identified in the Investment Schedules General Instructions**).

Column 26 – Collateral Type

Use only for securities included in the following subtotal lines.

Industrial and Miscellaneous (Unaffiliated)

Residential Mortgage-Backed/ Securities ..... ~~3399999~~1029999999
Commercial Mortgage-Backed Securities ..... ~~3499999~~1039999999
Other Loan-Backed and Structured Securities ..... ~~3599999~~1049999999

Enter one of the following codes to indicate collateral type. Pick exactly one collateral type for each reported security. For securities that fit in more than one type, pick the predominant one. Judgment may need to be used when making selections involving prime, Alt-A and subprime, as there are no uniform definitions for these collateral types. In the description field, use abbreviations like ABS, CDO or CLO to disclose the type of the loan-backed/structured security.

Note: Various investments below require SVO review and approval, please refer to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) for further description.

1 Residential Mortgage Loans/RMBS

Include all types of residential first lien mortgage loans as collateral (e.g., prime, subprime, Alt-A).

2 Commercial Mortgage Loans/CMBS

Include all types of commercial mortgage loans as collateral (e.g., conduits, single name, etc.).

3 Home Equity

Include all home equity loans and/or home equity lines of credit as collateral. These are not first liens and are deemed loans to individuals. Bonds that are collateralized by home equity loans/lines of credit are considered asset-backed securities (ABS) rather than RMBS.

4 Individual Obligations – Credit Card, Auto, Student Loans and Recreational Vehicles

Include bonds collateralized by individual obligations. Do not include individual obligations that have a real-estate aspect.

5 Corporate/Industrial Obligations – Tax Receivables, Utility Receivables, Trade Receivables, Small Business Loans, Commercial Paper

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Include bonds collateralized by corporate or industrial obligations (sometimes referred to as commercial obligations).

6 Lease Transactions – Aircraft Leases, Equipment Leases and Equipment Trust Certificates

Include bonds collateralized by leases. Equipment leases are loans on heavy equipment. Equipment trust certificates are certificates that entitle the holder to the lease payments on the underlying assets.

7 CLO/CBO/CDO

Include bank loans, which securitize CLOs; investment grade and high-yield corporate bonds, which securitize CBOs; and corporate bonds and structured securities, which securitize CDOs.

8 Manufactured Housing and Mobile Home Loans

Include manufactured housing loans and mobile home loans as collateral. These are not typical residential mortgage loans, and when they securitize bonds, they are considered ABS.

9 Credit Tenant Loans

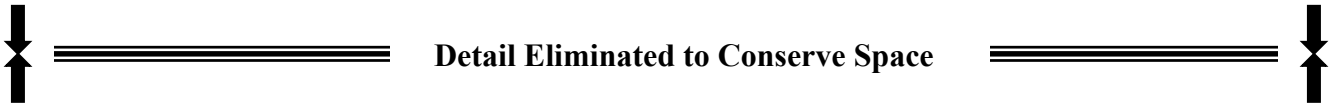
Real estate loans secured by the obligation of a single (usually investment grade) company to pay debt service by means of rental payments under a lease, where real estate is pledged as collateral also referred to as credit tenant lease, sale-leaseback or CTL.

10 Ground Lease Financing

Real estate loans secured by the obligation to pay debt service by means of rental payments of subleased property; where a long-term ground lease was issued in which the lessee intends significant land development and the subleasing of such property to other long-term tenants.

11 Other

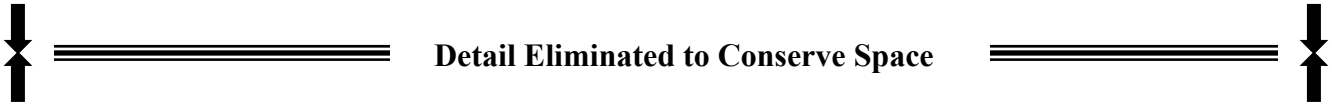
Include other collateral types that do not fit into categories 1 through 9.



NAIC Designation Category Footnote:

Provide the total book/adjusted carrying value amount by NAIC Designation Category that represents the amount reported in Column 11.

The sum of the amounts reported for each NAIC Designation Category in the footnote should equal Line ~~8399999~~2509999999.



SCHEDULE D – PART 2 – SECTION 1

PREFERRED STOCKS OWNED DECEMBER 31 OF CURRENT YEAR

Detail Eliminated to Conserve Space

Category	Line Number
Industrial and Miscellaneous (Unaffiliated):	
Perpetual Preferred	4019999999
Redeemable Preferred	4029999999
Subtotals – Industrial and Miscellaneous (Unaffiliated)	4109999999
Parent, Subsidiaries and Affiliates:	
Perpetual Preferred	4319999999
Redeemable Preferred	4329999999
Subtotals – Parent, Subsidiaries and Affiliates	4409999999
Total Preferred Stocks	4509999999
~~Industrial and Miscellaneous (Unaffiliated) Perpetual Preferred~~	~~8499999~~
~~Industrial and Miscellaneous (Unaffiliated) Redeemable Preferred~~	~~8599999~~
~~Parent, Subsidiaries and Affiliates Perpetual Preferred~~	~~8699999~~
~~Parent, Subsidiaries and Affiliates Redeemable Preferred~~	~~8799999~~
~~Total Preferred Stocks~~	~~8999999~~

Detail Eliminated to Conserve Space

Column 20 – NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol

Provide the appropriate combination of NAIC Designation (1 through 6), NAIC Designation Modifier (A through G) and SVO Administrative Symbol for each security. The list of valid Administrative Symbols is shown below.

The listing of valid NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol combinations can be found on the NAIC's website for the Securities Valuation Office (*www.naic.org/svo.htm*).

Exchange Traded Funds should be reported as perpetual securities.

The NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol will be shown as one column on the printed schedule but will be three sub-columns in the data table.

- NAIC Designation Column 20A
- NAIC Designation Modifier Column 20B
- SVO Administrative Symbol Column 20C

On the printed page the sub-columns should be displayed with a "." between the NAIC Designation and the NAIC Designation Modifier with a space between the NAIC Designation Modifier and the SVO Administrative Symbol (e.g., "1.A YE").

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Designation Modifier:

The NAIC Designation Modifier should only be used for securities reported on lines below if eligible to receive one, as defined in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual), otherwise, the field should be left blank.

- Industrial and Miscellaneous (Unaffiliated) Perpetual Preferred Line ~~8499999~~4019999999
- Industrial and Miscellaneous (Unaffiliated) Redeemable Preferred Line ~~8599999~~4029999999

The NAIC Designation Modifier should be left blank for securities reported on lines below.

- Parent, Subsidiaries and Affiliates Line ~~8699999~~4319999999
- Parent, Subsidiaries and Affiliates Line ~~8799999~~4329999999

As defined in the P&P Manual, there is not an NAIC Designation Modifier for investments reporting an NAIC Designation 6, therefore, the NAIC Designation Modifier field should be left blank.

Refer to the P&P Manual for the application of these modifiers.

Following are valid administrative symbols for preferred stock. Refer to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for the application of these symbols.

S	Additional or other non-payment risk assigned by the SVO or SSG
SYE	Additional or other non-payment risk - Year-end carry over
FE	Filing Exempt assigned by the SVO
YE	Year-end carry over assigned by the SVO
IF	Initial filing - insurer reported designation with Admin Symbol assigned by the SVO
PL	Private Letter Rating assigned by the SVO
PLGI	Private Letter Rating – insurer assigned and reported on General Interrogatory
RT	Regulatory Transaction
RTS	Regulatory Transaction - SVO Reviewed
RTIF	Regulatory Transaction - Initial Filing Submitted to SVO
RTSYE	Regulatory Transaction - SVO Reviewed - Year-end carry over
GI	Insurer assigned and reported on General Interrogatory
F	Sub-paragraph D Company – insurer self-designated
Z	Insurer assigned and reported subject to limitation
*	Limited to NAIC Designation 6 – insurer assigned
Z*	Regulatory review initiated by either the SVO Director, Financial Condition (E) Committee, Executive (EX) Committee or VOSTF.
ND*	Regulatory review for an assessment of regulatory policy for the investment or regulatory reporting instructions to implement applicable policy.

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The NAIC Designation Category is the combination of NAIC Designation and NAIC Designation Modifier. Valid combinations of NAIC Designation and NAIC Designation Modifier for NAIC Designation Category are shown below:

NAIC Designation	NAIC Designation Modifier	NAIC Designation Category
1	A	1A
	B	1B
	C	1C
	D	1D
	E	1E
	F	1F
	G	1G
2	A	2A
	B	2B
	C	2C
3	A	3A
	B	3B
	C	3C
4	A	4A
	B	4B
	C	4C
5	A	5A
	B	5B
	C	5C
6		6

Detail Eliminated to Conserve Space

NAIC Designation Category Footnote:

Provide the total book/adjusted carrying value amount by NAIC Designation Category that represents the amount reported in Column 8.

The sum of the amounts reported for each NAIC Designation Category in the footnote should equal the sum of Lines ~~8499999~~ 4019999999 and ~~8599999~~4029999999.

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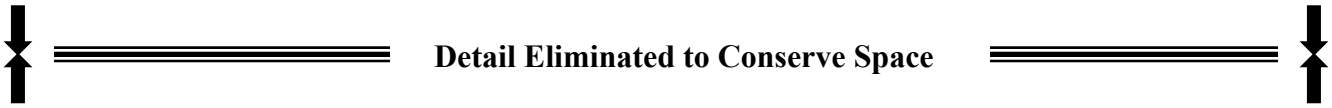
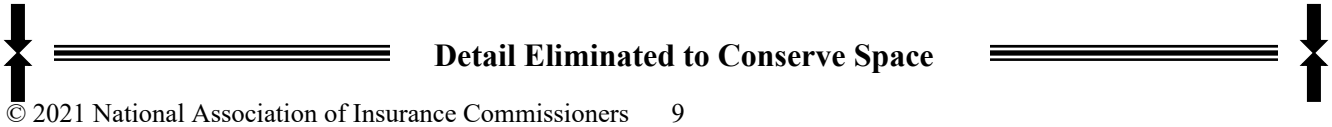
SCHEDULE D – PART 2 – SECTION 2

COMMON STOCKS OWNED DECEMBER 31 OF CURRENT YEAR



Category	Line Number
Industrial and Miscellaneous (Unaffiliated):	
Publicly Traded	5019999999
Other	5029999999
Subtotals – Industrial and Miscellaneous (Unaffiliated)	5109999999
Mutual Funds	
Designation Assigned by SVO	5319999999
Designation Not Assigned by SVO	5329999999
Subtotals – Mutual Funds	5409999999
Unit Investment Trusts	
Designation Assigned by SVO	5519999999
Designation Not Assigned by SVO	5529999999
Subtotals – Unit Investment Trusts	5609999999
Closed-End Funds	
Designation Assigned by SVO	5719999999
Designation Not Assigned by SVO	5729999999
Subtotals – Closed-End Funds	5809999999
Exchange Traded Funds	5819999999
Parent, Subsidiaries and Affiliates:	
Publicly Traded	5919999999
Other	5929999999
Subtotals – Parent, Subsidiaries and Affiliates	5979999999
Total Common Stocks	5989999999
Total Preferred and Common Stocks	5999999999
~~Industrial and Miscellaneous (Unaffiliated) Publicly Traded~~	~~9099999~~
~~Industrial and Miscellaneous (Unaffiliated) Other~~	~~9199999~~
~~Parent, Subsidiaries and Affiliates Publicly Traded~~	~~9299999~~
~~Parent, Subsidiaries and Affiliates Other~~	~~9399999~~
~~Mutual Funds~~	~~9499999~~
~~Unit Investment Trusts~~	~~9599999~~
~~Closed-End Funds~~	~~9699999~~
~~Total Common Stocks~~	~~9799999~~
~~Total Preferred and Common Stocks~~	~~9899999~~



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Column 18 – NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol

For securities reported on Line ~~9499999~~ 5319999999 (Mutual Funds) , Line ~~9599999~~ 5519999999 (Unit Investment Trusts) and Line ~~9699999~~ 5719999999 (Closed-End Funds), provide the appropriate NAIC Designation (1 through 6), NAIC Designation Modifier (A through G) and SVO Administrative Symbol combination as assigned by the Securities Valuation Office and published in AVS+ per the instructions in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* on the Compilation and Publication of the SVO List of Investment Securities. A list of these funds can be found on the Securities Valuation Office Web page (*https://www.naic.org/svo.htm*).

NAIC Designation and NAIC Designation Modifier should not be provided for securities reported on these line categories stated above that have not been assigned one by the Securities Valuation Office. For all other common stock line categories, the NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol should not be provided.

The listing of valid NAIC Designations, NAIC Designation Modifier and SVO Administrative Symbol combinations can be found on the NAIC's website for the Securities Valuation Office (*www.naic.org/svo.htm*).

The NAIC Designation, Designation Modifier and SVO Administrative Symbol will be shown as one column on the printed schedule but will be three sub-columns in the data table.

- NAIC Designation Column 18A
- NAIC Designation Modifier Column 18B
- SVO Administrative Symbol Column 18C

On the printed page the sub-columns should be displayed with a "." between the NAIC Designation and the NAIC Designation Modifier with a space between the NAIC Designation Modifier and the SVO Administrative Symbol (e.g., "1.A YE").

NAIC Designation Modifier:

The NAIC Designation Modifier should only be used for securities reported on Line ~~9499999~~ 5319999999 (Mutual Funds Designation Assigned by SVO) , Line ~~9599999~~ 5519999999 (Unit Investment Trusts Designation Assigned by SVO) and Line ~~9699999~~ 5719999999 (Closed-End Funds Designation Assigned by SVO) if eligible to receive one, as defined in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual), otherwise, should not be provided.

The Designation Modifier should not be provided for securities reported on lines below.

- Industrial and Miscellaneous (Unaffiliated) Publicly Traded Line ~~9099999~~5019999999
- Industrial and Miscellaneous (Unaffiliated) Other Line ~~9199999~~5029999999
- Mutual Funds Designation Not Assigned by SVO Line 5329999999
- Unit Investment Trusts Designation Not Assigned by SVO Line 5529999999
- Closed-End Funds Designation Not Assigned by SVO Line 5729999999
- Exchange Traded Funds Line 5819999999

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- Parent, Subsidiaries and Affiliates Publicly Traded — Line ~~9299999~~5919999999
- Parent, Subsidiaries and Affiliates Other — Line ~~9399999~~5929999999

As defined in the P&P Manual, there is not an NAIC Designation Modifier for investments reporting an NAIC Designation 6, therefore, the NAIC Designation Modifier should not be provided.

Refer to the P&P Manual for the application of these modifiers.

SVO Administrative Symbol:

Following are valid SVO Administrative Symbols for common stock. Refer to the P&P Manual for the application of these symbols.

YE	Year-end carry over
Z*	Regulatory review initiated by either the SVO Director, Financial Condition (E) Committee, Executive (EX) Committee or VOSTF.
ND*	Regulatory review for an assessment of regulatory policy for the investment or regulatory reporting instructions to implement applicable policy.

The NAIC Designation Category is the combination of NAIC Designation and NAIC Designation Modifier. Valid combinations of NAIC Designation and NAIC Designation Modifier for NAIC Designation Category are shown below:

NAIC Designation	NAIC Designation Modifier	NAIC Designation Category
1	A	1A
	B	1B
	C	1C
	D	1D
	E	1E
	F	1F
	G	1G
2	A	2A
	B	2B
	C	2C
3	A	3A
	B	3B
	C	3C
4	A	4A
	B	4B
	C	4C
5	A	5A
	B	5B
	C	5C
6		6

Detail Eliminated to Conserve Space

NAIC Designation Category Footnote:

Provide the total book/adjusted carrying value amount by NAIC Designation Category that represents the amount reported in Column 6.

SCHEDULE D – PART 3

LONG-TERM BONDS AND STOCKS ACQUIRED DURING CURRENT YEAR

Detail Eliminated to Conserve Space

Category	Line Number
Bonds:	
U.S. Governments	~~0599999~~0109999999
All Other Governments	~~1099999~~0309999999
U.S. States, Territories and Possessions (Direct and Guaranteed)	~~1799999~~0509999999
U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	~~2499999~~0709999999
U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	~~3199999~~0909999999
Industrial and Miscellaneous (Unaffiliated)	~~3899999~~1109999999
Hybrid Securities	~~4899999~~1309999999
Parent, Subsidiaries and Affiliates	~~5599999~~1509999999
SVO Identified Funds	~~8099999~~1619999999
Unaffiliated Bank Loans	~~8299999~~1909999999
Unaffiliated Certificates of Deposit	2019999999
Subtotals – Bonds – Part 3	~~8399997~~2509999997
Summary item from Part 5 for Bonds	~~8399998~~2509999998
Subtotals – Bonds	~~8399999~~2509999999
Preferred Stocks:	
Industrial and Miscellaneous (Unaffiliated)	
~~Industrial and Miscellaneous (Unaffiliated)~~ Perpetual Preferred	~~8499999~~4019999999
~~Industrial and Miscellaneous (Unaffiliated)~~ Redeemable Preferred	~~8599999~~4029999999
Parent, Subsidiaries and Affiliates	
~~Parent, Subsidiaries and Affiliates~~ Perpetual Preferred	~~8699999~~4319999999
~~Parent, Subsidiaries and Affiliates~~ Redeemable Preferred	~~8799999~~4329999999
Subtotals – Preferred Stocks – Part 3	~~8999997~~4509999997
Summary item from Part 5 for Preferred Stocks	~~8999998~~4509999998
Subtotals – Preferred Stocks	~~8999999~~4509999999
Common Stocks:	
Industrial and Miscellaneous (Unaffiliated)	
~~Industrial and Miscellaneous (Unaffiliated)~~ Publicly Traded	~~9099999~~5019999999
~~Industrial and Miscellaneous (Unaffiliated)~~ Other	~~9199999~~5029999999
Mutual Funds	
Designations Assigned by the SVO	5319999999
Designations Not Assigned by the SVO	5329999999
Unit Investment Trusts	
Designations Assigned by the SVO	5519999999
Designations Not Assigned by the SVO	5529999999
Closed-End Funds	
Designations Assigned by the SVO	5719999999
Designations Not Assigned by the SVO	5729999999
Exchange Traded Funds	5819999999
Parent, Subsidiaries and Affiliates	

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~~Parent, Subsidiaries and Affiliates~~ Publicly Traded	~~9299999~~5919999999
~~Parent, Subsidiaries and Affiliates~~ Other	~~9399999~~5929999999
~~Mutual Funds~~	~~9499999~~
~~Unit Investment Trusts~~	~~9599999~~
~~Closed End Funds~~	~~9699999~~
Subtotals – Common Stocks – Part 3	~~9799997~~5989999997
Summary item from Part 5 for Common Stocks	~~9799998~~5989999998
Subtotals – Common Stocks	~~9799999~~5989999999
Subtotals – Preferred and Common Stocks	~~9899999~~5999999999
Totals	~~9999999~~6009999999

SCHEDULE D – PART 4

LONG-TERM BONDS AND STOCKS SOLD, REDEEMED OR OTHERWISE DISPOSED OF DURING CURRENT YEAR

Detail Eliminated to Conserve Space

Category	Line Number
Bonds:	
U.S. Governments	~~0599999~~0109999999
All Other Governments	~~1099999~~0309999999
U.S. States, Territories and Possessions (Direct and Guaranteed)	~~1799999~~0509999999
U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	~~2499999~~0709999999
U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	~~3199999~~0909999999
Industrial and Miscellaneous (Unaffiliated)	~~3899999~~1109999999
Hybrid Securities	~~4899999~~1309999999
Parent, Subsidiaries and Affiliates	~~5599999~~1509999999
SVO Identified Funds	~~8099999~~1619999999
Unaffiliated Bank Loans	~~8299999~~1909999999
Unaffiliated Certificates of Deposit	2019999999
Subtotals – Bonds – Part 3	~~8399997~~2509999997
Summary item from Part 5 for Bonds	~~8399998~~2509999998
Subtotals – Bonds	~~8399999~~2509999999
Preferred Stocks:	
Industrial and Miscellaneous (Unaffiliated)	
~~Industrial and Miscellaneous (Unaffiliated)~~ Perpetual Preferred	~~8499999~~4019999999
~~Industrial and Miscellaneous (Unaffiliated)~~ Redeemable Preferred	~~8599999~~4029999999
Parent, Subsidiaries and Affiliates	
~~Parent, Subsidiaries and Affiliates~~ Perpetual Preferred	~~8699999~~4319999999
~~Parent, Subsidiaries and Affiliates~~ Redeemable Preferred	~~8799999~~4329999999
Subtotals – Preferred Stocks – Part 3	~~8999997~~4509999997
Summary item from Part 5 for Preferred Stocks	~~8999998~~4509999998
Subtotals – Preferred Stocks	~~8999999~~4509999999
Common Stocks:	
Industrial and Miscellaneous (Unaffiliated)	

~~Industrial and Miscellaneous (Unaffiliated)~~ Publicly Traded ..... ~~9099999~~5019999999
~~Industrial and Miscellaneous (Unaffiliated)~~ Other ..... ~~9199999~~5029999999

Mutual Funds

Designations Assigned by the SVO 5319999999
Designations Not Assigned by the SVO 5329999999

Unit Investment Trusts

Designations Assigned by the SVO 5519999999
Designations Not Assigned by the SVO 5529999999

Closed-End Funds

Designations Assigned by the SVO 5719999999
Designations Not Assigned by the SVO 5729999999

Exchange Traded Funds 5819999999

Parent, Subsidiaries and Affiliates

~~Parent, Subsidiaries and Affiliates~~ Publicly Traded ..... ~~9299999~~5919999999
~~Parent, Subsidiaries and Affiliates~~ Other ..... ~~9399999~~5929999999
~~Mutual Funds ..... 9499999~~
~~Unit Investment Trusts ..... 9599999~~
~~Closed-End Funds ..... 9699999~~

Subtotals – Common Stocks – Part 3 ..... ~~9799997~~5989999997
Summary item from Part 5 for Common Stocks ..... ~~9799998~~5989999998
Subtotals – Common Stocks ..... ~~9799999~~5989999999
Subtotals – Preferred and Common Stocks ..... ~~9899999~~5999999999

Totals ..... ~~9999999~~6009999999

SCHEDULE D – PART 5

LONG-TERM BONDS AND STOCKS ACQUIRED DURING THE YEAR AND FULLY DISPOSED OF DURING CURRENT YEAR

Detail Eliminated to Conserve Space

Category	Line Number
Bonds:	
U.S. Governments	~~0599999~~0109999999
All Other Governments	~~1099999~~0309999999
U.S. States, Territories and Possessions (Direct and Guaranteed)	~~1799999~~0509999999
U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	~~2499999~~0709999999
U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	~~3199999~~0909999999
Industrial and Miscellaneous (Unaffiliated)	~~3899999~~1109999999
Hybrid Securities	~~4899999~~1309999999
Parent, Subsidiaries and Affiliates	~~5599999~~1509999999
SVO Identified Funds	~~8099999~~1619999999
Unaffiliated Bank Loans	~~8299999~~1909999999
Unaffiliated Certificates of Deposit	2019999999
Subtotals – Bonds – Part 3	~~8399997~~2509999997

Summary item from Part 5 for Bonds ..... ~~8399998~~2509999998
Subtotals – Bonds ..... ~~8399999~~2509999999

Preferred Stocks:

Industrial and Miscellaneous (Unaffiliated)

~~Industrial and Miscellaneous (Unaffiliated)~~ Perpetual Preferred ..... ~~8499999~~4019999999
~~Industrial and Miscellaneous (Unaffiliated)~~ Redeemable Preferred ..... ~~8599999~~4029999999

Parent, Subsidiaries and Affiliates

~~Parent, Subsidiaries and Affiliates~~ Perpetual Preferred ..... ~~8699999~~4319999999
~~Parent, Subsidiaries and Affiliates~~ Redeemable Preferred ..... ~~8799999~~4329999999
Subtotals – Preferred Stocks ..... ~~8999999~~4509999999

Common Stocks:

Industrial and Miscellaneous (Unaffiliated)

~~Industrial and Miscellaneous (Unaffiliated)~~ Publicly Traded ..... ~~9099999~~5019999999
~~Industrial and Miscellaneous (Unaffiliated)~~ Other ..... ~~9199999~~5029999999

Mutual Funds

Designations Assigned by the SVO 5319999999
Designations Not Assigned by the SVO 5329999999

Unit Investment Trusts

Designations Assigned by the SVO 5519999999
Designations Not Assigned by the SVO 5529999999

Closed-End Funds

Designations Assigned by the SVO 5719999999
Designations Not Assigned by the SVO 5729999999

Exchange Traded Funds 5819999999

Parent, Subsidiaries and Affiliates

~~Parent, Subsidiaries and Affiliates~~ Publicly Traded ..... ~~9299999~~5919999999
~~Parent, Subsidiaries and Affiliates~~ Other ..... ~~9399999~~5929999999
~~Mutual Funds ..... 9499999~~
~~Unit Investment Trusts ..... 9599999~~
~~Closed-End Funds ..... 9699999~~
Subtotals – Common Stocks ..... ~~9799999~~5989999999
Subtotals – Preferred and Common Stocks ..... ~~9899999~~5999999999

Totals ..... ~~9999999~~6009999999

SCHEDULE D – PART 6 – SECTION 1

VALUATION OF SHARES OF SUBSIDIARY, CONTROLLED OR AFFILIATED COMPANIES

If a reporting entity has any common stock or preferred stock reported for any of the following required categories or subcategories, it shall report the subtotal amount of the corresponding category or subcategory, with the specified subtotal line number appearing in the same manner and location as the pre-printed total or grand total line and number:

Category	Line Number
Preferred Stocks:	
Parent	0199999
U.S. Property & Casualty Insurer	0299999
U.S. Life Insurer	0399999
U.S. Health Entity #	0499999
Alien Insurer	0599999
Non-Insurer Which Controls Insurer	0699999
*Investment Subsidiary	0799999
Other Affiliates	0899999
Subtotals – Preferred Stocks	0999999
Common Stocks:	
Parent	1099999
U.S. Property & Casualty Insurer	1199999
U.S. Life Insurer	1299999
U.S. Health Entity #	1399999
Alien Insurer	1499999
Non-Insurer Which Controls Insurer	1599999
*Investment Subsidiary	1699999
Other Affiliates	1799999
Subtotals – Common Stocks	1899999
Totals – Preferred and Common Stocks	1999999

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SCHEDULE D – PART 6 – SECTION 2

If a reporting entity has any common or preferred stocks reported for any of the following required categories or subcategories, it shall report the subtotal amount of the corresponding category or subcategory, with the specified subtotal line number appearing in the same manner and location as the pre-printed total or grand total line and number:

Category	Line Number
Preferred Stocks	0199999
Common Stocks	0299999
Totals – Preferred and Common Stocks	0399999

SCHEDULE DA – PART 1

SHORT-TERM INVESTMENTS OWNED DECEMBER 31 OF CURRENT YEAR

Detail Eliminated to Conserve Space

Category	Line Number
Bonds:	
U.S. Governments	
Issuer Obligations	~~0199999~~0019999999
Residential Mortgage-Backed Securities	~~0299999~~0029999999
Commercial Mortgage-Backed Securities	~~0399999~~0039999999
Other Loan-Backed and Structured Securities	~~0499999~~0049999999
Subtotals – U.S. Governments	~~0599999~~0109999999
All Other Governments	
Issuer Obligations	~~0699999~~0219999999
Residential Mortgage-Backed Securities	~~0799999~~0229999999
Commercial Mortgage-Backed Securities	~~0899999~~0239999999
Other Loan-Backed and Structured Securities	~~0999999~~0249999999
Subtotals – All Other Governments	~~1099999~~0309999999
U.S. States, Territories and Possessions (Direct and Guaranteed)	
Issuer Obligations	~~1199999~~0419999999
Residential Mortgage-Backed Securities	~~1299999~~0429999999
Commercial Mortgage-Backed Securities	~~1399999~~0439999999
Other Loan-Backed and Structured Securities	~~1499999~~0449999999
Subtotals – U.S. States, Territories and Possessions (Direct and Guaranteed)	~~1799999~~0509999999
U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	
Issuer Obligations	~~1899999~~0619999999
Residential Mortgage-Backed Securities	~~1999999~~0629999999
Commercial Mortgage-Backed Securities	~~2099999~~0639999999
Other Loan-Backed and Structured Securities	~~2199999~~0649999999
Subtotals – U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	~~2499999~~0709999999
U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	
Issuer Obligations	~~2599999~~0819999999
Residential Mortgage-Backed Securities	~~2699999~~0829999999
Commercial Mortgage-Backed Securities	~~2799999~~0839999999
Other Loan-Backed and Structured Securities	~~2899999~~0849999999
Subtotals – U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	~~3199999~~0909999999
Industrial and Miscellaneous (Unaffiliated)	
Issuer Obligations	~~3299999~~1019999999
Residential Mortgage-Backed Securities	~~3399999~~1029999999
Commercial Mortgage-Backed Securities	~~3499999~~1039999999
Other Loan-Backed and Structured Securities	~~3599999~~1049999999
Subtotals – Industrial and Miscellaneous (Unaffiliated)	~~3899999~~1109999999
Hybrid Securities	
Issuer Obligations	~~4299999~~1219999999

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Residential Mortgage-Backed Securities ..... ~~4399999~~1229999999
Commercial Mortgage-Backed Securities..... ~~4499999~~1239999999
Other Loan-Backed and Structured Securities ..... ~~4599999~~1249999999
Subtotals – Hybrid Securities..... ~~4899999~~1309999999

Parent, Subsidiaries and Affiliates Bonds

Issuer Obligations..... ~~4999999~~1419999999
Residential Mortgage-Backed Securities ..... ~~5099999~~1429999999
Commercial Mortgage-Backed Securities..... ~~5199999~~1439999999
Other Loan-Backed and Structured Securities ..... ~~5299999~~1449999999
Affiliated Bank Loans – Issued..... ~~5399999~~1459999999
Affiliated Bank Loans – Acquired ..... ~~5499999~~1469999999
Subtotals – Parent, Subsidiaries and Affiliates Bonds ..... ~~5599999~~1509999999

SVO Identified Funds

Exchange Traded Funds – as Identified by the SVO..... ~~5899999~~1619999999
~~Bond Mutual Funds – as Identified by the SVO ..... 5999999~~
~~Subtotals – SVO Identified Funds..... 6099999~~

Unaffiliated Bank Loans

Unaffiliated Bank Loans – Issued ..... ~~6399999~~1819999999
Unaffiliated Bank Loans – Acquired..... ~~6499999~~1829999999
Subtotals – Unaffiliated Bank Loans..... ~~6599999~~1909999999

Unaffiliated Certificates of Deposit..... 2019999999

Total Bonds

Subtotals – Issuer Obligations..... ~~7699999~~2419999999
Subtotals – Residential Mortgage-Backed Securities..... ~~7799999~~2429999999
Subtotals – Commercial Mortgage-Backed Securities ..... ~~7899999~~2439999999
Subtotals – Other Loan-Backed and Structured Securities ..... ~~7999999~~2449999999
Subtotals – SVO Identified Funds..... ~~8099999~~2459999999
Subtotals – Affiliated Bank Loans ..... ~~8199999~~2469999999
Subtotals – Unaffiliated Bank Loans..... ~~8299999~~2479999999
Subtotals – Unaffiliated Certificates of Deposit..... 2489999999
Subtotals – Bonds..... ~~8399999~~2509999999

Parent, Subsidiaries and Affiliates

Mortgage Loans ..... ~~8499999~~7019999999
Other Short-Term Invested Assets ..... ~~8599999~~7029999999
Subtotals – Parent, Subsidiaries and Affiliates..... ~~8699999~~7109999999

Mortgage Loans..... ~~8799999~~7309999999

Other Short-Term Invested Assets ..... ~~9099999~~7509999999

Total Short-Term Investments..... ~~9199999~~7709999999

Detail Eliminated to Conserve Space

Column 22 – NAIC Designation Category

Provide the appropriate combination of NAIC Designation Equivalent (1 through 6) and NAIC Designation Modifier Equivalent (A through G) (see table below) for each security shown.

The NAIC Designation and NAIC Designation Modifier Equivalent should not be provided for the following lines:

- Parent, Subsidiaries and Affiliates – Mortgage Loans Line ~~8499999~~7019999999
- Parent, Subsidiaries and Affiliates – Other Short-Term Invested Assets Line ~~8599999~~7029999999
- Mortgage Loans Line ~~8799999~~7309999999
- Other Short-Term Invested Assets Line ~~9099999~~7509999999

Exchange Traded Funds – as Identified by the SVO should be reported as perpetual securities.

The NAIC Designation Category will be two sub-columns in the data table.

- NAIC Designation Equivalent Column 22A
- NAIC Designation Modifier Equivalent Column 22B

NAIC Designation Equivalent:

For the NAIC Designation Equivalent, use the NAIC designation that would have been used for the investment had it been reported on Schedule D, Part 1 if available. If no NAIC Designation is available, the reporting entity should use a NAIC Designation Equivalent most closely resembles their credit risk the investment.

NAIC Designation Modifier Equivalent:

Bonds (Lines ~~0199999~~ 0019999999 through ~~659999~~2019999999)

Use the NAIC Designation Modifier that would have been used for the investment had it been reported on Schedule D, Part 1 if available.

If no NAIC Designation Modifier is available, the reporting entity should use a NAIC Designation Modifier Equivalent most closely resembles their credit risk the investment.

As defined in the P&P Manual, there is not an NAIC Designation Modifier for investments reporting an NAIC Designation 6, therefore, the NAIC Designation Modifier field should be left blank.

Refer to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for the application of these codes.

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The NAIC Designation Category Equivalent is the combination of NAIC Designation Equivalent and NAIC Designation Modifier Equivalent. Valid combinations of NAIC Designation Equivalent and NAIC Designation Modifier Equivalent for NAIC Designation Category Equivalent are shown below:

NAIC Designation Equivalent	NAIC Designation Modifier Equivalent	NAIC Designation Category Equivalent
1	A	1A
	B	1B
	C	1C
	D	1D
	E	1E
	F	1F
	G	1G
2	A	2A
	B	2B
	C	2C
3	A	3A
	B	3B
	C	3C
4	A	4A
	B	4B
	C	4C
5	A	5A
	B	5B
	C	5C
6		6

NAIC Designation Category Equivalent Footnote:

Provide the total book/adjusted carrying value amount by NAIC Designation Category Equivalent that represents the amount reported in Column 7.

The sum of the amounts reported for each NAIC Designation Category Equivalent in the footnote should equal Line ~~8399999~~2509999999.

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SCHEDULE DL – PART 1

SECURITIES LENDING COLLATERAL ASSETS
Reinvested Collateral Assets Owned December 31 Current Year
(Securities lending collateral assets reported in aggregate on Line 10 of the asset page
and not included on Schedules A, B, BA, D, DB and E.)

Detail Eliminated to Conserve Space

Category	Line Number
Bonds (Schedule D, Part 1 type):	
U.S. Governments	
Issuer Obligations	~~0199999~~0019999999
Residential Mortgage-Backed Securities	~~0299999~~0029999999
Commercial Mortgage-Backed Securities	~~0399999~~0039999999
Other Loan-Backed and Structured Securities	~~0499999~~0049999999
Subtotals – U.S. Governments	~~0599999~~0109999999
All Other Governments	
Issuer Obligations	~~0699999~~0219999999
Residential Mortgage-Backed Securities	~~0799999~~0229999999
Commercial Mortgage-Backed Securities	~~0899999~~0239999999
Other Loan-Backed and Structured Securities	~~0999999~~0249999999
Subtotals – All Other Governments	~~1099999~~0309999999
U.S. States, Territories and Possessions (Direct and Guaranteed)	
Issuer Obligations	~~1199999~~0419999999
Residential Mortgage-Backed Securities	~~1299999~~0429999999
Commercial Mortgage-Backed Securities	~~1399999~~0439999999
Other Loan-Backed and Structured Securities	~~1499999~~0449999999
Subtotals – U.S. States, Territories and Possessions (Direct and Guaranteed)	~~1799999~~0509999999
U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	
Issuer Obligations	~~1899999~~0619999999
Residential Mortgage-Backed Securities	~~1999999~~0629999999
Commercial Mortgage-Backed Securities	~~2099999~~0639999999
Other Loan-Backed and Structured Securities	~~2199999~~0649999999
Subtotals – U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	~~2499999~~0709999999
U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	
Issuer Obligations	~~2599999~~0819999999
Residential Mortgage-Backed Securities	~~2699999~~0829999999
Commercial Mortgage-Backed Securities	~~2799999~~0839999999
Other Loan-Backed and Structured Securities	~~2899999~~0849999999
Subtotals – U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	~~3199999~~0909999999
Industrial and Miscellaneous (Unaffiliated)	
Issuer Obligations	~~3299999~~1019999999
Residential Mortgage-Backed Securities	~~3399999~~1029999999
Commercial Mortgage-Backed Securities	~~3499999~~1039999999
Other Loan-Backed and Structured Securities	~~3599999~~1049999999
Subtotals – Industrial and Miscellaneous (Unaffiliated)	~~3899999~~1109999999

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Hybrid Securities

Issuer Obligations ~~4299999~~1219999999
Residential Mortgage-Backed Securities ~~4399999~~1229999999
Commercial Mortgage-Backed Securities ~~4499999~~1239999999
Other Loan-Backed and Structured Securities ~~4599999~~1249999999
Subtotals – Hybrid Securities ~~4899999~~1309999999

Parent, Subsidiaries and Affiliates

Issuer Obligations ~~4999999~~1419999999
Residential Mortgage-Backed Securities ~~5099999~~1429999999
Commercial Mortgage-Backed Securities ~~5199999~~1439999999
Other Loan-Backed and Structured Securities ~~5299999~~1449999999
Affiliated Bank Loans – Issued ~~5399999~~1459999999
Affiliated Bank Loans – Acquired ~~5499999~~1459999999
Subtotals – Parent, Subsidiaries and Affiliates ~~5599999~~1509999999

SVO Identified Funds

Exchange Traded Funds – as Identified by the SVO ~~5799999~~1619999999
~~Bond Mutual Funds – as Identified by the SVO 5899999~~
~~Subtotals – SVO Identified Funds 5999999~~

Unaffiliated Bank Loans

Unaffiliated Bank Loans – Issued ~~6099999~~1819999999
Unaffiliated Bank Loans – Acquired ~~6199999~~1829999999
Subtotals – Unaffiliated Bank Loans ~~6299999~~1909999999

Unaffiliated Certificates of Deposit 2019999999

Total Bonds

Subtotals – Issuer Obligations ~~6399999~~2419999999
Subtotals – Residential Mortgage-Backed Securities ~~6499999~~2429999999
Subtotals – Commercial Mortgage-Backed Securities ~~6599999~~2439999999
Subtotals – Other Loan-Backed and Structured Securities ~~6699999~~2449999999
Subtotals – SVO Identified Funds ~~6799999~~2459999999
Subtotals – Affiliated Bank Loans ~~6899999~~2469999999
Subtotals – Unaffiliated Bank Loans ~~6999999~~2479999999
Subtotals – Unaffiliated Certificates of Deposit 2489999999
Subtotals – Total Bonds ~~7099999~~2509999999

Stocks:

Preferred Stocks (Schedule D, Part 2, Section 1 type):

Industrial and Miscellaneous (Unaffiliated)

Perpetual Preferred 4019999999
Redeemable Preferred 4029999999
Subtotals – Industrial and Miscellaneous (Unaffiliated) 4109999999

Parent, Subsidiaries and Affiliates

Perpetual Preferred 4319999999
Redeemable Preferred 4329999999
Subtotals – Parent, Subsidiaries and Affiliates 4409999999

~~Industrial and Miscellaneous (Unaffiliated) Perpetual and Redeemable Preferred 7199999~~
~~Parent, Subsidiaries and Affiliates Perpetual and Redeemable Preferred 7299999~~

Total Preferred Stocks ~~7399999~~4509999999

Common Stocks (Schedule D, Part 2, Section 2 type):

Industrial and Miscellaneous (Unaffiliated):

Publicly Traded 5019999999
Other 5029999999
Subtotals – Industrial and Miscellaneous (Unaffiliated) 5109999999

Mutual Funds

Designation Assigned by SVO 5319999999
Designation Not Assigned by SVO 5329999999
Subtotals – Mutual Funds 5409999999

Unit Investment Trusts

Designation Assigned by SVO 5519999999
Designation Not Assigned by SVO 5529999999
Subtotals – Unit Investment Trusts 5609999999

Closed-End Funds

Designation Assigned by SVO 5719999999
Designation Not Assigned by SVO 5729999999
Subtotals – Closed-End Funds 5809999999

Exchange Traded Funds 5819999999

Parent, Subsidiaries and Affiliates:

Publicly Traded 5919999999
Other 5929999999
Subtotals – Parent, Subsidiaries and Affiliates 5979999999

~~Industrial and Miscellaneous (Unaffiliated) ..... 7499999~~
~~Parent, Subsidiaries and Affiliates ..... 7599999~~
~~Mutual Funds ..... 7699999~~
~~Unit Investment Trusts ..... 7799999~~
~~Closed-End Funds ..... 7899999~~
Total Common Stocks ..... ~~7999999~~5989999999

Total Preferred and Common Stocks ..... ~~8099999~~5999999999

Real Estate (Schedule A type) ..... ~~8699999~~9209999999
Mortgage Loans on Real Estate (Schedule B type) ..... ~~8799999~~9309999999
Other Invested Assets (Schedule BA type) ..... ~~8899999~~9409999999
Short-Term Invested Assets (Schedule DA, Part 1 type) ..... ~~8999999~~9509999999
Cash (Schedule E, Part 1 type) ..... ~~9099999~~9609999999
Cash Equivalents (Schedule E, Part 2 type) ..... ~~9199999~~9709999999
Other Assets ..... ~~9299999~~9809999999
Totals ..... ~~9999999~~9999999999

Column 1 – CUSIP Identification

CUSIP numbers for all purchased publicly issued securities are available from the broker's confirmation or the certificate. For private placement securities, the NAIC has created a special number called a PPN to be assigned by the Standard & Poor's CUSIP Bureau. For foreign securities, use a CINS that is assigned by the Standard & Poor's CUSIP Bureau: *www.cusip.com/cusip/index.htm*.

For Lines 0019999999 through ~~7~~250999999, if no valid CUSIP, CINS or PPN number exists, then the CUSIP field should be zero-filled and a valid ISIN security number should be reported in (Column 11).

The CUSIP reported for this column should be determined in a manner consistent with the instructions of other schedules for the lines shown below:

Lines 0019999999 through ~~7~~2509999999 ..... Schedule D, Part 1, Column 1
Lines ~~71~~4019999999 through ~~73~~4509999999 ..... Schedule D, Part 2, Section 1, Column 1
Lines ~~74~~5019999999 through ~~79~~5989999999 ..... Schedule D, Part 2, Section 2, Column 1
Line ~~88~~9409999999 ..... Schedule BA, Part 1, Column 1
Line ~~91999999~~9709999999 ..... Schedule E, Part 2, Column 1

The CUSIP number should be zero-filled for the following lines:

Real Estate (Schedule A type) ..... ~~86~~9209999999
Mortgage Loans on Real Estate (Schedule B type)..... ~~87~~9309999999
Short-Term Invested Assets (Schedule DA, Part 1 type)..... ~~89~~9509999999
Cash (Schedule E, Part 1 type)..... 9609999999
Other Assets..... ~~92~~9809999999

Detail Eliminated to Conserve Space

Column 4 – NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol

The NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol reported for this column should be determined in a manner consistent with the instructions of other schedules for the lines shown below:

Lines 0019999999 through ~~7~~2509999999 .... Schedule D, Part 1, Column 6
Lines ~~71~~4019999999 through ~~73~~4509999999 Schedule D, Part 2, Section 1, Column 20
Lines ~~74~~5019999999 through ~~79~~5989999999 Schedule D, Part 2, Section 2, Column 17
Line ~~88~~9409999999 ..... Schedule BA, Part 1, Column 7
Line ~~89~~9509999999 ..... Schedule DA, Part 1, Column 22
Line ~~91999999~~9709999999 ..... Schedule E, Part 2, Column 11

For Lines ~~86~~9209999999, ~~87~~9309999999, 9609999999 and ~~92~~9809999999, the column should be left blank.

The NAIC Designation, Designation Modifier and SVO Administrative Symbol will be shown as one column on the printed but will be three sub-columns in the data table.

- NAIC Designation Column 4A
- NAIC Designation Modifier Column 4B
- SVO Administrative Symbol Column 4C

On the printed page the sub-columns should be displayed with a "." between the NAIC Designation and the NAIC Designation Modifier with a space between the NAIC Designation Modifier and the SVO Administrative Symbol (e.g., "1.A YE").

Column 5 – Fair Value

The value reported for this column should be determined in a manner consistent with the fair value column instructions of other schedules for the lines shown below:

Lines 0019999999 through 7250999999 .... Schedule D, Part 1, Column 9
Lines 7140199999 through 7345099999 Schedule D, Part 2, Section 1, Column 10
Lines 7450199999 through 7959899999 Schedule D, Part 2, Section 2, Column 8
Line 8692099999 ..... Schedule A, Part 1, Column 10
Line 8793099999 ..... FV of the underlying collateral Schedule B, Part 1
Line 8894099999 ..... Schedule BA, Part 1, Column 11

For those lines where the same type of investment is reported on other schedules but do not have a fair value column, report the amount consistent with instructions for the following:

Line 8995099999 ..... Report BACV, Schedule DA, Part 1, Column 7
Line 9609999999 ..... Report Balance, Schedule E Part 1, Column 6
Line 919999997099999999 ..... Report BACV, Schedule E Part 2, Column 7

Column 6 – Book/Adjusted Carrying Value

The value reported for this column should be determined in a manner consistent with the instructions of other schedules for the lines shown below:

Lines 0019999999 through 7250999999 .... Schedule D, Part 1, Column 11
Lines 7140199999 through 7345099999 Schedule D, Part 2, Section 1, Column 8
Lines 7450199999 through 7959899999 Schedule D, Part 2, Section 2, Column 6
Line 8692099999 ..... Schedule A, Part 1, Column 9
Line 8793099999 ..... Schedule B, Part 1, Column 8
Line 8894099999 ..... Schedule BA, Part 1, Column 12
Line 8995099999 ..... Schedule DA, Part 1, Column 7
Line 9609999999 ..... Report Balance, Schedule E, Part 1, Column 6
Line 919999997099999999 ..... Schedule E, Part 2, Column 7

Column 7 – Maturity Date

The maturity date reported for this column should be determined in a manner consistent with the instructions of other schedules for the lines shown below:

001999999 through ~~7~~2509999999 ..... Schedule D, Part 1, Column 22
Line ~~89~~95099999 ..... Schedule DA, Part 1, Column 6
Line ~~91999999~~9709999999 ..... Schedule E, Part 2, Column 6

The following lines are considered assets with no maturity date and should be left blank:

~~71~~40199999 through ~~73~~45099999 ..... Preferred Stock (Schedule D, Part 2, Section 1 type)
~~74~~50199999 through ~~79~~59899999 ..... Common Stock (Schedule D, Part 2, Section 2 type)
~~86~~92099999 ..... Real Estate (Schedule A type)
~~87~~93099999 ..... Mortgage Loans on Real Estate (Schedule B type)
~~88~~94099999 ..... Other Invested Assets (Schedule BA type)
~~92~~98099999 ..... Other Assets

Detail Eliminated to Conserve Space

Column 11 – ISIN Identification

The International Securities Identification Numbering (ISIN) system is an international standard set up by the International Organization for Standardization (ISO). It is used for numbering specific securities, such as stocks, bonds, options and futures. ISIN numbers are administered by a National Numbering Agency (NNA) in each of their respective countries, and they work just like serial numbers for those securities. Record the ISIN number only if no valid CUSIP, CINS or PPN exists to report in Column 1.

The ISIN reported for this column should be determined in a manner consistent with the instructions of other schedules for the lines shown below:

Lines 001999999 through ~~7~~2509999999 ..... Schedule D, Part 1, Column 1
Lines ~~71~~40199999 through ~~73~~45099999 ..... Schedule D, Part 2, Section 1, Column 1
Lines ~~74~~50199999 through ~~79~~59899999 ..... Schedule D, Part 2, Section 2, Column 1

The ISIN number should be zero-filled for the following lines:

Real Estate (Schedule A type) ..... ~~86~~92099999
Mortgage Loans on Real Estate (Schedule B type) ..... ~~87~~93099999
Other Invested Assets (Schedule BA type) ..... ~~88~~94099999
Short-Term Invested Assets (Schedule DA, Part 1 type) ..... ~~89~~95099999
Cash (Schedule E, Part 1 type) 960999999
Cash Equivalents (Schedule E, Part 2 type) ..... ~~91999999~~9709999999
Other Assets ..... ~~92~~98099999

SCHEDULE DL – PART 2

SECURITIES LENDING COLLATERAL ASSETS

Reinvested Collateral Assets Owned December 31 Current Year
(Securities lending collateral assets included on Schedules A, B, BA, D, DB and E
and not reported in aggregate on Line 10 of the asset page.)

Detail Eliminated to Conserve Space

Category	Line Number
Bonds (Schedule D, Part 1):	
U.S. Governments	
Issuer Obligations	~~0199999~~0019999999
Residential Mortgage-Backed Securities	~~0299999~~0029999999
Commercial Mortgage-Backed Securities	~~0399999~~0039999999
Other Loan-Backed and Structured Securities	~~0499999~~0049999999
Subtotals – U.S. Governments	~~0599999~~0109999999
All Other Governments	
Issuer Obligations	~~0699999~~0219999999
Residential Mortgage-Backed Securities	~~0799999~~0229999999
Commercial Mortgage-Backed Securities	~~0899999~~0239999999
Other Loan-Backed and Structured Securities	~~0999999~~0249999999
Subtotals – All Other Governments	~~1099999~~0309999999
U.S. States, Territories and Possessions (Direct and Guaranteed)	
Issuer Obligations	~~1199999~~0419999999
Residential Mortgage-Backed Securities	~~1299999~~0429999999
Commercial Mortgage-Backed Securities	~~1399999~~0439999999
Other Loan-Backed and Structured Securities	~~1499999~~0449999999
Subtotals – U.S. States, Territories and Possessions (Direct and Guaranteed)	~~1799999~~0509999999
U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	
Issuer Obligations	~~1899999~~0619999999
Residential Mortgage-Backed Securities	~~1999999~~0629999999
Commercial Mortgage-Backed Securities	~~2099999~~0639999999
Other Loan-Backed and Structured Securities	~~2199999~~0649999999
Subtotals – U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	~~2499999~~0709999999
U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	
Issuer Obligations	~~2599999~~0819999999
Residential Mortgage-Backed Securities	~~2699999~~0829999999
Commercial Mortgage-Backed Securities	~~2799999~~0839999999
Other Loan-Backed and Structured Securities	~~2899999~~0849999999
Subtotals – U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	~~3199999~~0909999999
Industrial and Miscellaneous (Unaffiliated)	
Issuer Obligations	~~3299999~~1019999999
Residential Mortgage-Backed Securities	~~3399999~~1029999999
Commercial Mortgage-Backed Securities	~~3499999~~1039999999

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Other Loan-Backed and Structured Securities ..... ~~3599999~~1049999999
Subtotals – Industrial and Miscellaneous (Unaffiliated) ..... ~~3899999~~1109999999

Hybrid Securities

Issuer Obligations..... ~~4299999~~1219999999
Residential Mortgage-Backed Securities ..... ~~4399999~~1229999999
Commercial Mortgage-Backed Securities..... ~~4499999~~1239999999
Other Loan-Backed and Structured Securities ..... ~~4599999~~1249999999
Subtotals – Hybrid Securities..... ~~4899999~~1309999999

Parent, Subsidiaries and Affiliates

Issuer Obligations..... ~~4999999~~1419999999
Residential Mortgage-Backed Securities ..... ~~5099999~~1429999999
Commercial Mortgage-Backed Securities..... ~~5199999~~1439999999
Other Loan-Backed and Structured Securities ..... ~~5299999~~1449999999
Affiliated Bank Loans – Issued..... ~~5399999~~1459999999
Affiliated Bank Loans – Acquired ..... ~~5499999~~1469999999
Subtotals – Parent, Subsidiaries and Affiliates..... ~~5599999~~1509999999

SVO Identified Funds

Exchange Traded Funds – as Identified by the SVO..... ~~5799999~~1619999999
~~Bond Mutual Funds – as Identified by the SVO ..... 5899999~~
~~Subtotals – SVO Identified Funds..... 5999999~~

Unaffiliated Bank Loans

Unaffiliated Bank Loans – Issued ..... ~~6099999~~1819999999
Unaffiliated Bank Loans – Acquired..... ~~6199999~~1829999999
Subtotals – Unaffiliated Bank Loans..... ~~6299999~~1909999999

Unaffiliated Certificates of Deposit..... 2019999999

Total Bonds

Subtotals – Issuer Obligations..... ~~6399999~~2419999999
Subtotals – Residential Mortgage-Backed Securities..... ~~6499999~~2429999999
Subtotals – Commercial Mortgage-Backed Securities..... ~~6599999~~2439999999
Subtotals – Other Loan-Backed and Structured Securities ..... ~~6699999~~2449999999
Subtotals – SVO Identified Funds..... ~~6799999~~2459999999
Subtotals – Affiliated Bank Loans ..... ~~6899999~~2469999999
Subtotals – Bank Loans..... ~~6999999~~2479999999
Subtotals – Unaffiliated Certificates of Deposit..... 2489999999
Subtotals – Total Bonds ..... ~~7099999~~2509999999

Stocks:

Preferred Stocks:

Industrial and Miscellaneous (Unaffiliated)

Perpetual Preferred..... 4019999999
Redeemable Preferred 4029999999
Subtotals – Industrial and Miscellaneous (Unaffiliated)..... 4109999999

Parent, Subsidiaries and Affiliates

Perpetual Preferred..... 4319999999
Redeemable Preferred 4329999999
Subtotals – Parent, Subsidiaries and Affiliates 4409999999

~~Industrial and Miscellaneous (Unaffiliated) Perpetual and Redeemable Preferred..... 7199999~~
~~Parent, Subsidiaries and Affiliates Perpetual and Redeemable Preferred ..... 7299999~~
Total Preferred Stocks..... ~~7399999~~4509999999

Common Stocks:

Industrial and Miscellaneous (Unaffiliated):

Publicly Traded 5019999999
Other 5029999999
Subtotals – Industrial and Miscellaneous (Unaffiliated) 5109999999

Mutual Funds

Designation Assigned by SVO 5319999999
Designation Not Assigned by SVO 5329999999
Subtotals – Mutual Funds 5409999999

Unit Investment Trusts

Designation Assigned by SVO 5519999999
Designation Not Assigned by SVO 5529999999
Subtotals – Unit Investment Trusts 5609999999

Closed-End Funds

Designation Assigned by SVO 5719999999
Designation Not Assigned by SVO 5729999999
Subtotals – Closed-End Funds 5809999999

Exchange Traded Funds 5819999999

Parent, Subsidiaries and Affiliates:

Publicly Traded 5919999999
Other 5929999999
Subtotals – Parent, Subsidiaries and Affiliates 5979999999

~~Industrial and Miscellaneous (Unaffiliated) ..... 7499999~~
~~Parent, Subsidiaries and Affiliates ..... 7599999~~
~~Mutual Funds ..... 7699999~~
~~Unit Investment Trusts ..... 7799999~~
~~Closed-End Funds ..... 7899999~~
Total Common Stocks ..... ~~7999999~~5989999999

Total Preferred and Common Stocks ..... ~~8099999~~5999999999

Real Estate (Schedule A) ..... ~~8699999~~9209999999
Mortgage Loans on Real Estate (Schedule B) ..... ~~8799999~~9309999999
Other Invested Assets (Schedule BA) ..... ~~8899999~~9409999999
Short-Term Invested Assets (Schedule DA, Part 1) ..... ~~8999999~~9509999999
Cash (Schedule E, Part 1) ..... ~~9099999~~9609999999
Cash Equivalents (Schedule E, Part 2) ..... ~~9199999~~9709999999
Other Assets ..... ~~9299999~~9809999999
Totals ..... ~~9999999~~9999999999

Column 1 – CUSIP Identification

CUSIP numbers for all purchased publicly issued securities are available from the broker's confirmation or the certificate. For private placement securities, the NAIC has created a special number called a PPN to be assigned by the Standard & Poor's CUSIP Bureau. For foreign securities, use a CINS that is assigned by the Standard & Poor's CUSIP Bureau: *www.cusip.com/cusip/index.htm*.

For Lines 0019999999 through ~~7~~250999999999, if no valid CUSIP, CINS or PPN number exists, then the CUSIP field should be zero-filled and a valid ISIN security number should be reported in (Column 11).

The CUSIP reported for this column should be same for the security as reported in other schedules for the lines shown below:

Lines 0019999999 through ~~7~~2509999999999 ..... Schedule D, Part 1, Column 1
Lines ~~71~~4019999999 through ~~73~~4509999999999 ..... Schedule D, Part 2, Section 1, Column 1
Lines ~~74~~5019999999 through ~~79~~5989999999999 ..... Schedule D, Part 2, Section 2, Column 1
Line ~~88~~9409999999999 ..... Schedule BA, Part 1, Column 1
Line ~~91999999~~9709999999999 ..... Schedule E, Part 2, Column 1

The CUSIP number should be zero-filled for the following lines:

Real Estate (Schedule A) ..... ~~86~~9209999999999
Mortgage Loans on Real Estate (Schedule B) ..... ~~87~~9309999999999
Short-Term Invested Assets (Schedule DA, Part 1)..... ~~89~~9509999999999
Cash (Schedule E, Part 1) 96099999999
Other Assets..... ~~92~~9809999999999

Detail Eliminated to Conserve Space

Column 4 – NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol

The NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol reported for this column should be same for the security as reported in other schedules for the lines shown below:

Lines 0019999999 through ~~7~~2509999999999 .... Schedule D, Part 1, Column 6
Lines ~~71~~4019999999 through ~~73~~4509999999999 Schedule D, Part 2, Section 1, Column 20
Lines ~~74~~5019999999 through ~~79~~5989999999999 Schedule D, Part 2, Section 2, Column 17
Line ~~88~~9409999999999 ..... Schedule BA, Part 1, Column 7
Line ~~89~~9509999999999 ..... Schedule DA, Part 1, Column 22
Line ~~91999999~~9709999999999 ..... Schedule E, Part 2, Column 11

For Lines ~~86~~9209999999999, ~~87~~9309999999999, 96099999999 and ~~92~~9809999999999, the column should be left blank.

The NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol will be shown as one column on the printed but will be three sub-columns in the data table.

- NAIC Designation Column 4A
- NAIC Designation Modifier Column 4B

- SVO Administrative Symbol Column 4C

On the printed page the sub-columns should be displayed with a "." between the NAIC Designation and the NAIC Designation Modifier with a space between the NAIC Designation Modifier and the SVO Administrative Symbol (e.g., "1.A YE").

Column 5 – Fair Value

The value reported for this column should be same for the security as reported in other schedules for the lines shown below:

Lines 0019999999 through ~~7~~2509999999 .... Schedule D, Part 1, Column 9
Lines ~~71~~4019999999 through ~~73~~4509999999 Schedule D, Part 2, Section 1, Column 10
Lines ~~74~~5019999999 through ~~79~~5989999999 Schedule D, Part 2, Section 2, Column 8
Line ~~86~~9209999999 ..... Schedule A, Part 1, Column 10
Line ~~87~~9309999999 ..... FV of the underlying collateral Schedule B, Part 1
Line ~~88~~9409999999 ..... Schedule BA, Part 1, Column 11

For those lines where the same investment is reported on other schedules but do not have a fair value column, report the amount in these columns in the other schedules for the lines shown below:

Line ~~89~~9509999999 ..... Report BACV, Schedule DA, Part 1, Column 7
Line 96099999999 ..... Report Balance, Schedule E, Part 1, Column 6
Line ~~9199999~~9709999999 ..... Report BACV, Schedule E, Part 2, Column 7

Column 6 – Book/Adjusted Carrying Value

The value reported for this column should be same for the security as reported in other schedules for the lines shown below:

Lines 0019999999 through ~~7~~2509999999 .... Schedule D, Part 1, Column 11
Lines ~~71~~4019999999 through ~~73~~4509999999 Schedule D, Part 2, Section 1, Column 8
Lines ~~74~~5019999999 through ~~79~~5989999999 Schedule D, Part 2, Section 2, Column 6
Line ~~86~~9209999999 ..... Schedule A, Part 1, Column 9
Line ~~87~~9309999999 ..... Schedule B, Part 1, Column 8
Line ~~88~~9409999999 ..... Schedule BA, Part 1, Column 12
Line ~~89~~9509999999 ..... Schedule DA, Part 1, Column 7
Line ~~9~~960999999 ..... Report Balance, Schedule E, Part 1, Column 6
Line ~~9199999~~9709999999 ..... Schedule E, Part 2, Column 7

Column 7 – Maturity Date

The maturity date reported for this column should be same for the security as reported in other schedules for the lines shown below:

Lines 0019999999 through 7250999999 .... Schedule D, Part 1, Column 22
Line 8995099999 ..... Schedule DA, Part 1, Column 6
Line 919999997099999999 ..... Schedule E, Part 2, Column 6

The following lines are considered assets with no maturity date and should be left blank:

7140199999 through 7345099999 ..... Preferred Stock (Schedule D, Part 2, Section 1 type)
7450199999 through 7959899999 ..... Common Stock (Schedule D, Part 2, Section 2 type)
8692099999 ..... Real Estate (Schedule A type)
8793099999 ..... Mortgage Loans on Real Estate (Schedule B type)
8894099999 ..... Other Invested Assets (Schedule BA type)
9298099999 ..... Other Assets

Detail Eliminated to Conserve Space

Column 11 – ISIN Identification

The International Securities Identification Numbering (ISIN) system is an international standard set up by the International Organization for Standardization (ISO). It is used for numbering specific securities, such as stocks, bonds, options and futures. ISIN numbers are administered by a National Numbering Agency (NNA) in each of their respective countries, and they work just like serial numbers for those securities. Record the ISIN number only if no valid CUSIP, CINS or PPN exists to report in Column 1.

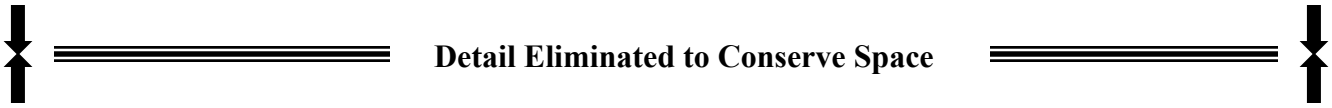
The ISIN reported for this column should be same for the security as reported in other schedules for the lines shown below:

Lines 0019999999 through 7250999999 ..... Schedule D, Part 1, Column 1
Lines 7140199999 through 7345099999 ..... Schedule D, Part 2, Section 1, Column 1
Lines 7450199999 through 7959899999 ..... Schedule D, Part 2, Section 2, Column 1

The ISIN number should be zero-filled for the following lines:

Real Estate (Schedule A) 8692099999
Mortgage Loans on Real Estate (Schedule B) 8793099999
Other Invested Assets (Schedule BA)..... 8894099999
Short-Term Invested Assets (Schedule DA, Part 1)..... 8995099999
Cash (Schedule E, Part 1) 9609999999
Cash Equivalents (Schedule E, Part 2)..... 919999997099999999
Other Assets..... 9298099999

SCHEDULE E – PART 1 – CASH



Group or Category	Line Number
Deposits in (insert number) depositories that do not exceed allowable limits in any one depository – Open Depositories	0199998
Totals – Open Depositories	0199999
Deposits in (insert number) depositories that do not exceed allowable limits in any one depository – Suspended Depositories	0299998
Totals – Suspended Depositories	0299999
Total Cash on Deposit	0399999
Cash in Company's Office	0499999
Total Cash	0599999

SCHEDULE E – PART 2 – CASH EQUIVALENTS

Detail Eliminated to Conserve Space

Category	Line Number
Bonds:	
U.S. Governments	
Issuer Obligations	~~0199999~~0019999999
Residential Mortgage-Backed Securities	~~0299999~~0029999999
Commercial Mortgage-Backed Securities	~~0399999~~0039999999
Other Loan-Backed and Structured Securities	~~0499999~~0049999999
Subtotals – U.S. Governments	~~0599999~~0109999999
All Other Governments	
Issuer Obligations	~~0699999~~0219999999
Residential Mortgage-Backed Securities	~~0799999~~0229999999
Commercial Mortgage-Backed Securities	~~0899999~~0239999999
Other Loan-Backed and Structured Securities	~~0999999~~0249999999
Subtotals – All Other Governments	~~1099999~~0309999999
U.S. States, Territories and Possessions (Direct and Guaranteed)	
Issuer Obligations	~~1199999~~0419999999
Residential Mortgage-Backed Securities	~~1299999~~0429999999
Commercial Mortgage-Backed Securities	~~1399999~~0439999999
Other Loan-Backed and Structured Securities	~~1499999~~0449999999
Subtotals – States, Territories and Possessions (Direct and Guaranteed)	~~1799999~~0509999999
U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	
Issuer Obligations	~~1899999~~0619999999
Residential Mortgage-Backed Securities	~~1999999~~0629999999
Commercial Mortgage-Backed Securities	~~2099999~~0639999999
Other Loan-Backed and Structured Securities	~~2199999~~0649999999
Subtotals – Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	~~2499999~~0709999999
U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	
Issuer Obligations	~~2599999~~0819999999
Residential Mortgage-Backed Securities	~~2699999~~0829999999
Commercial Mortgage-Backed Securities	~~2799999~~0839999999
Other Loan-Backed and Structured Securities	~~2899999~~0849999999
Subtotals – Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	~~3199999~~0909999999
Industrial and Miscellaneous (Unaffiliated)	
Issuer Obligations	~~3299999~~1019999999
Residential Mortgage-Backed Securities	~~3399999~~1029999999
Commercial Mortgage-Backed Securities	~~3499999~~1039999999
Other Loan-Backed and Structured Securities	~~3599999~~1049999999
Subtotals – Industrial and Miscellaneous (Unaffiliated)	~~3899999~~1109999999

Hybrid Securities

Issuer Obligations ~~4299999~~1219999999
Residential Mortgage-Backed Securities ~~4399999~~1229999999
Commercial-Backed Securities ~~4499999~~1239999999
Other Loan-Backed and Structured Securities ~~4599999~~1249999999
Subtotals – Hybrid Securities ~~4899999~~1309999999

Parent, Subsidiaries and Affiliates Bonds

Issuer Obligations ~~4999999~~1419999999
Residential Mortgage-Backed Securities ~~5099999~~1429999999
Commercial Mortgage-Backed Securities ~~5199999~~1439999999
Other Loan-Backed and Structured Securities ~~5299999~~1449999999
Affiliated Bank Loans – Issued ~~5399999~~1459999999
Affiliated Bank Loans – Acquired ~~5499999~~1469999999
Subtotals – Parent, Subsidiaries and Affiliates Bonds ~~5599999~~1509999999

SVO Identified Funds

Exchange Traded Funds – as Identified by the SVO ~~5899999~~1619999999
~~Bond Mutual Funds – as Identified by the SVO 5999999~~
~~Subtotals – SVO Identified Funds 6099999~~

Unaffiliated Bank Loans

Unaffiliated Bank Loans – Issued ~~6399999~~1819999999
Unaffiliated Bank Loans – Acquired ~~6499999~~1829999999
Subtotals – Unaffiliated Bank Loans ~~6599999~~1909999999

Total Bonds

Subtotals – Issuer Obligations ~~7699999~~2419999999
Subtotals – Residential Mortgage-Backed Securities ~~7799999~~2429999999
Subtotals – Commercial Mortgage-Backed Securities ~~7899999~~2439999999
Subtotals – Other Loan-Backed and Structured Securities ~~7999999~~2449999999
Subtotals – SVO Identified Funds ~~8099999~~2459999999
Subtotals – Affiliated Bank Loans ~~8199999~~2469999999
Subtotals – Unaffiliated Bank Loans ~~8299999~~2479999999
Subtotals – Bonds ~~8399999~~2509999999

Sweep Accounts ~~8499999~~8109999999

Exempt Money Market Mutual Funds – as Identified by SVO ~~8599999~~8209999999

All Other Money Market Mutual Funds ~~8699999~~8309999999

Qualified Cash Pools Under SSAP No. 2R ~~8799999~~8409999999

Other Cash Equivalents ~~8899999~~8509999999

Total Cash Equivalents ~~9999999~~8609999999

A money market fund shall be reported in this schedule as an Exempt Money Market Mutual Fund if such money market fund is identified by the SVO as meeting the required conditions found in Part Six, Section 2(b)(i) of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*. All money market mutual funds that are not identified by the SVO on the U.S. Direct Obligations/Full Faith and Credit Exempt List shall be reported in this schedule as an "all other money market mutual fund."

Column 1 – CUSIP Identification

CUSIP identification is **required and valid only** for Exempt Money Market Mutual Funds – as Identified by SVO (Line ~~8599999~~8209999999) and All Other Money Market Mutual Funds (Line ~~8699999~~8309999999).

Detail Eliminated to Conserve Space

Column 11 – NAIC Designation Category

Provide the appropriate combination of NAIC Designation Equivalent (1 through 6) and NAIC Designation Modifier Equivalent (A through G) (see table below) for each security shown.

The NAIC Designation and NAIC Designation Modifier Equivalent should not be provided for the following lines:

- Sweep Accounts Line ~~8499999~~8109999999
- Exempt Money Market Mutual Funds – as Identified by the SVO Line ~~8599999~~8209999999
- All Other Money Market Mutual Funds Line ~~8699999~~8309999999
- Qualified Cash Pools Under SSAP No. 2R Line ~~8799999~~8409999999
- Other Cash Equivalents Line ~~8899999~~8509999999

Exchange Traded Funds – as Identified by the SVO should be reported as perpetual securities.

The NAIC Designation Category will be two sub-columns in the data table.

- NAIC Designation Equivalent Column 11A
- NAIC Designation Modifier Equivalent Column 11B

NAIC Designation Equivalent:

For the NAIC Designation Equivalent, use the NAIC Designation that would have been used for the investment had it been reported on Schedule D, Part 1 if available. If no NAIC Designation is available, the reporting entity should use a Designation Equivalent most closely resembles their credit risk the investment.

NAIC Designation Modifier Equivalent:

Bonds (Lines ~~0199999~~ 0019999999 through ~~659999~~1909999999)

Use the NAIC Designation Modifier that would have been used for the investment had it been reported on Schedule D, Part 1 if available.

If no NAIC Designation Modifier is available, the reporting entity should use a Designation Modifier Equivalent most closely resembles their credit risk the investment.

As defined in the P&P Manual, there is not an NAIC Designation Modifier for investments reporting an NAIC Designation 6, therefore, the NAIC Designation Modifier field should be left blank.

Refer to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for the application of these codes.

The NAIC Designation Category Equivalent is the combination of NAIC Designation Equivalent and NAIC Designation Modifier Equivalent. Valid combinations of NAIC Designation Equivalent and NAIC Designation Modifier Equivalent for NAIC Designation Category Equivalent are shown below:

NAIC Designation Equivalent	NAIC Designation Modifier Equivalent	NAIC Designation Category Equivalent
1	A	1A
	B	1B
	C	1C
	D	1D
	E	1E
	F	1F
	G	1G
2	A	2A
	B	2B
	C	2C
3	A	3A
	B	3B
	C	3C
4	A	4A
	B	4B
	C	4C
5	A	5A
	B	5B
	C	5C
6		6

NAIC Designation Category Equivalent Footnote:

Provide the total book/adjusted carrying value amount by NAIC Designation Category Equivalent that represents the amount reported in Column 7.

The sum of the amounts reported for each NAIC Designation Category Equivalent in the footnote should equal Line ~~8399999~~2509999999.

SUMMARY INVESTMENT SCHEDULE

Detail Eliminated to Conserve Space

Line 1.01 – U.S. Governments

Include: The value of all U.S. Government securities defined as U.S. Government Obligations as defined per the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*.

Column 1 should equal the Schedule D, Part 1, Line ~~05999999~~0109999999.

Line 1.02 – All other Governments

Include: The value of all investments issued by non-U.S. governments, including bonds of political subdivisions and special revenue. This includes bonds issued by utilities owned by non-U.S. governments and bonds fully guaranteed by non-U.S. governments.

Column 1 should equal the Schedule D, Part 1, Line ~~10999999~~0309999999.

Line 1.03 – U.S. States, Territories and Possessions, etc. Guaranteed

Include: The value of general obligations of these entities (NAIC members), as well as bonds issued by utility companies owned by these entities.

Column 1 should equal the Schedule D, Part 1, Line ~~17999999~~0509999999.

Line 1.04 – U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed

Include: The value of general obligations of cities, counties, townships, etc., as well as bonds issued by utility companies owned by these entities.

Column 1 should equal the Schedule D, Part 1, Line ~~24999999~~0709999999.

Line 1.05 – U.S. Special Revenue & Special Assessment Obligations, etc. Non-Guaranteed

Include: The value of those U.S. government issues not listed as "Securities That Are Considered "Exempt Obligations" For Purposes of Determining The Asset Valuation Reserve And The Risk-Based Capital Calculation" in the *Purposes and Procedures manual of the NAIC Investment Analysis Office*, yet included as "Filing Exemptions for Other U.S. Government Obligations". This category also includes bonds that are issued by states, territories, possessions and other political subdivisions that are issued for a specific financing project rather than as general obligation bonds.

Column 1 should equal the Schedule D, Part 1, Line ~~31999999~~0909999999.

Line 1.06 –- Industrial and Miscellaneous

Include: The value of all non-governmental issues that do not qualify for some other bond category, including privatized (non-government ownership) utility companies. Include Public Utilities.

Column 1 should equal the Schedule D, Part 1, Line ~~38999999~~1109999999.

Line 1.07 – Hybrid Securities

Include: The value of securities whose proceeds are accorded some degree of equity treatment by one or more of the nationally recognized statistical rating organizations and/or that are recognized as regulatory capital by the issuer's primary regulatory authority.

Column 1 should equal the Schedule D, Part 1, Line ~~4899999~~1309999999.

Line 1.08 – Parent, Subsidiaries and Affiliates

Include: The value of all affiliated debt securities as defined under *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*.

Column 1 should equal the Schedule D, Part 1, Line ~~5599999~~1509999999.

Line 1.09 – SVO Identified Funds

Include: The value of all Bond Mutual Funds included on the "NAIC Bond Mutual Fund List" as defined in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* and Exchange Traded Funds (ETF) included on the "SVO-Identified Bond ETF List" as published on the Securities Valuation Office Web page (*https://www.naic.org/svo.htm*) that the SVO has determined are in scope of *SSAP No. 26R - Bonds* and can be reported on Schedule D, Part 1 and the SVO assigned a NAIC Designation, NAIC Designation Category and SVO Administrative Symbol published in the NAIC's AVS+ system per the instructions in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* on the Compilation and Publication of the SVO List of Investment Securities.

Column 1 should equal the Schedule D, Part 1, Line ~~6099999~~1619999999.

Line 1.10 – Unaffiliated Bank Loans

Include: The value of all Unaffiliated Bank Loans that are within the scope of *SSAP No. 26R—Bonds*.

Column 1 should equal the Schedule D, Part 1, Line ~~6599999~~1909999999.

Line 1.11 – Unaffiliated Certificates of Deposit

Include: The value of all Unaffiliated Certificates of Deposit that are within the scope of *SSAP No. 26R—Bonds*.

Column 1 should equal the Schedule D, Part 1, Line 2019999999.

Line 1.~~11~~12 – Total Long-Term Bonds

Sum of Lines 1.1 to 1.~~10~~11.

The amount reported in Column 1 should equal the amount reported in Line 1, Column 1, Page 2, Assets.

The amount reported in Column 3 should equal the amount reported in Line 1, Column 3, Page 2, Assets.

Line 2.01 – Preferred Stocks – Industrial and Miscellaneous (Unaffiliated)

Include: The value of all unaffiliated preferred stocks.

Column 1 should equal the Schedule D, Part 2, Section 1, Lines ~~8499999 plus 8599999~~4109999999.

Line 2.02 – Preferred Stocks – Parent, Subsidiaries and Affiliates

Include: The value of all preferred stock securities as defined under *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*.

Column 1 should equal the Schedule D, Part 2, Section 1, Lines ~~8699999 plus 8799999~~4409999999.

Line 2.03 – Total Preferred Stocks

Sum of Lines 2.01 to 2.02.

The amount reported in Column 1 should equal the amount reported in Line 2.1, Column 1, Page 2, Assets.

The amount reported in Column 3 should equal the amount reported in Line 2.1, Column 3, Page 2, Assets.

Line 3.01 – Common Stocks – Industrial and Miscellaneous (Unaffiliated) Publicly Traded

Include: The value of all investments in the common stock of unaffiliated entities. Publicly traded common stock includes, but is not limited to, equity securities traded on a public exchange, master limited partnerships trading as common stock and American deposit receipts only if the security is traded on the New York, American or NASDAQ exchanges, and publicly traded common stock warrants.

Exclude: Mutual funds that should be reported on Line 3.05.

Column 1 should equal the Schedule D, Part 2, Section 2, Line ~~90999999~~5019999999.

Line 3.02 – Common Stocks – Industrial and Miscellaneous (Unaffiliated) Other

Include: The value of all industrial and miscellaneous common stock of unaffiliated entities not reported in Line 3.1. Includes, but is not limited to:

(1) Equity securities not traded on a public exchange (e.g., private equities).

(2) Master limited partnership common stock not traded on the New York, American or NASDAQ exchanges.

Exclude: Mutual funds that should be reported on Line 3.05.

Column 1 should equal the Schedule D, Part 2, Section 2, Line ~~91999999~~5029999999.

Line 3.03 – Common Stocks – Parent, Subsidiary and Affiliates Publicly Traded

Include: The value of all investments in the common stock of affiliated entities. Publicly traded common stock includes, but is not limited to, equity securities traded on a public exchange, master limited partnerships trading as common stock and American deposit receipts only if the security is traded on the New York, American or NASDAQ exchanges, and publicly traded common stock warrants.

Column 1 should equal the Schedule D, Part 2, Section 2, Line ~~9299999~~5919999999.

Line 3.04 – Common Stocks – Parent, Subsidiary and Affiliates Other

Include: The value of all unaffiliated entities not reported in Line 3.03.

Column 1 should equal the Schedule D, Part 2, Section 2, Line ~~9399999~~5929999999.

Line 3.05 – Common Stocks – Mutual Funds

Include: The value of all investments in shares of funds regulated as mutual funds by the Securities and Exchange Commission reported on Schedule D, Part 2, Section 2.

Column 1 should equal the Schedule D, Part 2, Section 2, Line ~~9499999~~5409999999.

Line 3.06 – Common Stocks – Unit Investment Trusts

Include: The value of all investments in shares of funds regulated as unit investment trusts by the Securities and Exchange Commission reported on Schedule D, Part 2, Section 2.

Column 1 should equal the Schedule D, Part 2, Section 2, Line ~~9599999~~5609999999.

Line 3.07 – Common Stocks – Closed-End Funds

Include: The value of all investments in shares of funds regulated as closed-end funds by the Securities and Exchange Commission reported on Schedule D, Part 2, Section 2.

Column 1 should equal the Schedule D, Part 2, Section 2, Line ~~9699999~~5809999999.

Line 3.08 – Common Stocks – Exchange Traded Funds

Include: The value of all investments in shares of funds regulated as exchange traded funds by the Securities and Exchange Commission reported on Schedule D, Part 2, Section 2.

Column 1 should equal the Schedule D, Part 2, Section 2, Line 5819999999.

Line 3.~~08~~09 – Total Common Stocks

Sum of Lines 3.01 to 3.~~07~~08.

The amount reported in Column 1 should equal the amount reported in Line 2.2, Column 1, Page 2, Assets.

The amount reported in Column 3 should equal the amount reported in Line 2.2, Column 3, Page 2, Assets.

Detail Eliminated to Conserve Space

SCHEDULE D – SUMMARY BY COUNTRY

LONG-TERM BONDS AND STOCKS OWNED DECEMBER 31 OF CURRENT YEAR

Enter summarized amounts in the appropriate columns by the specified major classifications, subdividing into United States, Canada, and Other Countries where applicable. For purposes of this schedule, investments in Other Countries are considered Foreign Investments. For the definition of Foreign Investment, and Domestic Investment, see instructions to the Supplemental Investment Risk Interrogatories.

Column 2 – Fair Value

For certain bonds, values other than actual market may appear in this column. (See Schedule D, Part 1 instructions for details.)

Exclude: Accrued interest.

Column 3 – Actual Cost

Include: Brokerage and other related fees, to the extent they do not exceed the fair market value at the date of acquisition.

Exclude: Accrued interest.

Lines 8 through 11 – Bonds – Industrial and Miscellaneous, SVO Identified Funds, Unaffiliated Bank Loans, Unaffiliated Certificates of Deposit and Hybrid Securities (Unaffiliated)

Include: Exchange Traded Funds – as Identified by the SVO reported in Schedule D, Part 1.

Unaffiliated Bank Loans reported on Schedule D, Part 1.

Unaffiliated Certificates of Deposits reported on Schedule D, Part 1.

Line 13 – Total Bonds

Columns 1, 2, 3, and 4, should agree with Columns 11, 9, 7 and 10, respectively, in Schedule D, Part 1.

Column 1 should equal Column 1, Line 1 of the Assets page.

Lines 14 through 17 – Preferred Stocks – Industrial and Miscellaneous (Unaffiliated)

Include: Exchange Traded Funds (ETFs) reported in Schedule D, Part 2, Section 1.

Line 19 – Total Preferred Stocks

Columns 1, 2 and 3 should agree with Columns 8, 10 and 11, respectively, in Schedule D, Part 2, Section 1.

Column 1 should equal Column 1, Line 2.1 of the Assets page.

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Lines 20 through 23 – Common Stocks – Industrial and Miscellaneous (Unaffiliated), Mutual Funds, Unit Investment Trusts, Closed-End Funds and Exchange Traded funds

Include: Mutual funds reported in Schedule D, Part 2, Section 2.

Exclude: Exchange Traded Funds (ETFs) reported in Schedule D, Part 2, Section 1.

Line 25 – Total Common Stocks

Columns 1, 2 and 3 should agree with Columns 6, 8 and 9, respectively, in Schedule D, Part 2, Section 2.

Column 1 should equal Column 1, Line 2.2 of the Assets page.

SCHEDULE D – PART 1A – SECTION 1

QUALITY AND MATURITY DISTRIBUTION OF ALL BONDS OWNED DECEMBER 31 BY MAJOR TYPE AND NAIC DESIGNATION

Detail Eliminated to Conserve Space

There are ~~14~~ 15 sections to this schedule: Sections 1 through ~~10~~ 11 for each of the ~~10~~ 11 bond categories, Section ~~11~~ 12 for total bonds current year, Section ~~12~~ 13 for total bonds prior year, Section ~~13~~ 14 for total bonds publicly traded and Section ~~14~~ 15 for total bonds privately placed. The ~~10~~ 11 bond categories combine corresponding subtotals from Schedule D, Part 1; Schedule DA, Part 1; and Schedule E, Part 2 as follows, and for each of those ~~10~~ 11 bond categories, the total line for Column 7 of each section should equal the sum of the subtotal lines shown below:

Section 1. U.S. Governments

Line ~~0599999~~ 0109999999 from Schedule D, Part 1, Column 11; ~~Line 0599999 from~~ Schedule DA, Part 1, Column 7; and ~~Line 0599999 from~~ Schedule E, Part 2, Column 7.

Section 2. All Other Governments

Lines ~~1099999~~ 0309999999 from Schedule D, Part 1, Column 11; Schedule DA, Part 1, Column 7; and Schedule E, Part 2, Column 7.

Section 3. U.S. States, Territories and Possessions, Guaranteed

Lines ~~1799999~~ 0509999999 from Schedule D, Part 1, Column 11; Schedule DA, Part 1, Column 7; and Schedule E, Part 2, Column 7.

Section 4. U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed

Lines ~~2499999~~ 0709999999 from Schedule D, Part 1, Column 11; Schedule DA, Part 1, Column 7; and Schedule E, Part 2, Column 7.

Section 5. U.S. Special Revenue & Special Assessment Obligations, etc., Non-Guaranteed

Lines ~~3199999~~ 0909999999 from Schedule D, Part 1, Column 11; Schedule DA, Part 1, Column 7; and in Schedule E, Part 2, Column 7.

Section 6. Industrial & Miscellaneous (Unaffiliated)

Line ~~3899999~~ 1109999999 from Schedule D, Part 1, Column 11; ~~Line 3899999 from~~ Schedule DA, Part 1, Column 7; and ~~Line 3899999 from~~ Schedule E, Part 2, Column 7.

Section 7. Hybrid Securities

Lines ~~4899999~~ 1309999999 from Schedule D, Part 1, Column 11; Schedule DA, Part 1, Column 7; and Schedule E, Part 2, Column 7.

Section 8. Parent, Subsidiaries and Affiliates

Lines ~~5599999~~ 1509999999 from Schedule D, Part 1, Column 11; Schedule DA, Part 1, Column 7; and Schedule E, Part 2, Column 7.

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Section 9. SVO Identified Funds

Lines ~~6099999~~ 1619999999 from Schedule D, Part 1, Column 11; Schedule DA, Part 1, Column 7; and Schedule E, Part 2, Column 7.

Section 10. Unaffiliated Bank Loans

Lines ~~6599999~~ 1909999999 from Schedule D, Part 1, Column 11; Schedule DA, Part 1, Column 7; and Schedule E, Part 2, Column 7.

Section 11. Unaffiliated Certificates of ~~Deposti~~Deposit

Lines 2019999999 from Schedule D, Part 1, Column 11; Schedule DA, Part 1, Column 7; and Schedule E, Part 2, Column 7.

The quality designation used is the "NAIC Designation" that appears with each bond as listed in the *Valuations of Securities*. Include short-term and cash equivalent bonds in the category that most closely resembles their credit risk. For each Section 1 through ~~14~~15, seven lines of information are shown, which are numbered in a format "X.Y" where the number "X" is the number of the section and the number "Y" is the order of the line within the section. The lines within each section are categorized as follows for Section "X".

X.1	Highest Quality	(NAIC 1)
X.2	High Quality	(NAIC 2)
X.3	Medium Quality	(NAIC 3)
X.4	Low Quality	(NAIC 4)
X.5	Lower Quality	(NAIC 5)
X.6	In or near default	(NAIC 6)
X.7	Total for section	

Detail Eliminated to Conserve Space

Footnote (d)

Provide the total book/adjusted carrying value amount reported in Section ~~11~~12, Column 1 by NAIC designation that represents the amount of securities reported in Schedule DA and Schedule E, Part 2.

The sum of the amounts by NAIC designation (NAIC 1, NAIC 2, NAIC 3, NAIC 4, NAIC 5 and NAIC 6) reported in the footnote should equal the sum of Schedule DA, Part 1, Column 7, Line~~s~~ ~~8399999~~ 2509999999 plus Schedule E, Part 2, Column 7, Line ~~8399999~~2509999999.

SCHEDULE D – PART 1A – SECTION 2

MATURITY DISTRIBUTION OF ALL BONDS OWNED DECEMBER 31 BY MAJOR TYPE AND SUBTYPE

Detail Eliminated to Conserve Space

There are ~~14~~ 15 sections to this schedule: Sections 1 through ~~10~~ 11 for each of the ~~10~~ 11 bond categories, Section ~~11~~ 12 for total bonds current year, Section ~~12~~ 13 for total bonds prior year, Section ~~13~~ 14 for total bonds publicly traded and Section ~~14~~ 15 for total bonds privately placed. The ~~10~~ 11 bond categories combine corresponding subtotals from Schedule D, Part 1; Schedule DA, Part 1; and Schedule E, Part 2 as follows, and for each of those ~~10~~ 11 bond categories, the total line for Column 7 of each section should equal the sum of the subtotal lines shown below:

Section 1. U.S. Governments

Line ~~0599999~~ 0109999999 from Schedule D, Part 1, Column 11; ~~Line 0599999 from~~ Schedule DA, Part 1, Column 7; and ~~Line 0599999 from~~ Schedule E, Part 2, Column 7.

Section 2. All Other Governments

Lines ~~1099999~~ 0309999999 from Schedule D, Part 1, Column 11; Schedule DA, Part 1, Column 7; and Schedule E, Part 2, Column 7.

Section 3. U.S. States, Territories and Possessions, Guaranteed

Lines ~~1799999~~ 0509999999 from Schedule D, Part 1, Column 11; Schedule DA, Part 1, Column 7; and Schedule E, Part 2, Column 7.

Section 4. U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed

Lines ~~2499999~~ 0709999999 from Schedule D, Part 1, Column 11; Schedule DA, Part 1, Column 7; and Schedule E, Part 2, Column 7.

Section 5. U.S. Special Revenue & Special Assessment Obligations, etc. Non-guaranteed

Lines 0909999999 from Schedule D, Part 1, Column 11; Schedule DA, Part 1, Column 7; and Schedule E, Part 2, Column 7.

Section 6. Industrial & Miscellaneous (Unaffiliated)

Line ~~3899999~~ 1109999999 from Schedule D, Part 1, Column 11; ~~Line 3899999 from~~ Schedule DA, Part 1, Column 7; and ~~Line 3899999 from~~ Schedule E, Part 2, Column 7.

Section 7. Hybrid Securities

Lines ~~4899999~~ 1309999999 from Schedule D, Part 1, Column 11; Schedule DA, Part 1, Column 7; and Schedule E, Part 2, Column 7.

Section 8. Parent, Subsidiaries and Affiliates

Lines ~~5599999~~ 1509999999 from Schedule D, Part 1, Column 11; Schedule DA, Part 1, Column 7; and Schedule E, Part 2, Column 7.

Section 9. SVO Identified Funds

Lines ~~6099999~~ 1619999999 from Schedule D, Part 1, Column 11; Schedule DA, Part 1, Column 7; and Schedule E, Part 2, Column 7.

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Section 10. Unaffiliated Bank Loans

Lines ~~6599999~~ 1909999999 from Schedule D, Part 1, Column 11; Schedule DA, Part 1, Column 7; and Schedule E, Part 2, Column 7.

Section 11. Unaffiliated Certificates of Deposit

Lines 2019999999 from Schedule D, Part 1, Column 11; Schedule DA, Part 1, Column 7; and Schedule E, Part 2, Column 7.

For each major section, the following subgroups, which are described in the Investment Schedules General Instructions, shall be presented by maturity category:

Sections 1 through 7:

- Issuer Obligations
- Residential Mortgage-Backed Securities
- Commercial Mortgage-Backed Securities
- Other Loan-Backed and Structured Securities

Sections 8:

- Issuer Obligations
- Residential Mortgage-Backed Securities
- Commercial Mortgage-Backed Securities
- Other Loan-Backed and Structured Securities
- Affiliated Bank Loans – Issued
- Affiliated Bank Loans – Acquired

Section 9:

- Exchange Traded Funds – as Identified by the SVO
- Bond Mutual Funds – as Identified by the SVO

Section 10:

- Unaffiliated Bank Loans – Issued
- Unaffiliated Bank Loans – Acquired

Section 11:

- Unaffiliated Certificates of Deposit

Sections ~~11~~ 12 through ~~14~~15:

- Issuer Obligations
- Residential Mortgage-Backed Securities
- Commercial Mortgage-Backed Securities
- Other Loan-Backed and Structured Securities
- SVO Identified Funds
- Affiliated Bank Loans
- Unaffiliated Bank Loans
- Unaffiliated Certificates of Deposit

Detail Eliminated to Conserve Space

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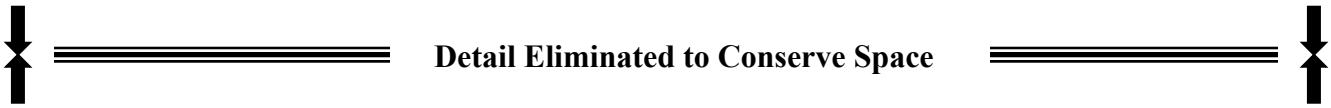
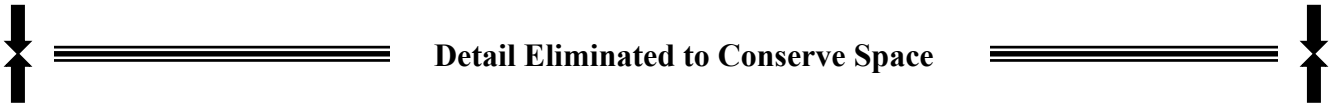
DEFAULT COMPONENT –
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS



Line 9 – Total Long-Term Bonds

Column 1 should agree with Page 2, Line 1, Column 3 plus Schedule DL Part 1, Column 6, Line ~~7099999~~2509999999.

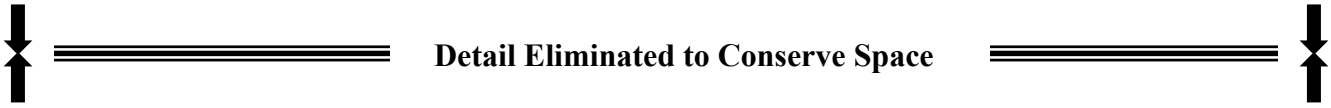


Line 17 – Total Preferred Stocks

Column 1 should agree with Page 2, Line 2.1, Column 3 plus Schedule DL, Part 1, Column 6, Line ~~7399999~~4509999999.

Lines 18 through 24 – Short-Term Bonds

Report the book/adjusted carrying value of all short-term bonds and other short-term fixed-income investments (Schedule DA, Part 1 (Lines ~~0599999~~0109999999, ~~1099999~~0309999999, ~~1799999~~0509999999, ~~2499999~~0709999999, ~~3199999~~0909999999, ~~3899999~~1109999999, ~~4899999~~1309999999, ~~5599999~~1509999999, ~~6099999~~1619999999, 1909999999 and ~~6599999~~2019999999) and short-term bonds included on Schedule DL, Part 1, Line ~~8999999~~ 9509999999 owned in Columns 1 and 4. Categorize the short-term bonds and other fixed-income instruments listed in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* into NAIC designations 1 through 6 as directed by the Securities Valuation Office instructions, except that exempt obligations listed in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* should be reported separately. Multiply the amount in Column 4 for each designation by the reserve factors provided in Columns 5, 7 and 9, and report the products by designation in Columns 6, 8 and 10, respectively.



Line 58 – Total Schedule B Mortgage Loans on Real Estate

Column 1 should agree with Page 2, Line 3.1 + 3.2, Column 3 plus Schedule DL, Part 1, Column 6, Line ~~8799999~~9309999999.

Line 59 – Total Schedule DA Mortgages

Report the book/adjusted carrying value of all Schedule DA mortgage loans (Lines ~~8499999~~ 7019999999 and ~~8799999~~7309999999) and any applicable investments from Schedule DL, Part 1, Line ~~8999999~~ 9509999999 owned in Column 1. Any related encumbrances should be deducted in Column 2. Multiply the amount in Column 4 by the reserve factors for the Schedule B mortgages and report the products in Columns 6, 8 and 10.

BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS FOR UNRATED MULTI-CLASS SECURITIES ACQUIRED BY CONVERSION

Detail Eliminated to Conserve Space

Line 17 – Total Common Stocks

Column 1 should agree with Page 2, Line 2.2, Column 3 plus Schedule DL, Part 1, Column 6, Line ~~7799999~~5989999999. The Columns 6, 8 and 10 amounts, respectively, must be reported on the Asset Valuation Reserve Page, Lines 7, 10 and 9, respectively, Column 4.

Lines 18 through 20 – Real Estate

Categorize the real estate as indicated on Lines 18 through 20. Real estate reported in Schedule DL, Part 1, Line ~~8699999~~ 9209999999 would also be included in this section. Report the sum of Columns 1, 2 and 3 in Column 4. Multiply the amount in Column 4 by the reserve factors provided in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.

NOTE: Related party encumbrances are loans from the reporting entity and the amount reflected in Column 2 should be deducted in Column 2 in the corresponding section of the AVR worksheet. If the real estate entity to which the loan was made is not wholly owned by the reporting entity, the related party encumbrance amount reflected in Column 2 should be based on the reporting entity's ownership percentage. The amount of the third party encumbrances without recourse to be reflected in Column 3 is limited to the extent that the maximum reserve (Column 6) should not exceed the sum of the book/adjusted carrying value (Column 1) plus related party encumbrances (Column 2) and third party encumbrances with recourse which are included in Column 3.

Detail Eliminated to Conserve Space

Line 83 – Other Invested Assets – Schedule BA

Report the book/adjusted carrying value of all other Schedule BA investments owned that cannot be classified into one of the above categories (Lines 0199999, 0299999, 0399999, 0499999, 0599999, 0699999, 0999999, 1099999, 1799999, 1899999, 2599999, 2699999, 2799999, 2899999, 3399999, 3499999, 4699999 and 4799999) in Column 1 and any encumbrances on these assets in Column 3. Schedule DL, Part 1 investments reported on Line ~~8899999~~ 9409999999 would be included in this total if not classified in one of the above categories. Collateral loans (Lines 2999999 and 3099999) have been intentionally excluded from this total. For surplus debentures and capital notes, the amount to report in Column 1 is to be calculated based upon the accounting prescribed in *SSAP No. 41—Surplus Notes*. Report the sum of Columns 1 and 3 in Column 4. Column 4 may not be less than zero. Note that ALL surplus debentures and capital notes should be included here in Line 83, EXCEPT those with a CRP rating equivalent to an NAIC 1 or NAIC 2 designation (which are reported in Lines 30 and 31 of this schedule). Multiply the amount in Column 4 by the reserve factors provided in Columns 5, 7 and 9, and report the products in Columns 6, 8 and 10, respectively.

Exclude: All surplus debentures and capital notes that possess a CRP rating equivalent to an NAIC 1 or NAIC 2 designation. These surplus debentures are to be reported in Line 30 and 31 (Other Invested Assets with Underlying Characteristics of Preferred Stocks) of this schedule.

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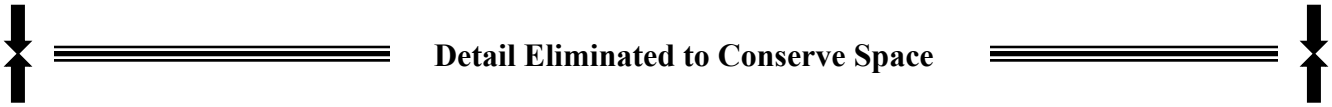
Line 84 – Other Short-Term Invested Assets – Schedule DA

Report the book/adjusted carrying value of all other Schedule DA (Lines ~~8599999~~ 7029999999 and ~~9099999~~7509999999) and Schedule DL, Part 1 (Line ~~8999999~~9509999999) assets owned that cannot be classified into one of the above categories in Column 1 and any encumbrances on these assets in Column 3. Report the sum of Columns 1 and 3 in Column 4. Multiply the amount on Column 4 by the reserve factors provided in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.



QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE
SCHEDULE D – PART 3

LONG-TERM BONDS AND STOCKS ACQUIRED DURING THE CURRENT QUARTER

Detail Eliminated to Conserve Space

Category	Line Number
Bonds:	
U.S. Governments	~~0599999~~0109999999
All Other Governments	~~1099999~~0309999999
U.S. States, Territories and Possessions	~~1799999~~0509999999
U.S. Political Subdivisions of States, Territories and Possessions	~~2499999~~0709999999
U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	~~3199999~~0909999999
Industrial and Miscellaneous (Unaffiliated)	~~3899999~~1109999999
Hybrid Securities	~~4899999~~1309999999
Parent, Subsidiaries and Affiliates	~~5599999~~1509999999
SVO Identified Funds	~~8099999~~1619999999
Unaffiliated Bank Loans	~~8299999~~1909999999
Unaffiliated Certificates of Deposit	~~8299999~~2019999999
Subtotals – Bonds – Part 3	~~8399997~~2509999997
Summary Item from Part 5 for Bonds (N/A to Quarterly)	~~8399998~~2509999998
Subtotals – Bonds	~~8399999~~2509999999
Preferred Stocks:	
Industrial and Miscellaneous (Unaffiliated)	
~~Industrial and Miscellaneous (Unaffiliated)~~ Perpetual Preferred	~~8499999~~4019999999
~~Industrial and Miscellaneous (Unaffiliated)~~ Redeemable Preferred	~~8599999~~4029999999
Parent, Subsidiaries and Affiliates	
Parent, Subsidiaries and Affiliates Perpetual Preferred	~~8699999~~4319999999
Parent, Subsidiaries and Affiliates Redeemable Preferred	~~8799999~~4329999999
Subtotals – Preferred Stocks – Part 3	~~8999997~~4509999997
Summary Item from Part 5 for Preferred Stocks (N/A to Quarterly)	~~8999998~~4509999998
Subtotals – Preferred Stocks	~~8999999~~4509999999
Common Stocks:	
Industrial and Miscellaneous (Unaffiliated)	
~~Industrial and Miscellaneous (Unaffiliated)~~ Publicly Traded	~~9099999~~5019999999
~~Industrial and Miscellaneous (Unaffiliated)~~ Other	~~9199999~~5029999999
Mutual Funds	
Designations Assigned by the SVO	5319999999
Designations Not Assigned by the SVO	5329999999
Unit Investment Trusts	
Designations Assigned by the SVO	5519999999
Designations Not Assigned by the SVO	5529999999
Closed-End Funds	
Designations Assigned by the SVO	5719999999
Designations Not Assigned by the SVO	5729999999
Exchange Traded Funds	5819999999

Parent, Subsidiaries and Affiliates
~~Parent, Subsidiaries and Affiliates~~ Publicly Traded ..... ~~9299999~~5919999999
~~Parent, Subsidiaries and Affiliates~~ Other ..... ~~9399999~~5929999999
~~Mutual Funds~~ ..... ~~9499999~~
~~Unit Investment Trusts~~ ..... ~~9599999~~
~~Closed End Funds~~ ..... ~~9699999~~
Subtotals – Common Stocks – Part 3 ..... ~~9799997~~5989999997
Summary Item from Part 5 for Common Stocks (N/A to Quarterly) ..... ~~9799998~~5989999998
Subtotals – Common Stocks ..... ~~9799999~~5989999999
Subtotals – Preferred and Common Stocks ..... ~~9899999~~5999999999
Totals ..... ~~9999999~~6009999999

Detail Eliminated to Conserve Space

Column 10 – NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol

Provide the appropriate combination of NAIC Designation (1 through 6), NAIC Designation Modifier (A through G) and SVO Administrative Symbol (see below) at the end of the quarter for each security shown. The list of valid SVO Administrative Symbols is shown below.

The listing of valid NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol combinations can be found on the NAIC's website for the Securities Valuation Office (*www.naic.org/svo.htm*).

Exchange Traded Funds – as Identified by the SVO should be reported as perpetual securities.

The NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol will be shown as one column on the printed schedule but will be three sub-columns in the data table.

- NAIC Designation Column 10A
- NAIC Designation Modifier Column 10B
- SVO Administrative Symbol Column 10C

On the printed page the sub-columns should be displayed with a "." between the NAIC Designation and the NAIC Designation Modifier with a space between the NAIC Designation Modifier and the SVO Administrative Symbol (e.g., "1.A YE").

NAIC Designation Modifier:

The NAIC Designation Modifier should only be used for securities reported on the lines below if eligible to receive one, as defined in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual), otherwise, should not be provided.

- Bonds Lines ~~0199999~~ 0109999999 through ~~8299999~~2019999999
- Preferred Stocks Lines ~~8499999~~ 4019999999 and ~~8599999~~4029999999

- Common Stocks — Lines ~~9499999~~ 5319999999, 5519999999 ~~through~~ and ~~9699999~~5719999999

As defined in the P&P Manual, there is not an NAIC Designation Modifier for investments reporting an NAIC Designation 6, therefore, the NAIC Designation Modifier should not be provided.

For securities reported on Line ~~9499999~~ 5319999999 (Mutual Funds Designation Assigned by SVO), Line ~~9599999~~ 5519999999 (Unit Investment Trusts Designation Assigned by SVO) and Line ~~9699999~~ 5719999999 (Closed-End Funds Designation Assigned by SVO) provide the appropriate NAIC Designation and NAIC Modifier as assigned by the Securities Valuation Office. NAIC Designation and NAIC Designation Modifier should not be provided for securities reported on these lines that have not been assigned one by the Securities Valuation Office and published in AVS+ per the instructions in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* on the Compilation and Publication of the SVO List of Investment Securities. For all other common stock line categories, the NAIC designation and NAIC Modifier a should not be provided.

Refer to the P&P Manual for the application of these modifiers.

SVO Administrative Symbol:

Long Term Bond:

Following are valid SVO Administrative Symbols for bonds. Refer to the P&P Manual for the application of these symbols.

S	Additional or other non-payment risk
SYE	Additional or other non-payment risk - Year-end carry over
FE	Filing Exempt
FM	Financially Modeled RMBS/CMBS subject to SSAP 43R
YE	Year-end carry over
IF	Initial filing
PL	Private Letter Rating
PLGI	Private Letter Rating – General Interrogatory
RT	Regulatory Transaction
RTS	Regulatory Transaction - SVO Reviewed
RTIF	Regulatory Transaction - Initial Filing Submitted to SVO
RTSYE	Regulatory Transaction - SVO Reviewed - Year-end carry over
GI	General Interrogatory
F	Sub-paragraph D Company – insurer self-designated
Z	Insurer self-designated
*	Limited to NAIC Designations 6
Z*	Regulatory review initiated by either the SVO Director, Financial Condition (E) Committee, Executive (EX) Committee or VOSTF.
ND*	Regulatory review for an assessment of regulatory policy for the investment or regulatory reporting instructions to implement applicable policy.

Preferred Stock:

Following are valid SVO Administrative Symbols for preferred stock. Refer to the P&P Manual for the application of these symbols.

S	Additional or other non-payment risk
SYE	Additional or other non-payment risk - Year-end carry over
FE	Filing Exempt
YE	Year-end carry over
IF	Initial filing
PL	Private Letter Rating
PLGI	Private Letter Rating – General Interrogatory
RT	Regulatory Transaction
RTS	Regulatory Transaction - SVO Reviewed
RTIF	Regulatory Transaction - Initial Filing Submitted to SVO
RTSYE	Regulatory Transaction - SVO Reviewed - Year-end carry over
GI	General Interrogatory
F	Sub-paragraph D Company – insurer self-designated
Z	Insurer self-designated
*	Limited to NAIC Designations 6
Z*	Regulatory review initiated by either the SVO Director, Financial Condition (E) Committee, Executive (EX) Committee or VOSTF.
ND*	Regulatory review for an assessment of regulatory policy for the investment or regulatory reporting instructions to implement applicable policy.

Common Stock:

Following are valid SVO Administrative Symbols for common stock. Refer to the P&P Manual for the application of these symbols.

YE	Year-end carry over
Z*	Regulatory review initiated by either the SVO Director, Financial Condition (E) Committee, Executive (EX) Committee or VOSTF.
ND*	Regulatory review for an assessment of regulatory policy for the investment or regulatory reporting instructions to implement applicable policy.

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The NAIC Designation Category is the combination of NAIC Designation and NAIC Designation Modifier. Valid combinations of NAIC Designation and NAIC Designation Modifier for NAIC Designation Category are shown below:

NAIC Designation	NAIC Designation Modifier	NAIC Designation Category
1	A	1A
	B	1B
	C	1C
	D	1D
	E	1E
	F	1F
	G	1G
2	A	2A
	B	2B
	C	2C
3	A	3A
	B	3B
	C	3C
4	A	4A
	B	4B
	C	4C
5	A	5A
	B	5B
	C	5C
6		6

Detail Eliminated to Conserve Space

SCHEDULE D – PART 4

LONG-TERM BONDS AND STOCKS SOLD, REDEEMED OR OTHERWISE DISPOSED OF DURING THE CURRENT QUARTER

Detail Eliminated to Conserve Space

Category	Line Number
Bonds:	
U.S. Governments	~~0599999~~0109999999
All Other Governments	~~1099999~~0309999999
U.S. States, Territories and Possessions	~~1799999~~0509999999
U.S. Political Subdivisions of States, Territories and Possessions	~~2499999~~0709999999
U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	~~3199999~~0909999999
Industrial and Miscellaneous (Unaffiliated)	~~3899999~~1109999999
Hybrid Securities	~~4899999~~1309999999
Parent, Subsidiaries and Affiliates	~~5599999~~1509999999
SVO Identified Funds	~~8099999~~1619999999
Unaffiliated Bank Loans	~~8299999~~1909999999
Unaffiliated Certificates of Deposit	2019999999
Subtotals – Bonds – Part 4	~~8399997~~2509999997
Summary Item from Part 5 for Bonds (N/A to Quarterly)	~~8399998~~2509999998
Subtotals – Bonds	~~8399999~~2509999999
Preferred Stocks:	
Industrial and Miscellaneous (Unaffiliated)	
~~Industrial and Miscellaneous (Unaffiliated)~~ Perpetual Preferred	~~8499999~~4019999999
~~Industrial and Miscellaneous (Unaffiliated)~~ Redeemable Preferred	~~8599999~~4029999999
Parent, Subsidiaries and Affiliates	
~~Parent, Subsidiaries and Affiliates~~ Perpetual Preferred	~~8699999~~4319999999
~~Parent, Subsidiaries and Affiliates~~ Redeemable Preferred	~~8799999~~4329999999
Subtotals – Preferred Stocks – Part 4	~~8999997~~4509999997
Summary Item from Part 5 for Preferred Stocks (N/A to Quarterly)	~~8999998~~4509999998
Subtotals – Preferred Stocks	~~8999999~~4509999999
Common Stocks:	
Industrial and Miscellaneous (Unaffiliated)	
~~Industrial and Miscellaneous (Unaffiliated)~~ Publicly Traded	~~9099999~~5019999999
~~Industrial and Miscellaneous (Unaffiliated)~~ Other	~~9199999~~5029999999
Mutual Funds	
Designations Assigned by the SVO	5319999999
Designations Not Assigned by the SVO	5329999999
Unit Investment Trusts	
Designations Assigned by the SVO	5519999999
Designations Not Assigned by the SVO	5529999999
Closed-End Funds	
Designations Assigned by the SVO	5719999999

Designations Not Assigned by the SVO 5729999999
Exchange Traded Funds 5819999999
Parent, Subsidiaries and Affiliates
~~Parent, Subsidiaries and Affiliates~~ Publicly Traded ..... ~~9299999~~5919999999
~~Parent, Subsidiaries and Affiliates~~ Other ..... ~~9399999~~5929999999
~~Mutual Funds ..... 9499999~~
~~Unit Investment Trusts ..... 9599999~~
~~Closed End Funds ..... 9699999~~
Subtotals – Common Stocks – Part 4 ..... ~~9799997~~5989999997
Summary Item from Part 5 for Common Stocks (N/A to Quarterly) ..... ~~9799998~~5989999998
Subtotals – Common Stocks ..... ~~9799999~~5989999999
Subtotals – Preferred and Common Stocks ..... ~~9899999~~5999999999
Totals ..... ~~9999999~~6009999999

Detail Eliminated to Conserve Space

Column 22 – NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol

Provide the appropriate combination of the NAIC Designation (1 through 6), NAIC Designation Modifier (A through G) and SVO Administrative Symbol (see below) at date of disposal for each security shown. The list of valid SVO Administrative Symbols is shown below.

Where multiple disposal transactions occurred for the same CUSIP, and those transactions are summarized on one line, enter the appropriate combination of NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol for the last disposal using the last available designation.

The listing of valid NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol combinations can be found on the NAIC's website for the Securities Valuation Office (*www.naic.org/svo.htm*).

Exchange Traded Funds – as Identified by the SVO should be reported as perpetual securities.

The NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol will be shown as one column on the printed but will be three sub-columns in the data table.

- NAIC Designation — Column 22A
- NAIC Designation Modifier — Column 22B
- SVO Administrative Symbol — Column 22C

On the printed page the sub-columns should be displayed with a "." between the NAIC Designation and the NAIC Designation Modifier with a space between the NAIC Designation Modifier and the SVO Administrative Symbol (e.g., "1.A YE").

NAIC Designation Modifier:

The NAIC Designation Modifier should only be used for securities reported on the lines below if eligible to receive one, as defined in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual), otherwise, should not be provided.

- Bonds — Lines ~~0199999~~ 0109999999 through ~~8299999~~2019999999
- Preferred Stocks — Lines ~~8499999~~ 4019999999 and ~~8599999~~4029999999
- Common Stocks — Lines ~~9499999~~ 5319999999, 5519999999 ~~through~~ and ~~9699999~~5719999999

As defined in the P&P Manual, there is not an NAIC Designation Modifier for investments reporting an NAIC Designation 6, therefore, the NAIC Designation Modifier should not be provided.

For securities reported on Line ~~9499999~~ 5319999999 (Mutual Funds Designation Assigned by SVO), Line ~~9599999~~ 5519999999 (Unit Investment Trusts Designation Assigned by SVO) and Line ~~9699999~~ 5719999999 (Closed-End Funds Designation Assigned by SVO) provide the appropriate NAIC Designation and NAIC Modifier as assigned by the Securities Valuation Office. NAIC Designation and NAIC Designation Modifier should not be provided for securities reported on these lines that have not been assigned one by the Securities Valuation Office and published in AVS+ per the instructions in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* on the Compilation and Publication of the SVO List of Investment Securities. For all other common stock line categories, the NAIC designation and NAIC Modifier a should not be provided.

Refer to the P&P Manual for the application of these modifiers.

SVO Administrative Symbol:

Long Term Bond:

Following are valid SVO Administrative Symbols for bonds. Refer to the P&P Manual for the application of these symbols

S	Additional or other non-payment risk
SYE	Additional or other non-payment risk - Year-end carry over
FE	Filing Exempt
FM	Financially Modeled RMBS/CMBS subject to SSAP 43R
YE	Year-end carry over
IF	Initial filing
PL	Private Letter Rating
PLGI	Private Letter Rating – General Interrogatory
RT	Regulatory Transaction
RTS	Regulatory Transaction - SVO Reviewed
RTIF	Regulatory Transaction - Initial Filing Submitted to SVO
RTSYE	Regulatory Transaction - SVO Reviewed - Year-end carry over
GI	General Interrogatory
F	Sub-paragraph D Company – insurer self-designated
Z	Insurer self-designated
*	Limited to NAIC Designation 6
Z*	Regulatory review initiated by either the SVO Director, Financial Condition (E) Committee, Executive (EX) Committee or VOSTF.
ND*	Regulatory review for an assessment of regulatory policy for the investment or regulatory reporting instructions to implement applicable policy.

Preferred Stock:

Following are valid administrative symbols for preferred stock.

S	Additional or other non-payment risk
SYE	Additional or other non-payment risk - Year-end carry over
FE	Filing Exempt
YE	Year-end carry over
IF	Initial filing
PL	Private Letter Rating
PLGI	Private Letter Rating – General Interrogatory
RT	Regulatory Transaction
RTS	Regulatory Transaction - SVO Reviewed
RTIF	Regulatory Transaction - Initial Filing Submitted to SVO
RTSYE	Regulatory Transaction - SVO Reviewed - Year-end carry over
GI	General Interrogatory
F	Sub-paragraph D Company – insurer self-designated
Z	Insurer self-designated
*	Limited to NAIC Designation 6
Z*	Regulatory review initiated by either the SVO Director, Financial Condition (E) Committee, Executive (EX) Committee or VOSTF.
ND*	Regulatory review for an assessment of regulatory policy for the investment or regulatory reporting instructions to implement applicable policy.

Common Stock:

Following are valid SVO Administrative Symbols for common stock. Refer to the P&P Manual for the application of these symbols.

YE	Year-end carry over
Z*	Regulatory review initiated by either the SVO Director, Financial Condition (E) Committee, Executive (EX) Committee or VOSTF.
ND*	Regulatory review for an assessment of regulatory policy for the investment or regulatory reporting instructions to implement applicable policy.

The NAIC Designation Category is the combination of NAIC Designation and NAIC Designation Modifier. Valid combinations of NAIC Designation and NAIC Designation Modifier for NAIC Designation Category are shown below:

NAIC Designation	NAIC Designation Modifier	NAIC Designation Category
1	A	1A
	B	1B
	C	1C
	D	1D
	E	1E
	F	1F
	G	1G
2	A	2A
	B	2B
	C	2C
3	A	3A
	B	3B
	C	3C
4	A	4A
	B	4B
	C	4C
5	A	5A
	B	5B
	C	5C
6		6

SCHEDULE DL – PART 1

SECURITIES LENDING COLLATERAL ASSETS
Reinvested Collateral Assets Owned Current Statement Date
(Securities lending collateral assets reported in aggregate on Line 10 of the asset page
and not included on Schedules A, B, BA, D, DB and E.)

Detail Eliminated to Conserve Space

Category	Line Number
Bonds (Schedule D, Part 1 type):	
U.S. Governments	
Issuer Obligations	~~0199999~~0019999999
Residential Mortgage-Backed Securities	~~0299999~~0029999999
Commercial Mortgage-Backed Securities	~~0399999~~0039999999
Other Loan-Backed and Structured Securities	~~0499999~~0049999999
Subtotals – U.S. Governments	~~0599999~~0109999999
All Other Governments	
Issuer Obligations	~~0699999~~0219999999
Residential Mortgage-Backed Securities	~~0799999~~0229999999
Commercial Mortgage-Backed Securities	~~0899999~~0239999999
Other Loan-Backed and Structured Securities	~~0999999~~0249999999
Subtotals – All Other Governments	~~1099999~~0309999999
U.S. States, Territories and Possessions (Direct and Guaranteed)	
Issuer Obligations	~~1199999~~0419999999
Residential Mortgage-Backed Securities	~~1299999~~0429999999
Commercial Mortgage-Backed Securities	~~1399999~~0439999999
Other Loan-Backed and Structured Securities	~~1499999~~0449999999
Subtotals – U.S. States, Territories and Possessions (Direct and Guaranteed)	~~1799999~~0509999999
U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	
Issuer Obligations	~~1899999~~0619999999
Residential Mortgage-Backed Securities	~~1999999~~0629999999
Commercial Mortgage-Backed Securities	~~2099999~~0639999999
Other Loan-Backed and Structured Securities	~~2199999~~0649999999
Subtotals – U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	~~2499999~~0709999999
U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	
Issuer Obligations	~~2599999~~0819999999
Residential Mortgage-Backed Securities	~~2699999~~0829999999
Commercial Mortgage-Backed Securities	~~2799999~~0839999999
Other Loan-Backed and Structured Securities	~~2899999~~0849999999
Subtotals – U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	~~3199999~~0909999999
Industrial and Miscellaneous (Unaffiliated)	
Issuer Obligations	~~3299999~~1019999999
Residential Mortgage-Backed Securities	~~3399999~~1029999999
Commercial Mortgage-Backed Securities	~~3499999~~1039999999

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Other Loan-Backed and Structured Securities ..... ~~3599999~~1049999999
Subtotals – Industrial and Miscellaneous (Unaffiliated) ..... ~~3899999~~1109999999

Hybrid Securities

Issuer Obligations..... ~~4299999~~1219999999
Residential Mortgage-Backed Securities ..... ~~4399999~~1229999999
Commercial Mortgage-Backed Securities..... ~~4499999~~1239999999
Other Loan-Backed and Structured Securities ..... ~~4599999~~1249999999
Subtotals – Hybrid Securities..... ~~4899999~~1309999999

Parent, Subsidiaries and Affiliates

Issuer Obligations..... ~~4999999~~1419999999
Residential Mortgage-Backed Securities ..... ~~5099999~~1429999999
Commercial Mortgage-Backed Securities..... ~~5199999~~1439999999
Other Loan-Backed and Structured Securities ..... ~~5299999~~1449999999
Affiliated Bank Loans – Issued..... ~~5399999~~1459999999
Affiliated Bank Loans – Acquired ..... ~~5499999~~1469999999
Subtotals – Parent, Subsidiaries and Affiliates..... ~~5599999~~1509999999

SVO Identified Funds

Exchange Traded Funds – as Identified by the SVO..... ~~5799999~~1619999999
~~Bond Mutual Funds – as Identified by the SVO ..... 5899999~~
~~Subtotals – SVO Identified Funds..... 5999999~~

Unaffiliated Bank Loans

Unaffiliated Bank Loans – Issued ..... ~~6099999~~1819999999
Unaffiliated Bank Loans – Acquired..... ~~6199999~~1829999999
Subtotals – Unaffiliated Bank Loans..... ~~6299999~~1909999999

Unaffiliated Certificates of Deposit..... 2019999999

Total Bonds

Subtotals – Issuer Obligations..... ~~6399999~~2419999999
Subtotals – Residential Mortgage-Backed Securities..... ~~6499999~~2429999999
Subtotals – Commercial Mortgage-Backed Securities..... ~~6599999~~2439999999
Subtotals – Other Loan-Backed and Structured Securities ..... ~~6699999~~2449999999
Subtotals – SVO Identified Funds..... ~~6799999~~2459999999
Subtotals – Affiliated Bank Loans ..... ~~6899999~~2469999999
Subtotals – Unaffiliated Bank Loans..... ~~6999999~~2479999999
Subtotals – Unaffiliated Certificates of Deposit..... 2489999999
Subtotals – Total Bonds ..... ~~7099999~~2509999999

Stocks:

Preferred Stocks (Schedule D, Part 2, Section 1 type):

Industrial and Miscellaneous (Unaffiliated)

Perpetual Preferred..... 4019999999
Redeemable Preferred 4029999999
Subtotals – Industrial and Miscellaneous (Unaffiliated)..... 4109999999

Parent, Subsidiaries and Affiliates

Perpetual Preferred..... 4319999999
Redeemable Preferred 4329999999
Subtotals – Parent, Subsidiaries and Affiliates 4409999999

~~Industrial and Miscellaneous (Unaffiliated) Perpetual and Redeemable Preferred..... 7199999~~
~~Parent, Subsidiaries and Affiliates Perpetual and Redeemable Preferred ..... 7299999~~
Total Preferred Stocks..... ~~7399999~~4509999999

Common Stocks (Schedule D, Part 2, Section 2 type):

Industrial and Miscellaneous (Unaffiliated):

Publicly Traded 5019999999
Other 5029999999
Subtotals – Industrial and Miscellaneous (Unaffiliated) 5109999999

Mutual Funds

Designation Assigned by SVO 5319999999
Designation Not Assigned by SVO 5329999999
Subtotals – Mutual Funds 5409999999

Unit Investment Trusts

Designation Assigned by SVO 5519999999
Designation Not Assigned by SVO 5529999999
Subtotals – Unit Investment Trusts 5609999999

Closed-End Funds

Designation Assigned by SVO 5719999999
Designation Not Assigned by SVO 5729999999
Subtotals – Closed-End Funds 5809999999

Exchange Traded Funds 5819999999

Parent, Subsidiaries and Affiliates:

Publicly Traded 5919999999
Other 5929999999
Subtotals – Parent, Subsidiaries and Affiliates 5979999999

~~Industrial and Miscellaneous (Unaffiliated) ..... 7499999~~
~~Parent, Subsidiaries and Affiliates ..... 7599999~~
~~Mutual Funds ..... 7699999~~
~~Unit Investment Trusts ..... 7799999~~
~~Closed-End Funds ..... 7899999~~

Total Common Stocks ..... ~~7999999~~5989999999

Total Preferred and Common Stocks ..... ~~8099999~~5999999999

Real Estate (Schedule A type) ..... ~~8699999~~9209999999
Mortgage Loans on Real Estate (Schedule B type) ..... ~~8799999~~9309999999
Other Invested Assets (Schedule BA type) ..... ~~8899999~~9409999999
Short-Term Invested Assets (Schedule DA type) ..... ~~8999999~~9509999999
Cash (Schedule E, Part 1 type) ..... ~~9099999~~9609999999
Cash Equivalents (Schedule E, Part 2 type) ..... ~~9199999~~9709999999
Other Assets ..... ~~9299999~~9809999999
Totals 999999999

Column 1 – CUSIP Identification

CUSIP numbers for all purchased publicly issued securities are available from the broker's confirmation or the certificate. For private placement securities, the NAIC has created a special number called a PPN to be assigned by the Standard & Poor's CUSIP Bureau. For foreign securities, use a CINS that is assigned by the Standard & Poor's CUSIP Bureau: *www.cusip.com/cusip/index.htm*.

For Lines 0019999999 through ~~7~~250999999999, if no valid CUSIP, CINS or PPN number exists, then the CUSIP field should be zero-filled and a valid ISIN security number should be reported in Column 11.

The CUSIP reported for this column should be determined in a manner consistent with the instructions of other schedules for the lines shown below:

Lines 0019999999 through ~~7~~2509999999999 ..... Schedule D, Part 1, Column 1
Lines ~~71~~4019999999 through ~~73~~4509999999999 ..... Schedule D, Part 2, Section 1, Column 1
Lines ~~74~~5019999999 through ~~79~~5989999999999 ..... Schedule D, Part 2, Section 2, Column 1
Line ~~88~~9409999999999 ..... Schedule BA, Part 1, Column 1
Line ~~9199999~~97099999999 ..... Schedule E, Part 2, Column 1

The CUSIP number should be zero-filled for the following lines:

Real Estate (Schedule A type) ..... ~~86~~9209999999999
Mortgage Loans on Real Estate (Schedule B type)..... ~~87~~9309999999999
Short-Term Invested Assets (Schedule DA, Part 1 type)..... ~~89~~9509999999999
Cash (Schedule E, Part 1 type)..... 960999999999
Other Assets..... ~~92~~9809999999999

Detail Eliminated to Conserve Space

Column 4 – NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol

The NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol reported for this column should be determined in a manner consistent with the instructions of other schedules for the lines shown below:

Lines 0019999999 through ~~7~~2509999999999 .... Schedule D, Part 1, Column 6
Lines ~~71~~4019999999 through ~~73~~4509999999999 Schedule D, Part 2, Section 1, Column 20
Lines ~~74~~5019999999 through ~~79~~5989999999999 Schedule D, Part 2, Section 2, Column 17
Line ~~88~~9409999999999 ..... Schedule BA, Part 1, Column 7
Line ~~89~~9509999999999 ..... Schedule DA, Part 1, Column 22
Line ~~9199999~~97099999999 ..... Schedule E, Part 2, Column 11

For Lines ~~86~~9209999999999, ~~87~~9309999999999, 960999999999 and ~~92~~9809999999999, the column should be left blank.

The NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol will be shown as one column on the printed schedule but will be three sub-columns in the data table.

- NAIC Designation Column 4A
- NAIC Designation Modifier Column 4B

- SVO Administrative Symbol Column 4C

On the printed page the sub-columns should be displayed with a "." between the NAIC Designation and the NAIC Designation Modifier with a space between the NAIC Designation Modifier and the SVO Administrative Symbol (e.g., "1.A YE").

Column 5 – Fair Value

The value reported for this column should be determined in a manner consistent with the fair value column instructions of other schedules for the lines shown below:

Lines 001999999 through ~~7~~2509999999 .... Schedule D, Part 1, Column 9
Lines ~~71~~401999999 through ~~73~~4509999999 Schedule D, Part 2, Section 1, Column 10
Lines ~~74~~5019999999 through ~~79~~5989999999 Schedule D, Part 2, Section 2, Column 8
Line ~~86~~9209999999 ..... Schedule A, Part 1, Column 10
Line ~~87~~9309999999 ..... FV of the underlying collateral Schedule B, Part 1
Line ~~88~~9409999999 ..... Schedule BA, Part 1, Column 11

For those lines where the same type of investment is reported on other schedules but do not have a fair value column, report the amount consistent with instructions for the following:

Line ~~89~~9509999999 ..... Report BACV, Schedule DA, Column 7
Line 96099999999 ..... Report Balance, Schedule E Part 1, Column 6
Line ~~9199999~~9709999999 ..... Report BACV, Schedule E Part 2, Column 7

Column 6 – Book/Adjusted Carrying Value

The value reported for this column should be determined in a manner consistent with the instructions of other schedules for the lines shown below:

Lines 001999999 through ~~7~~2509999999 .... Schedule D, Part 1, Column 11
Lines ~~71~~401999999 through ~~73~~4509999999 Schedule D, Part 2, Section 1, Column 8
Lines ~~74~~5019999999 through ~~79~~5989999999 Schedule D, Part 2, Section 2, Column 6
Line ~~86~~9209999999 ..... Schedule A, Part 1, Column 9
Line ~~87~~9309999999 ..... Schedule B, Part 1, Column 8
Line ~~88~~9409999999 ..... Schedule BA, Part 1, Column 12
Line ~~89~~9509999999 ..... Schedule DA, Part 1, Column 7
Line ~~9~~609999999 ..... Report Balance, Schedule E, Part 1, Column 6
Line ~~9199999~~9709999999 ..... Schedule E, Part 2, Column 7

Column 7 – Maturity Date

The maturity date reported for this column should be determined in a manner consistent with the instructions of other schedules for the lines shown below:

Lines 001999999 through ~~7~~2509999999 .... Schedule D, Part 1, Column 22
Line ~~89~~9509999999 ..... Schedule DA, Column 6
Line ~~9199999~~9709999999 ..... Schedule E, Part 2, Column 6

The following lines are considered assets with no maturity date and should be left blank:

~~71~~40199 99999 through ~~73~~45099 99999 ..... Preferred Stock (Schedule D, Part 2, Section 1 type)
~~74~~50199 99999 through ~~79~~59899 99999 ..... Common Stock (Schedule D, Part 2, Section 2 type)
~~86~~92099 99999 ..... Real Estate (Schedule A type)
~~87~~93099 99999 ..... Mortgage Loans on Real Estate (Schedule B type)
~~88~~94099 99999 ..... Other Invested Assets (Schedule BA type)
~~92~~98099 99999 ..... Other Assets

**** Columns 8 and 9 will be electronic only. ****

Column 8 – Legal Entity Identifier (LEI)

Provide the 20-character Legal Entity Identifier (LEI) for any mortgagor, issuer or counterparty as assigned by a designated Local Operating Unit. If no LEI number has been assigned, leave blank.

Column 9 – ISIN Identification

The International Securities Identification Numbering (ISIN) system is an international standard set up by the International Organization for Standardization (ISO). It is used for numbering specific securities, such as stocks, bonds, options and futures. ISIN numbers are administered by a National Numbering Agency (NNA) in each of their respective countries, and they work just like serial numbers for those securities. Record the ISIN number only if no valid CUSIP, CINS or PPN exists to report in Column 1.

The ISIN reported for this column should be determined in a manner consistent with the instructions of other schedules for the lines shown below:

Lines 0019999 99999 through ~~7~~2509999 99999 ..... Schedule D, Part 1, Column 1
Lines ~~71~~40199 99999 through ~~73~~45099 99999 ..... Schedule D, Part 2, Section 1, Column 1
Lines ~~74~~50199 99999 through ~~79~~59899 99999 ..... Schedule D, Part 2, Section 2, Column 1

The ISIN number should be zero-filled for the following lines:

Real Estate (Schedule A type) ..... ~~86~~92099 99999
Mortgage Loans on Real Estate (Schedule B type)..... ~~87~~93099 99999
Other Invested Assets (Schedule BA type)..... ~~88~~94099 99999
Short-Term Invested Assets (Schedule DA, Part 1 type)..... ~~89~~95099 99999
Cash (Schedule E, Part 1 type)..... 960999 99999
Cash Equivalents (Schedule E, Part 2 type)..... ~~9199999~~9709999999
Other Assets..... ~~92~~98099 99999

Detail Eliminated to Conserve Space

SCHEDULE DL – PART 2

SECURITIES LENDING COLLATERAL ASSETS

Reinvested Collateral Assets Owned Current Statement Date
(Securities lending collateral assets included on Schedules A, B, BA, D, DB and E
and not reported in aggregate on Line 10 of the asset page.)

Detail Eliminated to Conserve Space

Category	Line Number
Bonds (Schedule D, Part 1):	
U.S. Governments	
Issuer Obligations	~~0199999~~0019999999
Residential Mortgage-Backed Securities	~~0299999~~0029999999
Commercial Mortgage-Backed Securities	~~0399999~~0039999999
Other Loan-Backed and Structured Securities	~~0499999~~0049999999
Subtotals – U.S. Governments	~~0599999~~0109999999
All Other Governments	
Issuer Obligations	~~0699999~~0219999999
Residential Mortgage-Backed Securities	~~0799999~~0229999999
Commercial Mortgage-Backed Securities	~~0899999~~0239999999
Other Loan-Backed and Structured Securities	~~0999999~~0249999999
Subtotals – All Other Governments	~~1099999~~0309999999
U.S. States, Territories and Possessions (Direct and Guaranteed)	
Issuer Obligations	~~1199999~~0419999999
Residential Mortgage-Backed Securities	~~1299999~~0429999999
Commercial Mortgage-Backed Securities	~~1399999~~0439999999
Other Loan-Backed and Structured Securities	~~1499999~~0449999999
Subtotals – U.S. States, Territories and Possessions (Direct and Guaranteed)	~~1799999~~0509999999
U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	
Issuer Obligations	~~1899999~~0619999999
Residential Mortgage-Backed Securities	~~1999999~~0629999999
Commercial Mortgage-Backed Securities	~~2099999~~0639999999
Other Loan-Backed and Structured Securities	~~2199999~~0649999999
Subtotals – U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	~~2499999~~07019999999
U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	
Issuer Obligations	~~2599999~~0819999999
Residential Mortgage-Backed Securities	~~2699999~~0829999999
Commercial Mortgage-Backed Securities	~~2799999~~0839999999
Other Loan-Backed and Structured Securities	~~2899999~~0849999999
Subtotals – U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	~~3199999~~0909999999
Industrial and Miscellaneous (Unaffiliated)	
Issuer Obligations	~~3299999~~1019999999
Residential Mortgage-Backed Securities	~~3399999~~1029999999
Commercial Mortgage-Backed Securities	~~3499999~~1039999999

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Other Loan-Backed and Structured Securities ..... ~~3599999~~1049999999
Subtotals – Industrial and Miscellaneous (Unaffiliated) ..... ~~3899999~~1109999999

Hybrid Securities

Issuer Obligations..... ~~4299999~~1219999999
Residential Mortgage-Backed Securities ..... ~~4399999~~1229999999
Commercial Mortgage-Backed Securities..... ~~4499999~~1239999999
Other Loan-Backed and Structured Securities ..... ~~4599999~~1249999999
Subtotals – Hybrid Securities..... ~~4899999~~1309999999

Parent, Subsidiaries and Affiliates

Issuer Obligations..... ~~4999999~~1419999999
Residential Mortgage-Backed Securities ..... ~~5099999~~1429999999
Commercial Mortgage-Backed Securities..... ~~5199999~~1439999999
Other Loan-Backed and Structured Securities ..... ~~5299999~~1449999999
Affiliated Bank Loans – Issued..... ~~5399999~~1459999999
Affiliated Bank Loans – Acquired ..... ~~5499999~~1469999999
Subtotals – Parent, Subsidiaries and Affiliates..... ~~5599999~~1509999999

SVO Identified Funds

Exchange Traded Funds – as Identified by the SVO..... ~~5799999~~1619999999
~~Bond Mutual Funds – as Identified by the SVO ..... 5899999~~
~~Subtotals – SVO Identified Funds..... 5999999~~

Unaffiliated Bank Loans

Unaffiliated Bank Loans – Issued ..... ~~6099999~~1819999999
Unaffiliated Bank Loans – Acquired..... ~~6199999~~1829999999
Subtotals – Unaffiliated Bank Loans..... ~~6299999~~1909999999

Unaffiliated Certificates of Deposit..... 2019999999

Total Bonds

Subtotals – Issuer Obligations..... ~~6399999~~2419999999
Subtotals – Residential Mortgage-Backed Securities..... ~~6499999~~2429999999
Subtotals – Commercial Mortgage-Backed Securities..... ~~6599999~~2439999999
Subtotals – Other Loan-Backed and Structured Securities ..... ~~6699999~~2449999999
Subtotals – SVO Identified Funds..... ~~6799999~~2459999999
Subtotals – Affiliated Bank Loans ..... ~~6899999~~2469999999
Subtotals – Unaffiliated Bank Loans..... ~~6999999~~2479999999
Subtotals – Unaffiliated Certificates of Deposit..... 2489999999
Subtotals – Total Bonds ..... ~~7099999~~2509999999

Stocks:

Preferred Stocks:

Industrial and Miscellaneous (Unaffiliated)

Perpetual Preferred..... 4019999999
Redeemable Preferred 4029999999
Subtotals – Industrial and Miscellaneous (Unaffiliated)..... 4109999999

Parent, Subsidiaries and Affiliates

Perpetual Preferred..... 4319999999
Redeemable Preferred 4329999999
Subtotals – Parent, Subsidiaries and Affiliates 4409999999

~~Industrial and Miscellaneous (Unaffiliated) Perpetual and Redeemable Preferred..... 7199999~~
~~Parent, Subsidiaries and Affiliates Perpetual and Redeemable Preferred ..... 7299999~~

Total Preferred Stocks..... ~~7399999~~4509999999

Common Stocks:

Industrial and Miscellaneous (Unaffiliated):

Publicly Traded 5019999999
Other 5029999999
Subtotals – Industrial and Miscellaneous (Unaffiliated) 5109999999

Mutual Funds

Designation Assigned by SVO 5319999999
Designation Not Assigned by SVO 5329999999
Subtotals – Mutual Funds 5409999999

Unit Investment Trusts

Designation Assigned by SVO 5519999999
Designation Not Assigned by SVO 5529999999
Subtotals – Unit Investment Trusts 5609999999

Closed-End Funds

Designation Assigned by SVO 5719999999
Designation Not Assigned by SVO 5729999999
Subtotals – Closed-End Funds 5809999999

Exchange Traded Funds 5819999999

Parent, Subsidiaries and Affiliates:

Publicly Traded 5919999999
Other 5929999999
Subtotals – Parent, Subsidiaries and Affiliates 5979999999

~~Industrial and Miscellaneous (Unaffiliated) ..... 7499999~~
~~Parent, Subsidiaries and Affiliates ..... 7599999~~
~~Mutual Funds ..... 7699999~~
~~Unit Investment Trusts ..... 7799999~~
~~Closed-End Funds ..... 7899999~~

Total Common Stocks ..... ~~7999999~~5989999999

Total Preferred and Common Stocks ..... ~~8099999~~5999999999

Real Estate (Schedule A) ..... ~~8699999~~9209999999
Mortgage Loans on Real Estate (Schedule B) ..... ~~8799999~~9309999999
Other Invested Assets (Schedule BA) ..... ~~8899999~~9409999999
Short-Term Invested Assets (Schedule DA) ..... ~~8999999~~9509999999
Cash (Schedule E, Part 1) ..... ~~9099999~~9609999999
Cash Equivalents (Schedule E, Part 2) ..... ~~9199999~~9709999999
Other Assets ..... ~~9299999~~9809999999
Totals 9999999999

Column 1 – CUSIP Identification

CUSIP numbers for all purchased publicly issued securities are available from the broker's confirmation or the certificate. For private placement securities, the NAIC has created a special number called a PPN to be assigned by the Standard & Poor's CUSIP Bureau. For foreign securities, use a CINS that is assigned by the Standard & Poor's CUSIP Bureau: *www.cusip.com/cusip/index.htm*.

For Lines 0019999999 through ~~7~~25099999999, if no valid CUSIP, CINS or PPN number exists, then the CUSIP field should be zero-filled and a valid ISIN security number should be reported in Column 11.

The CUSIP reported for this column should be same for the security as reported in other schedules for the lines shown below:

Lines 0019999999 through ~~7~~25099999999 ..... Schedule D, Part 1, Column 1
Lines ~~71~~40199999999 through ~~73~~45099999999 ..... Schedule D, Part 2, Section 1, Column 1
Lines ~~74~~50199999999 through ~~79~~59899999999 ..... Schedule D, Part 2, Section 2, Column 1
Line ~~88~~94099999999 ..... Schedule BA, Part 1, Column 1
Line ~~91999999~~9709999999 ..... Schedule E, Part 2, Column 1

The CUSIP number should be zero-filled for the following lines:

Real Estate (Schedule A) ..... ~~86~~92099999999
Mortgage Loans on Real Estate (Schedule B) ..... ~~87~~93099999999
Short-Term Invested Assets (Schedule DA, Part 1)..... ~~89~~95099999999
Cash (Schedule E, Part 1) 960999999999
Other Assets..... ~~92~~98099999999

Detail Eliminated to Conserve Space

Column 4 – NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol

The NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol reported for this column should be same for the security as reported in other schedules for the lines shown below:

Lines 0019999999 through ~~7~~25099999999 .... Schedule D, Part 1, Column 6
Lines ~~71~~40199999999 through ~~73~~45099999999 Schedule D, Part 2, Section 1, Column 20
Lines ~~74~~50199999999 through ~~79~~59899999999 Schedule D, Part 2, Section 2, Column 17
Line ~~88~~94099999999 ..... Schedule BA, Part 1, Column 7
Line ~~89~~95099999999 ..... Schedule DA, Part 1, Column 22
Line ~~91999999~~9709999999 ..... Schedule E, Part 2, Column 11

For Lines ~~86~~92099999999, ~~87~~93099999999, 960999999999 and ~~92~~98099999999, the column should be left blank.

The NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol will be shown as one column on the printed schedule but will be three sub-columns in the data table.

- NAIC Designation Column 4A
- NAIC Designation Modifier Column 4B
- Administrative Symbol Column 4C

On the printed page the sub-columns should be displayed with a "." between the NAIC Designation and the NAIC Designation Modifier with a space between the NAIC Designation Modifier and the SVO Administrative Symbol (e.g., "1.A YE").

Column 5 – Fair Value

The value reported for this column should be same for the security as reported in other schedules for the lines shown below:

Lines 0019999999 through 7250999999 .... Schedule D, Part 1, Column 9
Lines 7140199999 through 7345099999 Schedule D, Part 2, Section 1, Column 10
Lines 7450199999 through 7959899999 Schedule D, Part 2, Section 2, Column 8
Line 8692099999 ..... Schedule A, Part 1, Column 10
Line 8793099999 ..... FV of the underlying collateral Schedule B, Part 1
Line 8894099999 ..... Schedule BA, Part 1, Column 11

For those lines where the same investment is reported on other schedules but do not have a fair value column, report the amount in these columns in the other schedules for the lines shown below:

Line 8995099999 ..... Report BACV, Schedule DA, Column 7
Line 9609999999 ..... Report Balance, Schedule E, Part 1, Column 6
Line 919999997099999999 ..... Report BACV, Schedule E, Part 2, Column 7

Column 6 – Book/Adjusted Carrying Value

The value reported for this column should be same for the security as reported in other schedules for the lines shown below:

Lines 0019999999 through 7250999999 .... Schedule D, Part 1, Column 11
Lines 7140199999 through 7345099999 Schedule D, Part 2, Section 1, Column 8
Lines 7450199999 through 7959899999 Schedule D, Part 2, Section 2, Column 6
Line 8692099999 ..... Schedule A, Part 1, Column 9
Line 8793099999 ..... Schedule B, Part 1, Column 8
Line 8894099999 ..... Schedule BA, Part 1, Column 12
Line 8995099999 ..... Schedule DA, Part 1, Column 7
Line 9609999999 ..... Report Balance, Schedule E, Part 1, Column 6
Line 919999997099999999 ..... Schedule E, Part 2, Column 7

Column 7 – Maturity Date

The maturity date reported for this column should be same for the security as reported in other schedules for the lines shown below:

Lines 0019999999 through 7250999999 .... Schedule D, Part 1, Column 22
Line 8995099999 ..... Schedule DA, Column 6
Line 919999997099999999 ..... Schedule E, Part 2, Column 6

The following lines are considered assets with no maturity date and should be left blank:

7140199999 through 7345099999 ..... Preferred Stock (Schedule D, Part 2, Section 1 type)
7450199999 through 7959899999 ..... Common Stock (Schedule D, Part 2, Section 2 type)

~~86~~92099999999 ..... Real Estate (Schedule A type)
~~87~~93099999999 ..... Mortgage Loans on Real Estate (Schedule B type)
~~88~~94099999999 ..... Other Invested Assets (Schedule BA type)
9299999 ..... Other Assets

**** Columns 8 and 9 will be electronic only. ****

Column 8 – Legal Entity Identifier (LEI)

Provide the 20-character Legal Entity Identifier (LEI) for any mortgagor, issuer or counterparty as assigned by a designated Local Operating Unit. If no LEI number has been assigned, leave blank.

Column 9 – ISIN Identification

The International Securities Identification Numbering (ISIN) system is an international standard set up by the International Organization for Standardization (ISO). It is used for numbering specific securities, such as stocks, bonds, options and futures. ISIN numbers are administered by a National Numbering Agency (NNA) in each of their respective countries, and they work just like serial numbers for those securities. Record the ISIN number only if no valid CUSIP, CINS or PPN exists to report in Column 1.

The ISIN reported for this column should be same for the security as reported in other schedules for the lines shown below:

Lines 0019999999 through ~~7~~2509999999 ..... Schedule D, Part 1, Column 1
Lines ~~71~~4019999999 through ~~73~~4509999999 ..... Schedule D, Part 2, Section 1, Column 1
Lines ~~74~~5019999999 through ~~79~~5989999999 ..... Schedule D, Part 2, Section 2, Column 1

The ISIN number should be zero-filled for the following lines:

Real Estate (Schedule A) ..... ~~86~~92099999999
Mortgage Loans on Real Estate (Schedule B) ..... ~~87~~93099999999
Other Invested Assets (Schedule BA)..... ~~88~~94099999999
Short-Term Invested Assets (Schedule DA, Part 1)..... ~~88~~94099999999
Cash (Schedule E, Part 1) 960999999
Cash Equivalents (Schedule E, Part 2)..... ~~9199999~~9709999999
Other Assets..... ~~92~~98099999999

SCHEDULE E – PART 2 – CASH EQUIVALENTS

INVESTMENTS OWNED END OF CURRENT QUARTER

Detail Eliminated to Conserve Space

Category	Line Number
Bonds:	
U.S. Governments	
Issuer Obligations	~~0199999~~0019999999
Residential Mortgage-Backed Securities	~~0299999~~0029999999
Commercial Mortgage-Backed Securities	~~0399999~~039999999
Other Loan-Backed and Structured Securities	~~0499999~~0049999999
Subtotals – U.S. Government Bonds	~~0599999~~0109999999
All Other Governments	
Issuer Obligations	~~0699999~~0219999999
Residential Mortgage-Backed Securities	~~0799999~~0229999999
Commercial Mortgage-Backed Securities	~~0899999~~0239999999
Other Loan-Backed and Structured Securities	~~0999999~~0249999999
Subtotals – All Other Government Bonds	~~1099999~~0309999999
U.S. States, Territories and Possessions (Direct and Guaranteed)	
Issuer Obligations	~~1199999~~0419999999
Residential Mortgage-Backed Securities	~~1299999~~0429999999
Commercial Mortgage-Backed Securities	~~1399999~~0439999999
Other Loan-Backed and Structured Securities	~~1499999~~0449999999
Subtotals – States, Territories and Possessions (Direct and Guaranteed)	~~1799999~~0509999999
U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	
Issuer Obligations	~~1899999~~0619999999
Residential Mortgage-Backed Securities	~~1999999~~0629999999
Commercial Mortgage-Backed Securities	~~2099999~~0639999999
Other Loan-Backed and Structured Securities	~~2199999~~0649999999
Subtotals – Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	~~2499999~~0709999999
U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	
Issuer Obligations	~~2599999~~0819999999
Residential Mortgage-Backed Securities	~~2699999~~0829999999
Commercial Mortgage-Backed Securities	~~2799999~~0839999999
Other Loan-Backed and Structured Securities	~~2899999~~0849999999
Subtotals – Special Revenue and Special Assessment Obligations and all Non-Guaranteed of Agencies and Authorities of Governments and Their Political Subdivisions	~~3199999~~0909999999
Industrial and Miscellaneous (Unaffiliated)	
Issuer Obligations	~~3299999~~1019999999
Residential Mortgage-Backed Securities	~~3399999~~1029999999
Commercial Mortgage-Backed Securities	~~3499999~~1039999999
Other Loan-Backed and Structured Securities	~~3599999~~1049999999
Subtotals – Industrial and Miscellaneous (Unaffiliated)	~~3899999~~1109999999

Hybrid Securities
- Issuer Obligations ..... ~~4299999~~1219999999
- Residential Mortgage-Backed Securities ..... ~~4399999~~1229999999
- Commercial Mortgage-Backed Securities ..... ~~4499999~~1239999999
- Other Loan-Backed and Structured Securities ..... ~~4599999~~1249999999
- Subtotals – Hybrid Securities ..... ~~4899999~~1309999999

Parent, Subsidiaries and Affiliates Bonds
- Issuer Obligations ..... ~~4999999~~1419999999
- Residential Mortgage-Backed Securities ..... ~~5099999~~1429999999
- Commercial Mortgage-Backed Securities ..... ~~5199999~~1439999999
- Other Loan-Backed and Structured Securities ..... ~~5299999~~1449999999
- Affiliated Bank Loans – Issued ..... ~~5399999~~1459999999
- Affiliated Bank Loans – Acquired ..... ~~5499999~~1469999999
- Subtotals – Parent, Subsidiaries and Affiliates Bonds ..... ~~5599999~~1509999999

SVO Identified Funds
- Exchange Traded Funds – as Identified by the SVO ..... ~~5899999~~1619999999
- ~~Bond Mutual Funds – as Identified by the SVO ..... 5999999~~
- ~~Subtotals – SVO Identified Funds ..... 6099999~~

Unaffiliated Bank Loans
- Unaffiliated Bank Loans – Issued ..... ~~6399999~~1819999999
- Unaffiliated Bank Loans – Acquired ..... ~~6499999~~1829999999
- Subtotals – Unaffiliated Bank Loans ..... ~~6599999~~1909999999

Total Bonds
- Subtotals – Issuer Obligations ..... ~~7699999~~2419999999
- Subtotals – Residential Mortgage-Backed Securities ..... ~~7799999~~2429999999
- Subtotals – Commercial Mortgage-Backed Securities ..... ~~7899999~~2439999999
- Subtotals – Other Loan-Backed and Structured Securities ..... ~~7999999~~2449999999
- Subtotals – SVO Identified Funds ..... ~~8099999~~2459999999
- Subtotals – Affiliated Bank Loans ..... ~~8199999~~2469999999
- Subtotals – Unaffiliated Bank Loans ..... ~~8299999~~2479999999
- Subtotals – Bonds ..... ~~8399999~~2509999999

Sweep Accounts ..... ~~8499999~~8109999999

Exempt Money Market Mutual Funds – as Identified by SVO ..... ~~8599999~~8209999999

All Other Money Market Mutual Funds ..... ~~8699999~~8309999999

Qualified Cash Pools Under SSAP No. 2R ..... ~~8799999~~8409999999

Other Cash Equivalents ..... ~~8899999~~8509999999

Total Cash Equivalents ..... ~~9999999~~8609999999

A money market fund shall be reported in this schedule as an Exempt Money Market Mutual Fund if such money market fund is identified by the SVO as meeting the required conditions found in Part Six, Section 2(b)(i) of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*. All money market mutual funds that are not identified by the SVO on the U.S. Direct Obligations/Full Faith and Credit Exempt List shall be reported in this schedule as an "all other money market mutual fund."

Column 1 – CUSIP Identification

CUSIP identification is **required and valid only** for Exempt Money Market Mutual Funds – as Identified by SVO (Line ~~8599999~~8209999999) and All Other Money Market Mutual Funds (Line ~~8699999~~8309999999).

Detail Eliminated to Conserve Space

ANNUAL STATEMENT BLANK – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

SUMMARY INVESTMENT SCHEDULE

	Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
		1	2	3	4	5	6
		Amount	Percentage of Column 1 Line 13	Amount	Securities Lending Reinvested Collateral Amount	Total (Col. 3+4) Amount	Percentage of Column 5 Line 13
1.	Long-term bonds (Schedule D, Part 1):						
	1.01 U.S. governments						
	1.02 All other governments						
	1.03 U.S. states, territories and possessions, etc. guaranteed						
	1.04 U.S. political subdivisions of states, territories, and possessions, guaranteed						
	1.05 U.S. special revenue and special assessment obligations, etc. non-guaranteed						
	1.06 Industrial and miscellaneous						
	1.07 Hybrid securities						
	1.08 Parent, subsidiaries and affiliates						
	1.09 SVO identified funds						
	1.10 Unaffiliated bank loans						
	1.11 Unaffiliated Certificates of Deposit						
	1.12~~1~~ Total long-term bonds						
2.	Preferred stocks (Schedule D, Part 2, Section 1):						
	2.01 Industrial and miscellaneous (Unaffiliated)						
	2.02 Parent, subsidiaries and affiliates						
	2.03 Total preferred stocks						
3.	Common stocks (Schedule D, Part 2, Section 2):						
	3.01 Industrial and miscellaneous Publicly traded (Unaffiliated)						
	3.02 Industrial and miscellaneous Other (Unaffiliated)						
	3.03 Parent, subsidiaries and affiliates Publicly traded						
	3.04 Parent, subsidiaries and affiliates Other						
	3.05 Mutual funds						
	3.06 Unit investment trusts						
	3.07 Closed-end funds						
	3.08 Exchange traded funds						
	3.09~~8~~ Total common stocks						
4.	Mortgage loans (Schedule B):						
	4.01 Farm mortgages						
	4.02 Residential mortgages						
	4.03 Commercial mortgages						
	4.04 Mezzanine real estate loans						
	4.05 Total mortgage loans						
5.	Real estate (Schedule A):						
	5.01 Properties occupied by company						
	5.02 Properties held for production of income						
	5.03 Properties held for sale						
	5.04 Total real estate						
6.	Cash, cash equivalents and short-term investments:						
	6.01 Cash (Schedule E, Part 1)						
	6.02 Cash equivalents (Schedule E, Part 2)						
	6.03 Short-term investments (Schedule DA)						
	6.04 Total cash, cash equivalents and short-term investments						
7.	Contract loans						
8.	Derivatives (Schedule DB)						
9.	Other invested assets (Schedule BA)						
10.	Receivables for securities						
11.	Securities lending (Schedule DL, Part 1)				XXX	XXX	XXX
12.	Other invested assets (Page 2, Line 11)						
13.	Total invested assets						

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SCHEDULE D – SUMMARY BY COUNTRY

Long-Term Bonds and Stocks **OWNED** December 31 of Current Year

Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS					
Governments (including all obligations guaranteed by governments)	1. United States 2. Canada 3. Other Countries 4. Totals				
U.S. States, Territories and Possessions (direct and guaranteed)	5. Totals				
U.S. Political Subdivisions of States, Territories and Possessions (direct and guaranteed)	6. Totals				
U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and their Political Subdivisions	7. Totals				
Industrial and Miscellaneous, SVO Identified Funds, Unaffiliated Bank Loans, Unaffiliated Certificates of Deposit and Hybrid Securities (unaffiliated)	8. United States 9. Canada 10. Other Countries 11. Totals				
Parent, Subsidiaries and Affiliates	12. Totals				
	13. Total Bonds				
PREFERRED STOCKS					
Industrial and Miscellaneous (unaffiliated)	14. United States 15. Canada 16. Other Countries 17. Totals				
Parent, Subsidiaries and Affiliates	18. Totals				
	19. Total Preferred Stocks				
COMMON STOCKS					
Industrial and Miscellaneous (unaffiliated), Mutual Funds, Unit Investment Trusts, Closed-End Funds and Exchange Traded funds	20. United States 21. Canada 22. Other Countries 23. Totals				
Parent, Subsidiaries and Affiliates	24. Totals				
	25. Total Common Stocks				
	26. Total Stocks				
	27. Total Bonds and Stocks				

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SCHEDULE D – PART 1A – SECTION 1

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 No Maturity Date	7 Total Current Year	8 Col. 7 as a % of Line ~~11~~12.7	9 Total from Col. 7 Prior Year	10 % From Col. 8 Prior Year	11 Total Publicly Traded	12 Total Privately Placed (a)
1. U.S. Governments												
1.1 NAIC 1						XXX						
1.2 NAIC 2						XXX						
1.3 NAIC 3						XXX						
1.4 NAIC 4						XXX						
1.5 NAIC 5						XXX						
1.6 NAIC 6						XXX						
1.7 Totals						XXX						
2. All Other Governments												
2.1 NAIC 1						XXX						
2.2 NAIC 2						XXX						
2.3 NAIC 3						XXX						
2.4 NAIC 4						XXX						
2.5 NAIC 5						XXX						
2.6 NAIC 6						XXX						
2.7 Totals						XXX						
3. U.S. States, Territories and Possessions, etc., Guaranteed												
3.1 NAIC 1						XXX						
3.2 NAIC 2						XXX						
3.3 NAIC 3						XXX						
3.4 NAIC 4						XXX						
3.5 NAIC 5						XXX						
3.6 NAIC 6						XXX						
3.7 Totals						XXX						
4. U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed												
4.1 NAIC 1						XXX						
4.2 NAIC 2						XXX						
4.3 NAIC 3						XXX						
4.4 NAIC 4						XXX						
4.5 NAIC 5						XXX						
4.6 NAIC 6						XXX						
4.7 Totals						XXX						
5. U.S. Special Revenue & Special Assessment Obligations, etc., Non-Guaranteed												
5.1 NAIC 1						XXX						
5.2 NAIC 2						XXX						
5.3 NAIC 3						XXX						
5.4 NAIC 4						XXX						
5.5 NAIC 5						XXX						
5.6 NAIC 6						XXX						
5.7 Totals						XXX						

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SCHEDULE D – PART 1A - SECTION 1 (Continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 No Maturity Date	7 Total Current Year	8 Col. 7 as a % of Line ~~11~~12.7	9 Total from Col. 7 Prior Year	10 % From Col. 8 Prior Year	11 Total Publicly Traded	12 Total Privately Placed (a)
6. Industrial and Miscellaneous (unaffiliated)												
6.1 NAIC 1						XXX						
6.2 NAIC 2						XXX						
6.3 NAIC 3						XXX						
6.4 NAIC 4						XXX						
6.5 NAIC 5						XXX						
6.6 NAIC 6						XXX						
6.7 Totals						XXX						
7. Hybrid Securities												
7.1 NAIC 1						XXX						
7.2 NAIC 2						XXX						
7.3 NAIC 3						XXX						
7.4 NAIC 4						XXX						
7.5 NAIC 5						XXX						
7.6 NAIC 6						XXX						
7.7 Totals						XXX						
8. Parent, Subsidiaries and Affiliates												
8.1 NAIC 1						XXX						
8.2 NAIC 2						XXX						
8.3 NAIC 3						XXX						
8.4 NAIC 4						XXX						
8.5 NAIC 5						XXX						
8.6 NAIC 6						XXX						
8.7 Totals						XXX						
9. SVO Identified Funds												
9.1 NAIC 1	XXX	XXX	XXX	XXX	XXX							
9.2 NAIC 2	XXX	XXX	XXX	XXX	XXX							
9.3 NAIC 3	XXX	XXX	XXX	XXX	XXX							
9.4 NAIC 4	XXX	XXX	XXX	XXX	XXX							
9.5 NAIC 5	XXX	XXX	XXX	XXX	XXX							
9.6 NAIC 6	XXX	XXX	XXX	XXX	XXX							
9.7 Totals	XXX	XXX	XXX	XXX	XXX							
10. Unaffiliated Bank Loans												
10.1 NAIC 1						XXX						
10.2 NAIC 2						XXX						
10.3 NAIC 3						XXX						
10.4 NAIC 4						XXX						
10.5 NAIC 5						XXX						
10.6 NAIC 6						XXX						
10.7 Totals						XXX						
11. Unaffiliated Certificates of Deposit												
11.1 NAIC 1						XXX			XXX	XXX		
11.2 NAIC 2						XXX			XXX	XXX		
11.3 NAIC 3						XXX			XXX	XXX		
11.4 NAIC 4						XXX			XXX	XXX		
11.5 NAIC 5						XXX			XXX	XXX		
11.6 NAIC 6						XXX			XXX	XXX		
11.7 Totals						XXX			XXX	XXX		

Drafting Note: Remove the "XXX" from Columns 9 and 10 for Lines 11.1 through 11.7 with 2023 reporting.

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SCHEDULE D – PART 1A – SECTION 1 (Continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 No Maturity Date	7 Total Current Year	8 Col. 7 as a % of Line 11.12.7	9 Total from Col. 7 Prior Year	10 % From Col. 8 Prior Year	11 Total Publicly Traded	12 Total Privately Placed (a)
11.12. Total Bonds Current Year												
11.12.1 NAIC 1	(d)								XXX	XXX		
11.12.2 NAIC 2	(d)								XXX	XXX		
11.12.3 NAIC 3	(d)								XXX	XXX		
11.12.4 NAIC 4	(d)								XXX	XXX		
11.12.5 NAIC 5	(d)						(c)		XXX	XXX		
11.12.6 NAIC 6	(d)						(c)		XXX	XXX		
11.12.7 Totals							(b)		XXX	XXX		
11.12.8 Line 11.12.7 as a % of Col. 7								XXX	XXX	XXX		
1213. Total Bonds Prior Year												
1213.1 NAIC 1							XXX	XXX				
1213.2 NAIC 2							XXX	XXX				
1213.3 NAIC 3							XXX	XXX				
1213.4 NAIC 4							XXX	XXX				
1213.5 NAIC 5							XXX	XXX	(c)			
1213.6 NAIC 6							XXX	XXX	(c)			
1213.7 Totals							XXX	XXX	(b)			
1213.8 Line 1213.7 as a % of Col. 9							XXX	XXX		XXX		
1314. Total Publicly Traded Bonds												
1314.1 NAIC 1												XXX
1314.2 NAIC 2												XXX
1314.3 NAIC 3												XXX
1314.4 NAIC 4												XXX
1314.5 NAIC 5												XXX
1314.6 NAIC 6												XXX
1314.7 Totals												XXX
1314.8 Line 1314.7 as a % of Col. 7								XXX	XXX	XXX		XXX
1314.9 Line 1314.7 as a % of Line 11.12.7, Col. 7, Section 11.12								XXX	XXX	XXX		XXX
1415. Total Privately Placed Bonds												
1415.1 NAIC 1											XXX	
1415.2 NAIC 2											XXX	
1415.3 NAIC 3											XXX	
1415.4 NAIC 4											XXX	
1415.5 NAIC 5											XXX	
1415.6 NAIC 6											XXX	
1415.7 Totals											XXX	
1415.8 Line 1415.7 as a % of Col. 7								XXX	XXX	XXX	XXX	
1415.9 Line 1415.7 as a % of Line 11.12.7, Col. 7, Section 11.12								XXX	XXX	XXX	XXX	

(a) Includes $ ..... freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.

(b) Includes $ ..... current year of bonds with Z designations and $ ..... prior year of bonds with Z designations. The letter "Z" means the NAIC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement.

(c) Includes $ ..... current year, $ ..... prior year of bonds with 5GI designations and $ ..... current year, $ ..... prior year of bonds with 6* designations. "5GI" means the NAIC designation was assigned by the SVO in reliance on the insurer's certification that the issuer is current in all principal and interest payments. "6*" means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.

(d) Includes the following amount of short-term and cash equivalent bonds by NAIC designation: NAIC 1 $ ..... ; NAIC 2 $..... ; NAIC 3 $..... ; NAIC 4 $..... ; NAIC 5 $.....; NAIC 6 $.....

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SCHEDULE D – PART 1A – SECTION 2

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 No Maturity Date	7 Total Current Year	8 Col. 7 as a % of Line 11.08	9 Total from Col. 7 Prior Year	10 % From Col. 8 Prior Year	11 Total Publicly Traded	12 Total Privately Placed
1. U.S. Governments												
1.01 Issuer Obligations						XXX						
1.02 Residential Mortgage-Backed Securities						XXX						
1.03 Commercial Mortgage-Backed Securities						XXX						
1.04 Other Loan-Backed and Structured Securities						XXX						
1.05 Totals						XXX						
2. All Other Governments												
2.01 Issuer Obligations						XXX						
2.02 Residential Mortgage-Backed Securities						XXX						
2.03 Commercial Mortgage-Backed Securities						XXX						
2.04 Other Loan-Backed and Structured Securities						XXX						
2.05 Totals						XXX						
3. U.S. States, Territories and Possessions, Guaranteed												
3.01 Issuer Obligations						XXX						
3.02 Residential Mortgage-Backed Securities						XXX						
3.03 Commercial Mortgage-Backed Securities						XXX						
3.04 Other Loan-Backed and Structured Securities						XXX						
3.05 Totals						XXX						
4. U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed						XXX						
4.01 Issuer Obligations						XXX						
4.02 Residential Mortgage-Backed Securities						XXX						
4.03 Commercial Mortgage-Backed Securities						XXX						
4.04 Other Loan-Backed and Structured Securities												
4.05 Totals						XXX						
5. U.S. Special Revenue & Special Assessment Obligations, etc., Non-Guaranteed						XXX						
5.01 Issuer Obligations						XXX						
5.02 Residential Mortgage-Backed Securities						XXX						
5.03 Commercial Mortgage Backed Securities						XXX						
5.04 Other Loan-Backed and Structured Securities												
5.05 Totals						XXX						
6. Industrial and Miscellaneous												
6.01 Issuer Obligations						XXX						
6.02 Residential Mortgage-Backed Securities						XXX						
6.03 Commercial Mortgage-Backed Securities						XXX						
6.04 Other Loan-Backed and Structured Securities						XXX						
6.05 Totals						XXX						
7. Hybrid Securities												
7.01 Issuer Obligations						XXX						
7.02 Residential Mortgage-Backed Securities						XXX						
7.03 Commercial Mortgage-Backed Securities						XXX						
7.04 Other Loan-Backed and Structured Securities						XXX						
7.05 Totals						XXX						
8. Parent, Subsidiaries and Affiliates												
8.01 Issuer Obligations						XXX						
8.02 Residential Mortgage-Backed Securities						XXX						
8.03 Commercial Mortgage-Backed Securities						XXX						
8.04 Other Loan-Backed and Structured Securities						XXX						
8.05 Affiliated Bank Loans – Issued						XXX						
8.06 Affiliated Bank loans – Acquired						XXX						
8.07 Totals						XXX						

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SCHEDULE D – PART 1A – SECTION 2 (Continued)

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 No Maturity Date	7 Total Current Year	8 Col. 7 as a % of Line ~~11~~12.08	9 Total from Col. 7 Prior Year	10 % From Col. 8 Prior Year	11 Total Publicly Traded	12 Total Privately Placed
9. SVO Identified Funds												
9.01 Exchange Traded Funds Identified by the SVO	XXX	XXX	XXX	XXX	XXX							
9.02 Bond Mutual Funds Identified by the SVO	XXX	XXX	XXX	XXX	XXX							
9.03 Totals	XXX	XXX	XXX	XXX	XXX							
10. Unaffiliated Bank Loans												
10.01 Unaffiliated Bank Loans - Issued						XXX						
10.02 Unaffiliated Bank Loans - Acquired						XXX						
10.03 Totals						XXX						
11. Unaffiliated Certificate of Deposit												
11.01 Totals						XXX						
~~11~~12. Total Bonds Current Year												
~~11~~12.01 Issuer Obligations						XXX			XXX	XXX		
~~11~~12.02 Residential Mortgage-Backed Securities						XXX			XXX	XXX		
~~11~~12.03 Commercial Mortgage-Backed Securities						XXX			XXX	XXX		
~~11~~12.04 Other Loan-Backed and Structured Securities						XXX			XXX	XXX		
~~11~~12.05 SVO Identified Funds	XXX	XXX	XXX	XXX	XXX				XXX	XXX		
~~11~~12.06 Affiliated Bank Loans						XXX			XXX	XXX		
~~11~~12.07 Unaffiliated Bank Loans						XXX			XXX	XXX		
12.08 Unaffiliated Certificate of Deposit						XXX			XXX	XXX		
~~11~~12.098 Totals									XXX	XXX		
~~11~~12.109 Lines ~~11~~12.098 as a % Col. 7								XXX	XXX	XXX		
~~12~~13. Total Bonds Prior Year												
~~12~~13.01 Issuer Obligations						XXX	XXX	XXX				
~~12~~13.02 Residential Mortgage-Backed Securities						XXX	XXX	XXX				
~~12~~13.03 Commercial Mortgage-Backed Securities						XXX	XXX	XXX				
~~12~~13.04 Other Loan-Backed and Structured Securities						XXX	XXX	XXX				
~~12~~13.05 SVO Identified Funds	XXX	XXX	XXX	XXX	XXX		XXX	XXX				
~~12~~13.06 Affiliated Bank Loans						XXX	XXX	XXX				
~~12~~13.07 Unaffiliated Bank Loans						XXX	XXX	XXX				
13.08 Unaffiliated Certificate of Deposit						XXX	XXX	XXX				
~~12~~13.098 Totals							XXX	XXX				
~~12~~13.109 Line ~~12~~13.098 as a % of Col. 9							XXX	XXX		XXX		
~~13~~14. Total Publicly Traded Bonds												
~~13~~14.01 Issuer Obligations						XXX						XXX
~~13~~14.02 Residential Mortgage-Backed Securities						XXX						XXX
~~13~~14.03 Commercial Mortgage-Backed Securities						XXX						XXX
~~13~~14.04 Other Loan-Backed and Structured Securities						XXX						XXX
~~13~~14.05 SVO Identified Funds	XXX	XXX	XXX	XXX	XXX							XXX
~~13~~14.06 Affiliated Bank Loans						XXX						XXX
~~13~~14.07 Unaffiliated Bank Loans						XXX						XXX
14.08 Unaffiliated Certificate of Deposit						XXX						XXX
~~13~~14.098 Totals												XXX
~~13~~14.109 Line ~~13~~14.098 as a % of Col. 7								XXX	XXX	XXX		XXX
~~13~~14.110 Line ~~13~~14.098 as a % of Line ~~11~~12.098, Col. 7, Section ~~11~~12								XXX	XXX	XXX		XXX
~~14~~15. Total Privately Placed Bonds												
~~14~~15.01 Issuer Obligations						XXX					XXX	
~~14~~15.02 Residential Mortgage-Backed Securities						XXX					XXX	
~~14~~15.03 Commercial Mortgage-Backed Securities						XXX					XXX	
~~14~~15.04 Other Loan-Backed and Structured Securities						XXX					XXX	
~~14~~15.05 SVO Identified Funds	XXX	XXX	XXX	XXX	XXX						XXX	
~~14~~15.06 Affiliated Bank Loans						XXX					XXX	
~~14~~15.07 Unaffiliated Bank Loans						XXX					XXX	
15.08 Unaffiliated Certificate of Deposit						XXX					XXX	
~~14~~15.098 Totals											XXX	
~~14~~15.109 Line ~~14~~15.098 as a % of Col. 7								XXX	XXX	XXX	XXX	
~~14~~15.110 Line ~~14~~15.098 as a % of Line ~~11~~12.098, Col. 7, Section ~~11~~12								XXX	XXX	XXX	XXX	

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QUARTERLY STATEMENT BLANK – LIFE\FRATERNAL, HEALTH, PROPERTY AND TITLE

SCHEDULE DA – PART 1
Short-Term Investments

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
7709999999~~9199999~~		XXX			

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NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

		FOR NAIC USE ONLY
	DATE: 11/24/2020	Agenda Item # 2020-36BWG
CONTACT PERSON:		Year 2021
TELEPHONE:		Changes to Existing Reporting [X]
EMAIL ADDRESS:		New Reporting Requirement [ ]
		REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT
ON BEHALF OF:		No Impact [X]
		Modifies Required Disclosure [ ]
NAME:	Dale Bruggeman	**DISPOSITION**
TITLE:	Chair SAPWG	[ ] Rejected For Public Comment
		[ ] Referred To Another NAIC Group
AFFILIATION:	Ohio Department of Insurance	[ ] Received For Public Comment
		[X] Adopted Date 03/16/2021
ADDRESS:	50W. Town St., 3rd Fl., Ste. 300	[ ] Rejected Date
		[ ] Deferred Date
	Columbus, OH 43215	[ ] Other (Specify)

BLANK(S) TO WHICH PROPOSAL APPLIES

[X] **ANNUAL STATEMENT**	[X] **INSTRUCTIONS**	[ ] **CROSSCHECKS**
[X] **QUARTERLY STATEMENT**	[ ] **BLANK**	
[X] Life, Accident & Health/Fraternal	[ ] Separate Accounts	[X] Title
[X] Property/Casualty	[ ] Protected Cell	[ ] Other
[X] Health	[ ] Health (Life Supplement)	

Anticipated Effective Date: Annual 2021

IDENTIFICATION OF ITEM(S) TO CHANGE

Modify the General Schedules Investment Instructions and Schedule DB General Instructions to reflect treatment of publicly traded stock warrants as being in the scope of *SSAP No. 30R—Unaffiliated Common Stock* or *SSAP No. 32R—Preferred Stock* and reporting as common and preferred stock.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The purpose of this proposal is to reflect the treatment of publicly traded stock warrants as being in the scope of *SSAP No. 30R—Unaffiliated Common Stock* or *SSAP No. 32R—Preferred Stock* from changes to those SSAPs and *SSAP No. 86—Derivatives* adopted by the Statutory Accounting Principles (E) Working Group (Ref #2020-33).

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:

Other Comments:

**** This section must be completed on all forms.** **Revised 7/18/2018**

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ANNUAL & QUARTERLY STATEMENT INSTRUCTIONS – LIFE\FRATERNAL, HEALTH, PROPERTY & TITLE

INVESTMENT SCHEDULES GENERAL INSTRUCTIONS
(Applies to all investment schedules)

Detail Eliminated to Conserve Space

General Classifications Preferred Stock Only:

Refer to *SSAP No. 32—Preferred Stock* and *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* for additional guidance.

Industrial and Miscellaneous (Unaffiliated):

All unaffiliated preferred stocks. Include Public Utilities, Banks, Trusts and Insurance Companies. This category includes Exchange Traded Funds included on the "List of Exchange Traded Funds Eligible for Reporting as a Schedule D Preferred Stock" as found on the Securities Valuation Office Web page (*https://www.naic.org/svo.htm*). Include publicly traded stock warrants captured in the scope of *SSAP No. 32R—Preferred Stock.*

Parent, Subsidiaries and Affiliates:

Defined by *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*

General Classifications Common Stock Only:

Refer to *SSAP No. 30R—Unaffiliated Common Stock* and *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*.

Industrial and Miscellaneous (Unaffiliated):

All unaffiliated common stocks that are not mutual funds or money market mutual funds. Include Public Utilities, Banks, Trusts and Insurance Companies. Include publicly traded stock warrants captured in the scope of *SSAP No. 30R—Unaffiliated Common Stock*

Mutual Funds:

All investments in shares of funds regulated as mutual funds by the U.S. Securities and Exchange Commission under the federal Investment Company Act of 1940. This definition does not include unit investments trusts, closed-end funds or hedge funds.

Foreign (non-SEC registered) open-end investment funds governed and authorized in accordance with regulations established by the applicable foreign jurisdiction. Other foreign funds are excluded.

Detail Eliminated to Conserve Space

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SCHEDULE DB

DERIVATIVE INSTRUMENTS

Detail Eliminated to Conserve Space

DEFINITIONS OF DERIVATIVE INSTRUMENTS

A hedge transaction is "Anticipatory" if it relates to:

a. A firm commitment to purchase assets or incur liabilities; or

b. An expectation (but not obligation) to purchase assets or incur liabilities in the normal course of business.

"Underlying Interest" means the asset(s), liability(ies) or other interest(s) underlying a derivative instrument, including, but not limited to, any one or more securities, currencies, rates, indices, commodities, derivative instruments, or other financial market instruments.

"Option" means an agreement giving the buyer the right to buy or receive, sell or deliver, enter into, extend or terminate, or effect a cash settlement based on the actual or expected price, level, performance or value of one or more Underlying Interests.

"Warrant" means an agreement that gives the holder the right to purchase an underlying financial instrument at a given price and time or at a series of prices and times according to a schedule or warrant agreement. Exclude publicly traded stock warrants are captured in scope of *SSAP No. 30R—Unaffiliated Common Stock or SSAP No. 32R—Preferred Stock.*

"Cap" means an agreement obligating the seller to make payments to the buyer, each payment under which is based on the amount, if any, that a reference price, level, performance or value of one or more Underlying Interests exceed a predetermined number, sometimes called the strike/cap rate or price.

Detail Eliminated to Conserve Space

GENERAL INSTRUCTIONS FOR SCHEDULE DB

Each derivative instrument should be reported in Parts A, B or C according to the nature of the instrument, as follows:

Part A: Positions in Options*, Caps, Floors, Collars, Swaps, and Forwards**
Part B: Positions in Futures Contracts
Part C: Positions in Replication (Synthetic Asset) Transaction

* Warrants acquired in conjunction with public or private debt or equity that are more appropriately reported in other schedules do not have to be reported in Schedule DB. Excludes publicly traded stock warrants captured in the scope of *SSAP No. 30R—Unaffiliated Common Stock* or *SSAP No. 32R—Preferred Stock.*

** Forward commitments that are not derivative instruments (for example, the commitment to purchase a GNMA security two months after the commitment date or a private placement six months after the commitment date) should be disclosed in the Notes to Financial Statements, rather than on Schedule DB.

Detail Eliminated to Conserve Space

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ANNUAL STATEMENT INSTRUCTIONS – LIFE\FRATERNAL, HEALTH, PROPERTY & TITLE

SCHEDULE D – PART 2 – SECTION 1

PREFERRED STOCKS OWNED DECEMBER 31 OF CURRENT YEAR

Detail Eliminated to Conserve Space

Column 8 – Book/Adjusted Carrying Value

The chart below details the appropriate valuation method for this column. The *Purposes & Procedures Manual of the NAIC Investment Analysis Office* and *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* may allow other valuation methods for preferred stock investments in Subsidiary, Controlled or Affiliated (SCA) companies.

Deduct: Cash dividends paid on Payment In Kind stock during the stock dividend period.

A direct write-down for a decline in the fair value of a stock that is other-than-temporary.

For reporting entities maintaining an AVR:

Redeemable Preferred

NAIC Designation 1 – 3	Enter book value.
NAIC Designation 4 – 6	Enter the lower of book value or fair value.

Perpetual Preferred

NAIC Designation 1 – 3	Enter book value.
NAIC Designation 4 – 6	Enter the lower of book value or fair value.

For reporting entities not maintaining an AVR:

Redeemable Preferred

NAIC Designation 1 – 2	Enter book value.
NAIC Designation 3 – 6	Enter the lower of book value or fair value.

Perpetual Preferred

NAIC Designations 1 – 2	Enter fair value.
NAIC Designations 3 – 6	Enter the lower of book value or fair value.

The amount reported in this column should equal:

Book/Adjusted Carrying Value reported in the Prior Year statement
(or Actual Cost for newly acquired securities)
plus "Total Change in Book/Adjusted Carrying Value"
plus "Total Foreign Exchange Change in Book/Adjusted Carrying Value"
plus Changes due to amounts reported in Schedule D, Parts 3, 4 and 5

Report publicly traded stock warrants captured in the scope of *SSAP No. 32R—Preferred Stock* at Fair Value.

Detail Eliminated to Conserve Space

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NAIC BLANKS (E) WORKING GROUP

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		FOR NAIC USE ONLY
	DATE: 11/30/2020	Agenda Item # 2020-37BWG MOD
CONTACT PERSON:		Year 2021
TELEPHONE:		Changes to Existing Reporting [X]
EMAIL ADDRESS:		New Reporting Requirement [ ]
		REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT
ON BEHALF OF:		No Impact [X]
		Modifies Required Disclosure [ ]
NAME:	Dale Bruggeman	**DISPOSITION**
TITLE:	Chair SAPWG	[ ] Rejected For Public Comment
		[ ] Referred To Another NAIC Group
AFFILIATION:	Ohio Department of Insurance	[ ] Received For Public Comment
		[X] Adopted Date 03/16/2021
ADDRESS:	50W. Town St., 3rd Fl., Ste. 300	[ ] Rejected Date
		[ ] Deferred Date
	Columbus, OH 43215	[ ] Other (Specify)

BLANK(S) TO WHICH PROPOSAL APPLIES

[X] **ANNUAL STATEMENT**	[X] **INSTRUCTIONS**	[ ] **CROSSCHECKS**
[ ] **QUARTERLY STATEMENT**	[X] **BLANK**	
[X] Life, Accident & Health/Fraternal	[ ] Separate Accounts	[X] Title
[X] Property/Casualty	[ ] Protected Cell	[ ] Other
[X] Health	[ ] Health (Life Supplement)	

Anticipated Effective Date: Annual 2021

IDENTIFICATION OF ITEM(S) TO CHANGE

Add a new Schedule Y, Part 3 to capture all entities with ownership greater than 10%, the ultimate controlling parties of those owners and other entities that the ultimate controlling party controls.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The purpose of this proposal is to reflect disclosure changes adopted by the Statutory Accounting Principles (E) Working Group for *SSAP No. 25—Affiliates and Other Related Parties* (Ref #2019-34) regarding disclosure of owner(s), its ultimate controlling party and other entities the ultimate controlling party controls.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:

Other Comments:

**** This section must be completed on all forms.** **Revised 7/18/2018**

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ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

SCHEDULE Y

Part 3 – Ultimate Controlling Party and Listing of Other U.S. Insurance Groups or Entities Under That Ultimate Controlling Party's Control

All insurer and reporting entity members of the holding company system shall prepare a common schedule for inclusion in each of the individual annual statements.

Column 1 – Insurers in Holding Company

Report all insurers in the holding company that file with the NAIC.

Column 2 – Owners with Greater Than 10% Ownership

Provide the name of all owners of the insurers reported in Column 1 with an ownership percentage greater than 10%.

Column 3 – Ownership Percentage Column ~~1~~2 of Column ~~2~~1

Provide the ownership percentage of the entity reported in Column 2 of the insurer reported in Column 1.

Column 4 – Granted Disclaimer of Control\Affiliation of Column ~~1~~2 Over Column ~~2~~1 (Yes/No)

Indicate if the entity reported in Column 2 as owner of the entity reported in Column 1 was granted a disclaimer of control or affiliation by the state of domicile.

Column 5 – Ultimate Controlling Party

Provide the name of all U.S. insurance groups (which is consistent with the 'Group Name' on Schedule Y—Part 1A) controlled by ~~the ultimate controlling party~~ of the entity reported in Column 2. If an entity reported in Column 5 is not part of an insurance group, provide the name of the individual insurance entity. Within Schedule Y, the terms "Ultimate Controlling Party" and "Ultimate Controlling Entity(ies)/Person(s)" are used interchangeably.

Column 6 – U.S. Insurance Groups or Entities Controlled by Column 5

Provide the names of all U.S. insurance groups or entities controlled by the entity reported in Column 5.

Column 7 – Ownership Percentage (Column 5 of Column 6)

Provide the ownership percentage of the ultimate controlling party reported in Column 5 of the entity reported in Column 6.

Column 8 – Granted Disclaimer of Control\Affiliation of Column 5 Over Column 6 (Yes/No)

Indicate if the entity reported in Column 5 as the ultimate controlling party of the entity reported in Column 6 was granted a disclaimer of control or affiliation by the state of domicile.

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ANNUAL STATEMENT BLANK – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

SCHEDULE Y

Part 3 – Ultimate Controlling Party and Listing of Other U.S. Insurance Groups or Entities Under That Ultimate Controlling Party's Control

1 Insurers in Holding Company	2 Owners with Greater Than 10% Ownership	3 Ownership Percentage Column 1~~2~~ of Column 2~~1~~	4 Granted Disclaimer of Control\ Affiliation of Column 1~~2~~ Over Column 2~~1~~ (Yes/No)	5 Ultimate Controlling Party	6 U.S. Insurance Groups or Entities Controlled by Column 5	7 Ownership Percentage (Column 5 of Column 6)	8 Granted Disclaimer of Control\Affiliation of Column 5 Over Column 6 (Yes/No)
		%				%	
		%				%	
		%				%	

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

		FOR NAIC USE ONLY
	DATE: 11/30/2020	Agenda Item # 2020-38BWG MOD
CONTACT PERSON:		Year 2021
TELEPHONE:		Changes to Existing Reporting [X]
EMAIL ADDRESS:		New Reporting Requirement [ ]
		REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT
ON BEHALF OF:		No Impact [X]
		Modifies Required Disclosure [ ]
NAME:	Jacob W. Garn	**DISPOSITION**
TITLE:	Chair, Blanks Working Group	[ ] Rejected For Public Comment
		[ ] Referred To Another NAIC Group
AFFILIATION:		[ ] Received For Public Comment
		[X] Adopted Date 03/16/2021
ADDRESS:		[ ] Rejected Date
		[ ] Deferred Date
		[ ] Other (Specify)

BLANK(S) TO WHICH PROPOSAL APPLIES

[X] **ANNUAL STATEMENT**	[X] **INSTRUCTIONS**	[X] **CROSSCHECKS**
[ ] **QUARTERLY STATEMENT**	[X] **BLANK**	
[X] Life, Accident & Health/Fraternal	[ ] Separate Accounts	[ ] Title
[X] Property/Casualty	[ ] Protected Cell	[ ] Other
[X] Health	[ ] Health (Life Supplement)	

Anticipated Effective Date: Annual 2021 except state level detailed which will be effective Annual 2022

IDENTIFICATION OF ITEM(S) TO CHANGE

Make changes to the Accident and Health Policy Experience Exhibit by adding new columns, removing lines distinguishing with and without contract reserves, add some new product lines, eliminate summary tables, change the date that the exhibit is due and have it reported by state. See next page for details.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The purpose of the proposal is to provide regulators additional health data and greater consistency across the blanks. The proposal also gives state level detail which has been asked for in the past.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:

Other Comments:

** **This section must be completed on all forms.** **Revised 7/18/2018**

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IDENTIFICATION OF ITEM(S) TO CHANGE

Make the following modifications to the Accident and Health Policy Experience Exhibit:

- Remove lines reporting individual business by "With Contract Reserves" and "Without Contract Reserves". Report just the total of those lines.

- Add additional Columns to the Exhibit.

  - ❖ Direct Premiums Written
  - ❖ Assumed Premiums Earned
  - ❖ Ceded Premiums Earned
  - ❖ Net Premiums Earned
  - ❖ Assumed Incurred Claims Amount
  - ❖ Ceded Incurred Claims Amount
  - ❖ Net Incurred Claims Amount

- Split reporting of Short-Term Medical into "6 Months or Less" and "Over 6 Months"

- Add line for "Vision" in the group and individual sections

- Eliminate the summary tables (Parts 1 through 4) as reinsurance information captures in the main exhibit

- Report Exhibit by State

- Change due date of exhibit from April 1 to March 1

- Make the instructions uniform so just on set of instructions needs to be maintained

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ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT

This exhibit is required to be filed no later than ~~April~~ ~~March~~April 1.

A schedule must be prepared and submitted to the state of domicile for each jurisdiction in which the company has Written Premium (Direct), Earned Premium (Direct, Assumed and Ceded) or Incurred Claims (Direct, Assumed and Ceded). In addition, a schedule must be prepared and submitted that contains the grand total (GT) for the company.

1. The name of the company must be clearly shown at the top of each page or pages.

2. The Exhibit will show information concerning direct business ~~written~~ on policy forms approved for use in the United States with a final total for all policy forms (including non-U.S. policy forms) on the bottom line of the Exhibit.

   The Exhibit will show information for each listed product for Individual, Group, and Other business categories. Subtotals by product within the individual category are required for all columns.

~~3. A Summary Page shows a reconciliation with Schedule H for Individual, Group and Credit policies separately and in total for companies filing the Life, Accident and Health Companies/Fraternal Benefit Societies and Property/Casualty Annual Statement, and a reconciliation of these policies in total only with the specified exhibits of the Health Annual Statement for companies filing that statement.~~

~~4~~3. This Exhibit should not include any data pertaining to double indemnity, waiver of premiums and other disability benefits embodied in life contracts.

~~5~~4. Include membership charges, modal loadings, and policy fees, if any, with premiums earned (Column 1).

DEFINITIONS

Accident Only or AD&D

Policies that provide coverage, singly or in combination, for death, dismemberment, disability, or hospital and medical care caused by or necessitated as a result of accident or specified kinds of accidents. Types of coverage include student accident, sports accident, travel accident, blanket accident, specific accident or accidental death and dismemberment (AD&D).

Credit

Individual or group policies that provide benefits to a debtor for full or partial repayment of debt associated with a specific loan or other credit transaction upon disability or involuntary unemployment of debtor, except in connection with first mortgage loans. In some states, involuntary unemployment credit insurance is not included in health insurance. This category should not include that type of credit insurance in those states.

Dental

Policies providing for dental only coverage (dental treatment benefits such as routine dental examinations, preventive dental work, and dental procedures needed to treat tooth decay and diseases of the teeth and jaw) issued as stand-alone dental or as a rider to a medical policy that is not related to the medical policy through premiums, deductibles or out-of-pocket limits. If dental benefits are part of a comprehensive medical plan, then include data under comprehensive/major medical category. Does not include self-insured business, as well as federal employee's health benefits plans (FEHBP), or Medicare and Medicaid programs.

Disability Income – Long-Term

Policies that provide a weekly or monthly income benefit for more than five years for individual coverage and more than one year for group coverage for full or partial disability arising from accident and/or sickness. Include policies that provide Overhead Expense Benefits. Does not include credit disability.

Detail Eliminated to Conserve Space

TRICARE

Policies issued in association with the Department of Defense's health care program for active-duty military, active-duty service families, retirees and their families, and other beneficiaries.

CROSS REFERENCES AND OTHER INSTRUCTIONS

The Exhibit

Column 1 – Direct Premiums Written

The grand total reported should equal:

Life\Fraternal	Exhibit 1, Part 1, Lines (6.1+10.1+16.1), Columns (8+9+10).
Health	Underwriting and Investment Exhibit, Part 1, Line 9, Column 1.
Property	Exhibit of Premiums and Losses, Column 1 sum of Lines 13 through 15.

Column ~~1~~2 – Direct Premiums Earned

Fractional premium loadings and policy fees must be included ~~in the Earned Premiums~~.

The ~~Policy Experience Exhibit requires that the Premiums Earned should be on a direct basis such that the~~ grand total reported should equal:

Life\Fraternal		Exhibit 1, Part 1, Lines (6.1+10.1+16.1), Columns (8+9+10).
	Plus	Exhibit 1, Part 1, Lines (3.1+13.1), Columns (8+9+10).
	Minus	Exhibit 6, Line 1, Column 1 CY.
	Plus	Exhibit 6, Line 1, Column 1 PY.
	Minus	Exhibit 1, Part 1, Lines (4+14), Columns (8+9+10).
	Minus	Exhibit 6, Line 5, Column 1 CY.
	Plus	Exhibit 6, Line 5, Column 1 PY.
Health		Underwriting and Investment Exhibit, Part 1, Line 9, Column 1
	Less	Underwriting and Investment Exhibit Part 2D, Line 1, Column 1 CY
	Less	Underwriting and Investment Exhibit Part 2D, Line 4, Column 1 CY
	Plus	Underwriting and Investment Exhibit Part 2D, Line 1, Column 1 PY
	Plus	Underwriting and Investment Exhibit Part 2D, Line 4, Column 1 PY
Property		Exhibit of Premiums and Losses, Column 2 sum of Lines 13 through 15.

~~A. Premiums Collected During the Year~~

~~Exhibit 1, Part 1, Lines (6.1+10.1+16.1), Columns (8+9+10).~~

~~B. Plus the Change in Deferred and Uncollected~~

~~Exhibit 1, Part 1, Lines (3.1+13.1), Columns (8+9+10).~~

~~C. Minus the Increase in Premium Reserves on Direct Business Only Included in:~~

~~1. Unearned Premium Reserve~~

~~Exhibit 6, Line 1, Column 1.~~

~~2. Advance Premiums~~

~~Exhibit 1, Part 1, Lines (4+14), Columns (8+9+10).~~

~~3. Reserves for Rate Credits~~

~~Exhibit 6, Line 5, Column 1.~~

Column 5 – Net Premiums Earned

The grand total reported should equal:

Property Schedule H, Part 1, Column 1, Line 2

Column ~~2~~6 – Direct Incurred Claims Amount

This column does not include the "Increase in Policy Reserves."

The ~~Policy Experience Exhibit requires that the Incurred Claims should be on a direct basis such that the~~ grand total reported should equal:

Life\Fraternal Exhibit 8, Part 2, Line 6.1, Columns (9+10+11).
Plus Exhibit 6, Line 14, Column 1.

Health Underwriting and Investment Exhibit, Part 2, Line 12.1, Column 1 minus Column 10.

NOTE: This excludes payments for any administrative costs.

Property Exhibit of Premiums and Losses, Column 6 sum of Lines 13 through 15.

~~A. Incurred Claims~~

~~Exhibit 8, Part 2, Line 6.1, Columns (9+10+11).~~

~~B. Plus the Change in Claim Reserves on Direct Business Only Included in:~~

~~Exhibit 6, Line 14, Column 1.~~

Column 7 – Assumed Incurred Claims Amount

The grand total reported should equal:

Health — Underwriting and Investment Exhibit, Part 2, Line 12.2, Column 1 minus Column 10.

Property — Underwriting and Investment Exhibit, Part 2, Column 2 sum of Lines 13 through 15.
Plus — Underwriting and Investment Exhibit, Part 2A, Column 2 sum of Lines 13 through 15 – Current Year.
Minus — Underwriting and Investment Exhibit, Part 2A, Column 2 sum of Lines 13 through 15 – Prior Year.
Plus — Underwriting and Investment Exhibit, Part 2A, Column 6 sum of Lines 13 through 15 – Current Year.
Minus — Underwriting and Investment Exhibit, Part 2A, Column 6 sum of Lines 13 through 15 – Prior Year.

Column 8 – Ceded Incurred Claims Amount

The grand total reported should equal:

Health — Underwriting and Investment Exhibit, Part 2, Line 12.3, Column 1 minus Column 10.

Property — Underwriting and Investment Exhibit, Part 2, Column 3 sum of Lines 13 through 15.
Plus — Underwriting and Investment Exhibit, Part 2A, Column 3 sum of Lines 13 through 15 – Current Year.
Minus — Underwriting and Investment Exhibit, Part 2A, Column 3 sum of Lines 13 through 15 – Prior Year.
Plus — Underwriting and Investment Exhibit, Part 2A, Column 7 sum of Lines 13 through 15 – Current Year.
Minus — Underwriting and Investment Exhibit, Part 2A, Column 7 sum of Lines 13 through 15 – Prior Year.

Column 9 – Net Incurred Claims Amount

The grand total reported should equal:

Life\Fraternal — Schedule H, Part 1, Column 1, Line 3

Health — Underwriting and Investment Exhibit, Part 2, Line 12.4, Column 1 minus Column 10.

Property — Schedule H, Part 1, Column 1, Line 3

Column ~~3~~10 – Change in Contract Reserves

The Policy Experience Exhibit requires that the change in contract reserves should be on a direct basis. This is the direct basis included in the sum of:

Line 2, Grand Total Individual, Group and Other Business of "D" Total Business should equal:

A. The Change in Additional Reserves

Life\Fraternal: Exhibit 6, Lines 2 + 3, Column 1. Current year minus prior year.

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Health: Underwriting and Investment Exhibit, Part 2D, Line 2, Column 1. Current year minus prior year.

B. Plus the Change in the Reserve for Future Contingent Benefits

Life\Fraternal: Exhibit 6, Line 4, Column 1. Current year minus prior year.

Health: Underwriting and Investment Exhibit, Part 2D, Line 3, Column 1. Current year minus prior year.

C. Less the Change in the Premium Deficiency Reserve

Life\Fraternal and Property: Footnote (a) Schedule H Part 2. Current year minus prior year.

Health: Footnote (a) Underwriting and Investment Exhibit Part 2D. Current year minus prior year.

Column ~~4~~11 – Loss Ratio

This is the ratio of the Direct Incurred Claims (Column ~~2~~6) plus the Change in Contract Reserves (Column ~~3~~10) to Direct Premiums Earned ~~Premiums~~ (Column ~~1~~2).

Column ~~5~~12 – Number of Policies or Certificates as of Dec. 31

This is the number of individual policies or group certificates issued to individuals covered under a group policy in force as of Dec. 31 of the reporting year. It is not the number of persons covered under individual policies or group certificates. Reasonable approximations are allowed when exact information is not administratively available to the reporting entity. For Administrative Services Only or Administrative Services Contracts, include the number of persons covered. See *SSAP No. 47—Uninsured Plans*.

Column ~~6~~13 – Number of Covered Lives

This is the total number of lives insured, including dependents, under individual policies and group certificates as of Dec. 31 of the reporting year. Reasonable approximations are allowed when exact information is not administratively available to the reporting entity. For Administrative Services Only or Administrative Services Contracts, include the number of lives covered. See *SSAP No. 47—Uninsured Plans*.

Column ~~7~~14 – Member Months

The sum of total number of lives insured on a pre-specified day of each month of the reported year. Reasonable approximations are allowed when exact information is not administratively available to the reporting entity. For Administrative Services Only or Administrative Services Contracts, include the number of lives covered for each month of the reported year. See *SSAP No. 47—Uninsured Plans*.

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~~SUMMARY~~

~~Part 1~~

~~Columns 1 and 2 should agree to Schedule H – Part 1, Column 1 minus the sum of Columns 3 and 5, Lines 2 and 3, respectively.~~

~~Part 2~~

~~Columns 1 and 2 should agree to Schedule H – Part 1, Column 3, Lines 2 and 3, respectively.~~

~~**Not applicable to Fraternal Benefit Societies.**~~

~~Part 3~~

~~Columns 1 and 2 should agree to Schedule H – Part 1, Column 5, Lines 2 and 3, respectively.~~

~~**Not applicable to Fraternal Benefit Societies.**~~

~~Part 4~~

~~Columns 1 and 2 should agree to Schedule H – Part 1, Column 1, Lines 2 and 3, respectively. Column 3 should agree to Schedule H – Part 1 Line 6 less the change in premium deficiency reserve Footnote (a) Schedule H Part 2 current year minus prior year.~~

~~**Not applicable to Fraternal Benefit Societies.**~~

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LINES OF BUSINESS – LIFE, ANNUITIES AND ACCIDENT AND HEALTH

DEFINITIONS OF LINES OF BUSINESS – LIFE

DEFINITIONS SPECIFICALLY RELATED TO ACCIDENT AND HEALTH

Riders/Endorsements/Floaters:

If a rider, endorsement or floater acts like a separate policy with separate premium, deductible and limit, then it is to be recorded on the same line of business as if it were a stand-alone policy regardless of whether it is referred to as a rider, endorsement or floater. If there is no additional premium, separate deductible or limit, the rider, endorsement or floater should be reported on the same line of business as the base policy.

Comprehensive (Hospital and Medical):

Business that provides for medical coverage including hospital, surgical, and major medical. Includes State Children's Health Insurance Program (SCHIP) Medicaid Program (Title XXI) risk contracts. Also includes medical only programs that provide medical only benefits without hospital coverage. Does not include self-insured business as well as federal employees health benefit programs (FEHBP), Medicare and Medicaid programs, dental only business, indemnity and limited benefit plans that are included in Other Health.

Medicare Supplement:

Business reported in the Medicare Supplement Insurance Experience Exhibit of the annual statements. Does not include Medicare (Title XVIII) or Medicaid (Title XIX) risk contracts.

Dental-Only:

Policies providing for dental only coverage (dental treatment benefits such as routine dental examinations, preventive dental work, and dental procedures needed to treat tooth decay and diseases of the teeth and jaw) issued as stand-alone dental or as a rider to a medical policy that is not related to the medical policy through premiums, deductibles or out-of-pocket limits. If dental benefits are part of a comprehensive medical plan, then include data under comprehensive/major medical category. Does not include self-insured business, as well as federal employees health benefits plans (FEHBP), or Medicare and Medicaid programs.

Vision-Only:

Policies providing for vision only coverage issued as stand-alone vision or as a rider to a medical policy that is not related to the medical policy through premiums, deductibles or out-of-pocket limits. Does not include self-insured business, federal employees health benefit plans (FEHBP), or Medicare and Medicaid programs.

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ANNUAL STATEMENT INSTRUCTIONS – HEALTH

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT

This exhibit is required to be filed no later than ~~April~~ ~~March~~April 1.

A schedule must be prepared and submitted to the state of domicile for each jurisdiction in which the company has Written Premium (Direct), Earned Premium (Direct, Assumed and Ceded) or Incurred Claims (Direct, Assumed and Ceded). In addition, a schedule must be prepared and submitted that contains the grand total (GT) for the company.

1. The name of the company must be clearly shown at the top of each page or pages.

2. The Exhibit will show information concerning direct business ~~written~~ on policy forms approved for use in the United States with a final total for all policy forms (including non-U.S. policy forms) on the bottom line of the Exhibit.

   The Exhibit will show information for each listed product for Individual, Group, and Other business categories. Subtotals by product within the individual category are required for all columns.

~~3. A Summary Page shows a reconciliation with Schedule H for Individual, Group and Credit policies separately and in total for companies filing the Life, Accident and Health Companies/Fraternal Benefit Societies and Property/Casualty Annual Statement, and a reconciliation of these policies in total only with the specified exhibits of the Health Annual Statement for companies filing that statement.~~

~~4~~3. This Exhibit should not include any data pertaining to double indemnity, waiver of premiums and other disability benefits embodied in life contracts.

~~5~~4. Include membership charges, modal loadings, and policy fees, if any, with premiums earned (Column 1).

DEFINITIONS

Accident Only or AD&D

Policies that provide coverage, singly or in combination, for death, dismemberment, disability, or hospital and medical care caused by or necessitated as a result of accident or specified kinds of accidents. Types of coverage include student accident, sports accident, travel accident, blanket accident, specific accident or accidental death and dismemberment (AD&D).

Administrative Services Only (ASO) and Administrative Services Contract (ASC)

An uninsured accident and health plan is where an administrator performs administrative services for a third party that is at risk, but has not issued an insurance policy. The health plan bears all of the insurance risk, and there is no possibility of loss or liability to the administrator caused by claims incurred related to the plan. Under an ASO plan, claims are paid from a bank account owned and funded directly by the uninsured plan sponsor; or, claims are paid from a bank account owned by the administrator, but only after receiving funds from the plan sponsor that are adequate to fully cover the claim payments. Under an ASC plan, the administrator pays claims from its own bank accounts, and only subsequently receives reimbursement from the plan sponsor.

Comprehensive/Major Medical

Policies that provide fully insured indemnity, HMO, PPO or Fee for Service coverage for hospital, medical, and surgical expenses. This category excludes Short Term Medical Insurance, the Federal Employees Health Benefit Program and non-comprehensive coverage such as basic hospital only, medical only, hospital confinement indemnity, surgical, outpatient indemnity, specified disease, intensive care, and organ and tissue transplant coverage as well as any other coverage described in the other categories of this exhibit.

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Group business is further segmented under this category as follows (please note there is a separate category for Administrative Services Only/Administrative Services Contract business):

Single Employer:

Group policies issued to one employer for the benefit of its employees. This would include affiliated companies that have common ownership.

Small Employer: Group policies issued to single employers that are subject to the definition of Small Employer business, when so defined, in the group's state of situs.

Other Employer: Group policies issued to single employers that are not defined as Small Employer business.

Multiple Employer Associations and Trusts:

Group policies that are issued to an association or to a trust. This category also includes policies issued to one or more trustees of a fund established or adopted by two or more employers, or by one or more labor unions or similar employee organizations. The organizations include those that are exempt and also those that are non-exempt from statewide community rating. This category does not exclude policies providing coverage to employees of small employers, as defined in the employer's state of situs.

Other Associations and Discretionary Trusts:

~~Trusts:~~ Group policies issued to associations and trusts that are not included in the Small Employer, Other Employer or Multiple Employer Associations and Trusts group categories. This category does not exclude insurance providing coverage to employees of small employers, as defined in the employer's state of situs. This category does include blanket and franchise accident and sickness insurance, and insurance for any group that includes members other than employees, such as an association that has both employees of participating employers and also individuals as members.

Other Comprehensive/Major Medical:

Group policies providing comprehensive or major medical benefits that are not included in any of the categories listed above.

Contract Reserves

Reserves set up when, due to the gross premium structure, the future benefits exceed the future net premium. Contract reserves are in addition to claim and premium reserves.

Credit

Individual or group policies that provide benefits to a debtor for full or partial repayment of debt associated with a specific loan or other credit transaction upon disability or involuntary unemployment of debtor, except in connection with first mortgage loans. In some states, involuntary unemployment credit insurance is not included in health insurance. This category should not include that type of credit insurance in those states.

Dental

Policies providing for dental only coverage (dental treatment benefits such as routine dental examinations, preventive dental work, and dental procedures needed to treat tooth decay and diseases of the teeth and jaw) issued as stand-alone dental or as a rider to a medical policy that is not related to the medical policy through premiums, deductibles or out-of-pocket limits. If dental benefits are part of a comprehensive medical plan, then include data under comprehensive/major medical category. Does not include self-insured business, as well as federal employee's health benefits plans (FEHBP), or Medicare and Medicaid programs.

Disability Income – Long-Term

Policies that provide a weekly or monthly income benefit for more than five years for individual coverage and more than one year for group coverage for full or partial disability arising from accident and/or sickness. Include policies that provide Overhead Expense Benefits. Does not include credit disability.

Detail Eliminated to Conserve Space

TRICARE

Policies issued in association with the Department of Defense's health care program for active-duty military, active-duty service families, retirees and their families, and other beneficiaries.

CROSS REFERENCES AND OTHER INSTRUCTIONS

The Exhibit

Column 1 – Direct Premiums Written

The grand total reported should equal:

Life\Fraternal	Exhibit 1, Part 1, Lines (6.1+10.1+16.1), Columns (8+9+10).
Health	Underwriting and Investment Exhibit, Part 1, Line 9, Column 1.
Property	Exhibit of Premiums and Losses, Column 1 sum of Lines 13 through 15.

Column ~~1~~2 – Direct Premiums Earned

Fractional premium loadings and policy fees must be included ~~in the Earned Premiums~~.

The Policy ~~Experience Exhibit requires that the Premiums Earned should be on a direct basis such that the~~ grand total reported should equal:

Life\Fraternal		Exhibit 1, Part 1, Lines (6.1+10.1+16.1), Columns (8+9+10).
	Plus	Exhibit 1, Part 1, Lines (3.1+13.1), Columns (8+9+10).
	Minus	Exhibit 6, Line 1, Column 1 CY.
	Plus	Exhibit 6, Line 1, Column 1 PY.
	Minus	Exhibit 1, Part 1, Lines (4+14), Columns (8+9+10).
	Minus	Exhibit 6, Line 5, Column 1 CY.
	Plus	Exhibit 6, Line 5, Column 1 PY.
Health		Underwriting and Investment Exhibit, Part 1, Line 9, Column 1
	Less	Underwriting and Investment Exhibit Part 2D, Line 1, Column 1 CY
	Plus	Underwriting and Investment Exhibit Part 2D, Line 1, Column 1 PY
	Less	Underwriting and Investment Exhibit Part 2D, Line 4, Column 1 CY
	Plus	Underwriting and Investment Exhibit Part 2D, Line 4, Column 1 PY
Property		Exhibit of Premiums and Losses, Column 2 sum of Lines 13 through 15.

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~~A. Premiums Written During the Year~~

~~Underwriting and Investment Exhibit, Part 1, Line 9, Column 1.~~

~~B. Minus the Increase in Premium Reserves on Direct Business Only Included in:~~

~~1. Unearned Premium Reserve~~

~~Underwriting and Investment Exhibit Part 2D, Line 1, Column 1.~~

~~2. Reserves for Rate Credits or Experience Rating Refunds~~

~~Underwriting and Investment Exhibit Part 2D, Line 4, Column 1.~~

Column 5 – Net Premiums Earned

The grand total reported should equal:

Property Schedule H, Part 1, Column 1, Line 2

Column ~~2~~6 – Direct Incurred Claims Amount

This column does not include the "Increase in Policy Reserves."

The ~~Policy Experience Exhibit requires that the Incurred Claims should be on a direct basis such that the~~ grand total reported should equal:

Life\Fraternal Exhibit 8, Part 2, Line 6.1, Columns (9+10+11).
Plus Exhibit 6, Line 14, Column 1.

Health Underwriting and Investment Exhibit, Part 2, Line 12.1, Column 1 minus Column 10.

NOTE: This excludes payments for any administrative costs.

Property Exhibit of Premiums and Losses, Column 6 sum of Lines 13 through 15.

~~A. Incurred Claims~~

~~Underwriting and Investment Exhibit, Part 2, Line 12.1, Column 1 minus Column 10.~~

~~NOTE: This excludes payments for any administrative costs.~~

Column 7 – Assumed Incurred Claims Amount

The grand total reported should equal:

Health Underwriting and Investment Exhibit, Part 2, Line 12.2, Column 1 minus Column 10.

Property Underwriting and Investment Exhibit, Part 2, Column 2 sum of Lines 13 through 15.
Plus Underwriting and Investment Exhibit, Part 2A, Column 2 sum of Lines 13 through 15 – Current Year.
Minus Underwriting and Investment Exhibit, Part 2A, Column 2 sum of Lines 13 through 15 – Prior Year.
Plus Underwriting and Investment Exhibit, Part 2A, Column 6 sum of Lines 13 through 15 – Current Year.

Minus Underwriting and Investment Exhibit, Part 2A, Column 6 sum of Lines 13 through 15 – Prior Year.

Column 8 – Ceded Incurred Claims Amount

The grand total reported should equal:

Health Underwriting and Investment Exhibit, Part 2, Line 12.3, Column 1 minus Column 10.

Property Underwriting and Investment Exhibit, Part 2, Column 3 sum of Lines 13 through 15.

Plus Underwriting and Investment Exhibit, Part 2A, Column 3 sum of Lines 13 through 15 – Current Year.

Minus Underwriting and Investment Exhibit, Part 2A, Column 3 sum of Lines 13 through 15 – Prior Year.

Plus Underwriting and Investment Exhibit, Part 2A, Column 7 sum of Lines 13 through 15 – Current Year.

Minus Underwriting and Investment Exhibit, Part 2A, Column 7 sum of Lines 13 through 15 – Prior Year.

Column 9 – Net Incurred Claims Amount

The grand total reported should equal:

Life\Fraternal Schedule H, Part 1, Column 1, Line 3

Health Underwriting and Investment Exhibit, Part 2, Line 12.4, Column 1 minus Column 10.

Property Schedule H, Part 1, Column 1, Line 3

Column ~~3~~10 – Change in Contract Reserves

The Policy Experience Exhibit requires that the change in contract reserves should be on a direct basis. This is the direct basis included in the sum of:

Line 2, Grand Total Individual, Group and Other Business of "D" Total Business should equal:

A. The Change in Additional Reserves

Life\Fraternal: Exhibit 6, Lines 2 + 3, Column 1. Current year minus prior year.

Health: Underwriting and Investment Exhibit, Part 2D, Line 2, Column 1. Current year minus prior year.

B. Plus the Change in the Reserve for Future Contingent Benefits

Life\Fraternal: Exhibit 6, Line 4, Column 1. Current year minus prior year.

Health: Underwriting and Investment Exhibit, Part 2D, Line 3, Column 1. Current year minus prior year.

C. Less the Change in the Premium Deficiency Reserve

Life\Fraternal and Property: Footnote (a) Schedule H Part 2. Current year minus prior year.

Health: Footnote (a) Underwriting and Investment Exhibit Part 2D. Current year minus prior year.

Column ~~4~~11 – Loss Ratio

This is the ratio of the Direct Incurred Claims (Column ~~2~~6) plus the Change in Contract Reserves (Column ~~3~~10) to Direct Premiums Earned ~~Premiums~~ (Column ~~1~~2).

Column ~~5~~12 – Number of Policies or Certificates as of Dec. 31

This is the number of individual policies or group certificates issued to individuals covered under a group policy in force as of Dec. 31 of the reporting year. It is not the number of persons covered under individual policies or group certificates. Reasonable approximations are allowed when exact information is not administratively available to the reporting entity. For Administrative Services Only or Administrative Services Contracts, include number of persons covered. See *SSAP No. 47—Uninsured Plans*.

Column ~~6~~13 – Number of Covered Lives

This is the total number of lives insured, including dependents, under individual policies and group certificates as of Dec. 31 of the reporting year. Reasonable approximations are allowed when exact information is not administratively available to the reporting entity. For Administrative Services Only or Administrative Services Contracts, include number of lives covered. See *SSAP No. 47—Uninsured Plans*.

Column ~~7~~14 – Member Months

The sum of total number of lives insured on a pre-specified day of each month of the reported year. Reasonable approximations are allowed when exact information is not administratively available to the reporting entity. For Administrative Services Only or Administrative Services Contracts, include number of lives covered for each month of the reported year. See *SSAP No. 47—Uninsured Plans*.

DEFINITIONS OF LINES OF BUSINESS

Detail Eliminated to Conserve Space

Medicare Supplement:

Business reported in the Medicare Supplement Insurance Experience Exhibit of the annual statements. Does not include Medicare (Title XVIII) or Medicaid (Title XIX) risk contracts.

Dental-Only:

Policies providing for dental only coverage (dental treatment benefits such as routine dental examinations, preventive dental work, and dental procedures needed to treat tooth decay and diseases of the teeth and jaw) issued as stand-alone dental or as a rider to a medical policy that is not related to the medical policy through, premiums, deductibles or out-of-pocket limits. If dental benefits are part of a comprehensive medical plan, then include data under comprehensive/major medical category. Does not include self-insured business, as well as federal employee's health benefits plans (FEHBP), or Medicare and Medicaid programs.

Vision-Only:

Policies providing for vision only coverage issued as stand-alone vision or as a rider to a medical policy that is not related to the medical policy through, premiums, deductibles or out-of-pocket limits. Does not include self-insured business, federal employee's health benefit plans (FEHBP), or Medicare and Medicaid programs.

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ANNUAL STATEMENT INSTRUCTIONS –PROPERTY

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT

This exhibit is required to be filed no later than ~~April~~ ~~March~~April 1.

A schedule must be prepared and submitted to the state of domicile for each jurisdiction in which the company has Written Premium (Direct), Earned Premium (Direct, Assumed and Ceded) or Incurred Claims (Direct, Assumed and Ceded). In addition, a schedule must be prepared and submitted that contains the grand total (GT) for the company.

1. The name of the company must be clearly shown at the top of each page or pages.

2. The Exhibit will show information concerning direct business ~~written~~ on policy forms approved for use in the United States with a final total for all policy forms (including non-U.S. policy forms) on the bottom line of the Exhibit.

   The Exhibit will show information for each listed product for Individual, Group, and Other business categories. Subtotals by product within the individual category are required for all columns.

~~3. A Summary Page shows a reconciliation with Schedule H for Individual, Group and Credit policies separately and in total for companies filing the Life, Accident and Health Companies/Fraternal Benefit Societies and Property/Casualty Annual Statement, and a reconciliation of these policies in total only with the specified exhibits of the Health Annual Statement for companies filing that statement.~~

~~4~~3. This Exhibit should not include any data pertaining to double indemnity, waiver of premiums and other disability benefits embodied in life contracts.

~~5~~4. Include membership charges, modal loadings, and policy fees, if any, with premiums earned (Column 1).

DEFINITIONS

Accident Only or AD&D

Policies that provide coverage, singly or in combination, for death, dismemberment, disability, or hospital and medical care caused by or necessitated as a result of accident or specified kinds of accidents. Types of coverage include student accident, sports accident, travel accident, blanket accident, specific accident or accidental death and dismemberment (AD&D).

Contract Reserves

Reserves set up when, due to the gross premium structure, the future benefits exceed the future net premium. Contract reserves are in addition to claim and premium reserves.

Credit

Individual or group policies that provide benefits to a debtor for full or partial repayment of debt associated with a specific loan or other credit transaction upon disability or involuntary unemployment of debtor, except in connection with first mortgage loans. In some states, involuntary unemployment credit insurance is not included in health insurance. This category should not include that type of credit insurance in those states.

Dental

Policies providing for dental only coverage (dental treatment benefits such as routine dental examinations, preventive dental work, and dental procedures needed to treat tooth decay and diseases of the teeth and jaw) issued as stand-alone dental or as a rider to a medical policy that is not related to the medical policy through premiums, deductibles or out-of-pocket limits. If dental benefits are part of a comprehensive medical plan, then include data under comprehensive/major medical category. Does not include self-insured business, as well as federal employee's health benefits plans (FEHBP), or Medicare and Medicaid programs.

Disability Income – Long-Term

Policies that provide a weekly or monthly income benefit for more than five years for individual coverage and more than one year for group coverage for full or partial disability arising from accident and/or sickness. Include policies that provide Overhead Expense Benefits. Does not include credit disability.

Detail Eliminated to Conserve Space

TRICARE

Policies issued in association with the Department of Defense's health care program for active-duty military, active-duty service families, retirees and their families, and other beneficiaries.

CROSS REFERENCES AND OTHER INSTRUCTIONS

The Exhibit

Column 1 – Direct Premiums Written

The grand total reported should equal:

Life\Fraternal	Exhibit 1, Part 1, Lines (6.1+10.1+16.1), Columns (8+9+10).
Health	Underwriting and Investment Exhibit, Part 1, Line 9, Column 1.
Property	Exhibit of Premiums and Losses, Column 1 sum of Lines 13 through 15.

Column ~~1~~2 – Direct Premiums Earned

Fractional premium loadings and policy fees must be included ~~in the Earned Premiums~~.

The ~~Policy Experience Exhibit requires that the Premiums Earned should be on a direct basis~~grand total reported should equal:~~.~~

Life\Fraternal		Exhibit 1, Part 1, Lines (6.1+10.1+16.1), Columns (8+9+10).
	Plus	Exhibit 1, Part 1, Lines (3.1+13.1), Columns (8+9+10).
	Minus	Exhibit 6, Line 1, Column 1 CY.
	Plus	Exhibit 6, Line 1, Column 1 CY.
	Minus	Exhibit 1, Part 1, Lines (4+14), Columns (8+9+10).
	Minus	Exhibit 6, Line 5, Column 1 CY.
	Plus	Exhibit 6, Line 5, Column 1 CY.
Health		Underwriting and Investment Exhibit, Part 1, Line 9, Column 1
	Less	Underwriting and Investment Exhibit Part 2D, Line 1, Column 1 CY
	Plus	Underwriting and Investment Exhibit Part 2D, Line 1, Column 1 PY
	Less	Underwriting and Investment Exhibit Part 2D, Line 4, Column 1 CY
	Plus	Underwriting and Investment Exhibit Part 2D, Line 4, Column 1 PY
Property		Exhibit of Premiums and Losses, Column 2 sum of Lines 13 through 15.

Column 5 – Net Premiums Earned

The grand total reported should equal:

Property Schedule H, Part 1, Column 1, Line 2

Column ~~2~~6 – Direct Incurred Claims Amount

This column does not include the "Increase in Policy Reserves."

The ~~Policy Experience Exhibit requires that the Incurred Claims should be on a direct basis~~grand total reported should equal:~~.~~

Life\Fraternal Exhibit 8, Part 2, Line 6.1, Columns (9+10+11).
Plus Exhibit 6, Line 14, Column 1.

Health Underwriting and Investment Exhibit, Part 2, Line 12.1, Column 1 minus Column 10.

NOTE: This excludes payments for any administrative costs.

Property Exhibit of Premiums and Losses, Column 6 sum of Lines 13 through 15.

Column 7 – Assumed Incurred Claims Amount

The grand total reported should equal:

Health Underwriting and Investment Exhibit, Part 2, Line 12.2, Column 1 minus Column 10.

Property Underwriting and Investment Exhibit, Part 2, Column 2 sum of Lines 13 through 15.
Plus Underwriting and Investment Exhibit, Part 2A, Column 2 sum of Lines 13 through 15 – Current Year.
Minus Underwriting and Investment Exhibit, Part 2A, Column 2 sum of Lines 13 through 15 – Prior Year.
Plus Underwriting and Investment Exhibit, Part 2A, Column 6 sum of Lines 13 through 15 – Current Year.
Minus Underwriting and Investment Exhibit, Part 2A, Column 6 sum of Lines 13 through 15 – Prior Year.

Column 8 – Ceded Incurred Claims Amount

The grand total reported should equal:

Health Underwriting and Investment Exhibit, Part 2, Line 12.3, Column 1 minus Column 10.

Property Underwriting and Investment Exhibit, Part 2, Column 3 sum of Lines 13 through 15.
Plus Underwriting and Investment Exhibit, Part 2A, Column 3 sum of Lines 13 through 15 – Current Year.
Minus Underwriting and Investment Exhibit, Part 2A, Column 3 sum of Lines 13 through 15 – Prior Year.
Plus Underwriting and Investment Exhibit, Part 2A, Column 7 sum of Lines 13 through 15 – Current Year.
Minus Underwriting and Investment Exhibit, Part 2A, Column 7 sum of Lines 13 through 15 – Prior Year.

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Column 9 – Net Incurred Claims Amount

The grand total reported should equal:

Life\Fraternal	Schedule H, Part 1, Column 1, Line 3
Health	Underwriting and Investment Exhibit, Part 2, Line 12.4, Column 1 minus Column 10.
Property	Schedule H, Part 1, Column 1, Line 3

Column ~~3~~10 – Change in Contract Reserves

The Policy Experience Exhibit requires that the change in contract reserves should be on a direct basis. This is the direct basis included in the sum of:

Line 2, Grand Total Individual, Group and Other Business of "D" Total Business should equal:

A. The Change in Additional Reserves

Life\Fraternal: Exhibit 6, Lines 2 + 3, Column 1. Current year minus prior year.

Health: Underwriting and Investment Exhibit, Part 2D, Line 2, Column 1. Current year minus prior year.

B. Plus the Change in the Reserve for Future Contingent Benefits

Life\Fraternal: Exhibit 6, Line 4, Column 1. Current year minus prior year.

Health: Underwriting and Investment Exhibit, Part 2D, Line 3, Column 1. Current year minus prior year.

C. Less the Change in the Premium Deficiency Reserve

Life\Fraternal and Property: Footnote (a) Schedule H Part 2. Current year minus prior year.

Health: Footnote (a) Underwriting and Investment Exhibit Part 2D. Current year minus prior year.

Column ~~4~~11 – Loss Ratio

This is the ratio of the Direct Incurred Claims (Column ~~2~~6) plus the Change in Contract Reserves (Column ~~3~~10) to Direct Premiums Earned ~~Premiums~~ (Column ~~1~~2).

Column ~~5~~12 – Number of Policies or Certificates as of Dec. 31

This is the number of individual policies or group certificates issued to individuals covered under a group policy in force as of Dec. 31 of the reporting year. It is not the number of persons covered under individual policies or group certificates. Reasonable approximations are allowed when exact information is not administratively available to the reporting entity. For Administrative Services Only or Administrative Services Contracts, include the number of persons covered. See *SSAP No. 47—Uninsured Plans*.

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Column ~~6~~13 – Number of Covered Lives

This is the total number of lives insured, including dependents, under individual policies and group certificates as of Dec. 31 of the reporting year. Reasonable approximations are allowed when exact information is not administratively available to the reporting entity. For Administrative Services Only or Administrative Services Contracts, include the number of lives covered. See *SSAP No. 47—Uninsured Plans*.

Column ~~7~~14 – Member Months

The sum of total number of lives insured on a pre-specified day of each month of the reported year. Reasonable approximations are allowed when exact information is not administratively available to the reporting entity. For Administrative Services Only or Administrative Services Contracts, include the number of lives covered for each month of the reported year. See *SSAP No. 47—Uninsured Plans*.

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~~SUMMARY~~

~~Part 1~~

~~Columns 1 and 2 should agree to Schedule H – Part 1, Column 1 minus the sum of Columns 3 and 5, Lines 2 and 3, respectively.~~

~~Part 2~~

~~Columns 1 and 2 should agree to Schedule H – Part 1, Column 3, Lines 2 and 3, respectively.~~

~~Part 3~~

~~Columns 1 and 2 should agree to Schedule H – Part 1, Column 5, Lines 2 and 3, respectively.~~

~~Part 4~~

~~Columns 1 and 2 should agree to Schedule H – Part 1, Column 1, Lines 2 and 3, respectively. Column 3 should agree to Schedule H – Part 1 Line 6 less the change in premium deficiency reserve Footnote (a) Schedule H Part 2 current year minus prior year.~~

ANNUAL STATEMENT BLANK – LIFE/FRATERNAL, HEALTH AND PROPERTY

Affix Bar Code Above

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

United States Policy Forms For The Year Ended December 31, 2021
(To Be Filed By March 1)

NAIC Group Code…….. Business in the State Of…….. NAIC Company Code……..

	1 Direct Premiums Written	2 Direct Premiums Earned	3 Assumed Premiums Earned	4 Ceded Premiums Earned	5 Net Premiums Earned (2+3-4)	6 Direct Incurred Claims Amount	7 Assumed Incurred Claims Amount	8 Ceded Incurred Claims Amount	9 Net Incurred Claims Amount (6+7-8)	10 Change in Contract Reserves	11 Loss Ratio [(6~~2~~+10~~3~~)/2~~4~~]	12 Number of Policies or Certificates as of Dec. 31	13 Number of Covered Lives as of Dec. 31	14 Member Months
A. INDIVIDUAL BUSINESS														
1. Comprehensive Major Medical														
2.1 Short-Term Medical – 6 Months or Less														
2.2 Short-Term Medical – Over 6 Months														
2.3 Subtotal Short-Term Medical (2.1+2.2)														
3. Other Medical (Non-Comprehensive)														
4. Specified/Named Disease														
5. Limited Benefit														
6. Student														
7. Accident Only or AD&D														
8. Disability Income – Short–Term														
9. Disability Income – Long–Term														
10. Long-Term Care														
11. Medicare Supplement (Medigap)														
12. Dental														
13. State Children's Health Insurance Program														
14. Medicare														
15. Medicaid														
16. Medicare Part D – Stand-Alone														
17. Vision														
18. Other Individual Business														
19. Total Individual Business														
20. Grand Total Individual														
B. GROUP BUSINESS														
Comprehensive Major Medical														
1.1 Single Employer – Small Employer														
1.2 Single Employer – Other Employer														
1.3 Single Employer Subtotal														
2. Multiple Employer Assns and Trusts														
3. Other Associations and Discretionary Trusts														
4. Other Comprehensive Major Medical														
5. Comprehensive/Major Medical Subtotal														
Other Medical (Non-Comprehensive)														
6. Specified/Named Disease														
7. Limited Benefit														
8. Student														
9. Accident Only or AD&D														
10. Disability Income – Short–term														
11. Disability Income – Long–term														
12. Long–Term Care														
13. Medicare Supplement (Medigap)														
14. Federal Employees Health Benefits Plan														
15. Tricare														
16. Dental														
17. Medicare														
18. Medicare Part D – Stand-Alone														
19. Vision														
20. Other Group Care														
21. Grand Total Group Business														
C. OTHER BUSINESS														
1. Credit (Individual and Group)														
2. Stop Loss/Excess Loss														
3. Administrative Services Only														
4. Administrative Services Contracts														
5. Grand Total Other Business														
D. TOTAL BUSINESS														
1. Total Non-U.S. Policy Forms														
2. Grand Total Individual, Group and Other Business														

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Affix Bar Code Above

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

United States Policy Forms Direct Business Only
For The Year Ended December 31, 2021
(To Be Filed by April 1)

NAIC Group Code..... NAIC Company Code.....

	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1	5 Number of Policies or Certificates as of Dec. 31	6 Number of Covered Lives as of Dec. 31	7 Member Months
A. INDIVIDUAL BUSINESS							
1. Comprehensive Major Medical							
1.1 With Contract Reserves							
1.2 Without Contract Reserves							
1.3 Subtotal							
2. Short Term Medical							
2.1 With Contract Reserves							
2.2 Without Contract Reserves							
2.3 Subtotal							
3. Other Medical (Non-Comprehensive)							
3.1 With Contract Reserves							
3.2 Without Contract Reserves							
3.3 Subtotal							
4. Specified/Named Disease							
4.1 With Contract Reserves							
4.2 Without Contract Reserves							
4.3 Subtotal							
5. Limited Benefit							
5.1 With Contract Reserves							
5.2 Without Contract Reserves							
5.3 Subtotal							
6. Student							
6.1 With Contract Reserves							
6.2 Without Contract Reserves							
6.3 Subtotal							
7. Accident Only or AD&D							
7.1 With Contract Reserves							
7.2 Without Contract Reserves							
7.3 Subtotal							
8. Disability Income – Short Term							
8.1 With Contract Reserves							
8.2 Without Contract Reserves							
8.3 Subtotal							

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ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1	5 Number of Policies or Certificates as of Dec. 31	6 Number of Covered Lives as of Dec. 31	7 Member Months
A. INDIVIDUAL BUSINESS (Continued)							
9. Disability Income – Long-Term							
9.1 With Contract Reserves							
9.2 Without Contract Reserves							
9.3 Subtotal							
10. Long-Term Care							
10.1 With Contract Reserves							
10.2 Without Contract Reserves							
10.3 Subtotal							
11. Medicare Supplement (Medigap)							
11.1 With Contract Reserves							
11.2 Without Contract Reserves							
11.3 Subtotal							
12. Dental							
12.1 With Contract Reserves							
12.2 Without Contract Reserves							
12.3 Subtotal							
13. State Children's Health Insurance Program							
13.1 With Contract Reserves							
13.2 Without Contract Reserves							
13.3 Subtotal							
14. Medicare							
14.1 With Contract Reserves							
14.2 Without Contract Reserves							
14.3 Subtotal							
15. Medicaid							
15.1 With Contract Reserves							
15.2 Without Contract Reserves							
15.3 Subtotal							
16. Medicare Part D – Stand-Alone							
16.1 With Contract Reserves							
16.2 Without Contract Reserves							
16.3 Subtotal							
17. Other Individual Business							
17.1 With Contract Reserves							
17.2 Without Contract Reserves							
17.3 Subtotal							
18. Total Individual Business							
18.1 With Contract Reserves							
18.2 Without Contract Reserves							
19. Grand Total Individual							

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ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1	5 Number of Policies or Certificates as of Dec. 31	6 Number of Covered Lives as of Dec. 31	7 Member Months
B. GROUP BUSINESS							
Comprehensive Major Medical							
1. Single Employer							
1.1 Small Employer							
1.2 Other Employer							
1.3 Single Employer Subtotal							
2. Multiple Employer Assns and Trusts							
3. Other Associations and Discretionary Trusts							
4. Other Comprehensive Major Medical							
5. Comprehensive/Major Medical Subtotal							
Other Medical (Non-Comprehensive)							
6. Specified/Named Disease							
7. Limited Benefit							
8. Student							
9. Accident Only or AD&D							
10. Disability Income – Short-term							
11. Disability Income – Long-term							
12. Long-Term Care							
13. Medicare Supplement (Medigap)							
14. Federal Employees Health Benefits Plan							
15. Tricare							
16. Dental							
17. Medicare							
18. Medicare Part D – Stand-Alone							
19. Other Group Care							
20. Grand Total Group Business							
C. OTHER BUSINESS							
1. Credit (Individual and Group)							
2. Stop Loss/Excess Loss							
3. Administrative Services Only	XXX	XXX	XXX	XXX			
4. Administrative Services Contracts	XXX	XXX	XXX	XXX			
5. Grand Total Other Business							
D. TOTAL BUSINESS							
1. Total Non-U.S. Policy Forms							
2. Grand Total Individual, Group and Other Business							

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ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

PART 1 - INDIVIDUAL POLICIES
SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1
1. U.S. Forms Direct Business				
2. Other Forms Direct Business				
3. Total Direct Business				
4. Reinsurance Assumed				
5. Less Reinsurance Ceded				
6. Total				

PART 2 – GROUP POLICIES
SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1
1. U.S. Forms Direct Business				
2. Other Forms Direct Business				
3. Total Direct Business				
4. Reinsurance Assumed				
5. Less Reinsurance Ceded				
6. Total				

PART 3 - CREDIT POLICIES (Individual and Group)
SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1
1. U.S. Forms Direct Business				
2. Other Forms Direct Business				
3. Total Direct Business				
4. Reinsurance Assumed				
5. Less Reinsurance Ceded				
6. Total				

PART 4 - ALL INDIVIDUAL, GROUP AND CREDIT POLICIES
SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1
1. U.S. Forms Direct Business				
2. Other Forms Direct Business				
3. Total Direct Business				
4. Reinsurance Assumed				
5. Less Reinsurance Ceded				
6. Total				

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MEMORANDUM

TO: Kevin Fry, Chair, Valuation of Securities (E) Task Force
Members of the Valuation of Securities (E) Task Force

FROM: Charles A. Therriault, Director, NAIC Securities Valuation Office (SVO)
Eric Kolchinsky, Director, NAIC Structured Securities Group (SSG) and Capital Markets Bureau

CC: Marc Perlman, Investment Counsel, NAIC Securities Valuation Office (SVO)

RE: Proposed Amendment to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) to Update the Financial Modeling Instructions for RMBS/CMBS Securities and Direct IAO Staff to Produce NAIC Designation and NAIC Designations Categories for Non-Legacy Securities

DATE: February 03, 2021

1. Summary – On Oct. 11, 2018, the Valuation of Securities (E) Task Force adopted an amendment to delete the Modified Filing Exempt (MFE) provisions from the P&P Manual and directed a referral to the Statutory Accounting Principles (E) Working Group recommending the deletion of the MFE provisions from Statement of Statutory Accounting Principles (SSAP) No. 43R—Loan-Backed and Structured Securities. The effect of these changes resulted in these securities coming under the filing exempt instructions in the P&P Manual, if they have an Eligible NAIC CRP Credit Rating assigned to them. This change eliminated using the book adjusted carrying value to determine the NAIC designation for these securities.

The IAO staff reported to the Task Force at the 2019 Summer National Meeting that at some point the NAIC should align the RMBS/CMBS modeling to provide a single NAIC Designation for modeled RMBS/CMBS. This would have been a change from the current practice of providing a series of book adjusted carrying value price breakpoints to companies to determine the NAIC designation. The IAO staff submitted a proposal to the Task Force at the 2019 Fall National Meeting to eliminate the book adjusted carrying value price breakpoint process but the Task Force decided at the Feb. 4, 2020 meeting to defer such a change because industry expressed concerns there would be significant adverse risk-based capital (RBC) consequences from making such a change at that time.

In March 2020, the impact from the pandemic was just beginning to become apparent in the U.S. The pandemic's effect on RMBS and CMBS securities became more observable during the 2020 year-end financial modeling process. The 2020 year-end financial modeling identified several securities that no longer qualified as being zero-loss because more conservative scenarios, necessary to reflect the economic impact of the pandemic, were applied. Once these securities no longer qualified as being zero-loss, they became subject to the book adjusted carrying value price breakpoints process. Many of these securities are owned at a significant premium because of the low interest rate environment and, once the price break points were applied, securities that would otherwise be considered very high quality were required to be reported as an NAIC 2, 3, or 4 just because of their book adjusted carrying value and not because of any credit concern.

At the Task Force's Dec. 18, 2020 meeting, industry, represented by the ACLI, agreed with the IAO staff that the mechanics of the price break points was causing insurer owned securities with otherwise strong credit to be reported as NAIC 2, NAIC 3 and NAIC 4 under the financial modeling price breakpoints process purely because they are owned at a premium and not because of their credit risk. It was also discussed that the use of financial modeling price breakpoints process was possibly

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disrupting the market for these otherwise high-quality investments. SSG staff at that meeting recommended getting rid of the price breakpoints process.

2. Recommendation – The IAO staff recommends that the NAIC move to a single NAIC designation and NAIC designation category for all non-Legacy Securities (those financially modelled RMBS/CMBS securities that closed on or after to Jan. 1, 2013). Moving away from financial modeling price breakpoints process for these non-Legacy Securities will avoid further and future market disruptions and permit a clearer assessment of the credit risk assessment for these securities that will not be impacted by the insurers book adjusted carrying value. Making this change for only non-Legacy Securities preserves their historical treatment. Given the potential impact to SSAP 43R - *Loan-Backed and Structured Securities*, staff recommends a referral to the Statutory Accounting Principles (E) Working Group.

3. Proposed Amendment – The following text shows the revisions in Part Four that would appear in the 2020 P&P Manual format.

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PART FOUR
THE NAIC STRUCTURED SECURITIES GROUP

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DEFINITIONS

1. The following terms used in this Part Four have the meaning ascribed to them below.

   - **ABS** stands for asset-backed securities and means structured securities backed by consumer obligations originated in the United States.

   - **CMBS** stands for commercial mortgage-backed securities and means structured securities backed by commercial real estate mortgage loans originated in the United States. The definition of CMBS may refer to securitizations backed by commercial mortgages, respectively, originated outside of the Unites States if and to the extent that the vendor selected by the NAIC to conduct the financial modeling: (a) has the necessary information about the commercial mortgage and commercial mortgage loans originated outside of the United States to fully model the resulting securities; and (b) can adapt the modeling process to account for any structural peculiarities associated with the jurisdiction in which the mortgage was originated.

   - **Initial Information** means the documentation required to be filed with an Initial Filing of an RMBS or a CMBS CUSIP, pursuant to the section below and pertaining to Loan Information, Reps and Warranty Information and Structure and Formation Information for the transaction, where:

     - *Loan Information* means a review of the loan files by a third party to assess the sufficiency of legal title and other related issues.

     - *Reps and Warranty Information* means the actual representation and warranties in effect for the securitization given by the mortgage originator(s) to the Trust pertaining to loan origination processes and standards, compliance with applicable law, loan documentation and the process governing put backs of defective mortgages back to the originator(s).

     - *Structure and Formation Information* means the waterfall, as described in the definition of Ongoing Information, information and documentation in the form of legal opinions and documentation governing the formation of the securitization and its entities relative to issues such as bankruptcy remoteness, true sale characterization, the legal standards and procedures governing the securitization and other similar issues.

   - **Intrinsic Price** is an output of financial modeling, defined as '1 - weighted average of discounted principal loss' expressed as a percentage, reflecting the credit risk of the security.

   - **Legacy Security**, for the purposes of this section shall mean any RMBS and any CMBS that closed prior to January 1, 2013.

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- **Official Price Grids** means and refers to those generated by the SSG and provided to an insurance company or insurance companies that own the security for regulatory reporting purposes.

- **Ongoing Information** consists of: (a) tranche level data; such as principal balance, factors, principal and interest due and paid, interest shortfalls, allocated realized losses, appraisal reductions and other similar information for the specific tranche; (b) trust level data, such as aggregate interest and principal and other payments received, balances and payments to non-trance accounts, aggregate pool performance data and other similar information; (c) loan level performance information; and (d) a computerized model of rules that govern the order and priority of the distribution of cash from the collateral pool (i.e., the "waterfall") to the holders of the certificates/securities—provided in the format and modeling package used by the NAIC financial modeling vendor.

- **Original Source**, with respect to a specific set of data, means the Trustee, Servicer or similar entity that is contractually obligated under the agreement governing the RMBS or CMBS to generate and maintain the relevant data and information in accordance with standards specified in applicable agreements or an authorized re-distributor of the same.

- **NAIC Designation Intrinsic Price Mapping** is the mapping of the Intrinsic Price to a single NAIC Designation and Designation Category employing the midpoints between each adjoining AVR RBC charges (pre-tax). The midpoints are directly used as the minimum Intrinsic Prices (weighted average loss points) for corresponding NAIC Designations and Designation Categories.

- **Price Grids** means and refers to CUSIP-specific price matrices containing six price breakpoints; i.e., each price corresponding to a specific NAIC Designation category. Each breakpoint on a Price Grid is the price point that tips the NAIC Designation for the RMBS CUSIP into the next NAIC Designation (credit quality/credit risk) category. The plural is used because two Price Grids are generated for any CUSIP. This reflects the difference in RBC for those insurance companies that maintain an asset valuation reserve and for those insurance companies that do not.

- **Re-REMIC** is a securitization backed by: (a) otherwise eligible RMBS from one or two transactions; or (b) otherwise eligible CMBS from one or two transactions at closing. Re-REMICs cannot acquire any Underlying Securities after closing.

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- **RMBS** stands for residential mortgage-backed securities and means structured securities backed by non-agency residential mortgages originated in the United States, where the collateral consists of loans pertaining to non-multi-family homes. That includes prime, subprime and Alt-A mortgages, as well as home-equity loans, home-equity lines of credit and Re-REMICs of the above. Excluded from this definition is agency RMBS, where the mortgages are guaranteed by federal and federally sponsored agencies such as the Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC) and loans against manufactured or mobile homes or collateralized debt obligations backed by RMBS. The exclusion covers bonds issued and guaranteed by, or only guaranteed by, the respective agency. Also not included are loans guaranteed by the U.S. Department of Veteran Affairs or the U.S. Department of Agriculture's Rural Development Housing and Community Facilities Programs. The definition of RMBS may refer to securitizations backed by residential mortgages, respectively, originated outside of the Unites States if and to the extent that the vendor selected by the NAIC to conduct the financial modeling: (a) has the necessary information about the residential mortgage and residential mortgage loans originated outside of the United States to fully model the resulting securities; and (b) can adapt the modeling process to account for any structural peculiarities associated with the jurisdiction in which the mortgage was originated.

- **Underlying Security** means the RMBS or CMBS backing a Re-REMIC. A Re-REMIC cannot be an Underlying Security.

NOTE: The definitions of RMBS and CMBS reflect limitations associated with the financial modeling process, NAIC credit rating provider (CRP) internal naming conventions and SSG processes, as more fully discussed below and may, therefore, be subject to a narrower or a broader reading in any reporting period. Please call the SSG with any concerns or questions about the scope of the definitions for a given reporting period. Also note:

- It is possible that the scope of the RMBS and CMBS definitions may be broadened because the financial modeling vendors indicate other collateral or waterfall structures can be modeled.

- NAIC CRPs may adopt different internal conventions with respect to what market or asset segments are within their rated populations of RMBS, CMBS or ABS. This could affect the application of the adopted NAIC methodology or require the NAIC to select which naming process it wishes to adopt.

- It is possible that the SSG will acquire analytical assessment capabilities that permit the assessment of existing, additional or different structured securities that cannot now be modeled or that are not currently rated.

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ADMINISTRATIVE AND OPERATIONAL MATTERS

Certain Administrative Symbols

2. The following administrative symbols are used in the Valuation of Securities (VOS) Products to identify RMBS and CMBS that the NAIC vendor has confirmed will be subject to the financial modeling methodology described in this Part.

   - **FMR** – Indicates that the specific CUSIP identifies a~~n~~ Legacy Security RMBS that is subject to the financial modeling methodology and the application of Price Grids to determine a NAIC Designation and Designation Category.
   - **FMC** – Indicates that the specific CUSIP identifies a Legacy Security CMBS that is subject to the financial modeling methodology and the application of Price Grids to determine a NAIC Designation and Designation Category.
   - **FSR** – Indicates that the specific CUSIP identifies a non-Legacy Security RMBS that is subject to the financial modeling methodology and assignment of a NAIC Designation and Designation Category by the SSG.
   - **FSC** – Indicates that the specific CUSIP identifies a non-Legacy Security CMBS that is subject to the financial modeling methodology and assignment of a NAIC Designation and Designation Category by the SSG.

   NOTE: The administrative symbols **FMR**~~ and~~, **FMC**, **FSR** and **FSC** are related to symbols that insurers are required to use in the financial statement reporting process. Under applicable financial statement reporting rules, an insurer uses the symbol **FM** as a suffix to identify Legacy Security modeled RMBS and CMBS CUSIPs and **FS** as a suffix to identify non-Legacy Security modeled RMBS and CMBS CUSIPs. The symbol **FM** or **FS** is inserted by the insurer in the financial statement as a suffix following the NAIC Designation C~~c~~ategory; e.g., **2.B FM, 3.C FS**.

   The use of these administrative symbols in the VOS Product means the insurer should not use the filing exempt process for the security so identified.

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Quarterly Reporting of RMBS and CMBS

3. To determine the NAIC Designation to be used for quarterly financial statement reporting for an RMBS or CMBS purchased subsequent to the annual surveillance described in this Part, the insurer uses the prior year-end modeling data for that CUSIP (which can be obtained from the NAIC) and follows the instructions in contained under the heading "Use of Net Present Value and Carrying Value for Financially Modelled Legacy Security RMBS and CMBS" ~~below~~ or ~~follows the instructions in~~ "~~Publication of Final Results~~Use of Intrinsic Price for Financially Modeled non-Legacy Security RMBS and CMBS" below, subject to, and in accordance with, *SSAP No. 43R—Loan-Backed and Structured Securities*.

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FILING EXEMPTIONS

Limited Filing Exemption for RMBS and CMBS

4. **RMBS and CMBS that Can be Financially Modeled** – RMBS and CMBS that can be financially modeled are exempt from filing with the SVO. NAIC Designations for RMBS and CMBS that can be financially modeled are determined by application of the methodology discussed in this Part, not by the use of credit ratings of CRPs.

5. **RMBS and CMBS securities that Cannot be Financially Modeled**

   - **But Are Rated by a CRP** – RMBS and CMBS that cannot be financially modeled but that are rated by a CRP are exempt from filing with the SSG. The NAIC Designations for these RMBS and CMBS are determined by application of the filing exemption procedures discussed in this Manual.

   - **But Are Not Rated by a CRP** – RMBS and CMBS that cannot be financially modeled and that are not rated by a CRP are not filing exempt and must be filed with the SSG or follow the procedures, as discussed below in this Part.

Filing Exemption for ABS

6. ABS rated by a CRP are exempt from filing with the SSG.

Review of Decisions of the SSG

7. Analytical decisions made through the application of financial modeling are not subject to the appeal process. In the absence of an appeal, the SSG shall provide whatever clarification as to the results of financial modeling is possible to any insurer who requests it and owns the security, provided that it is not unduly burdensome for the SSG to do so. Any decision made by the SSG that results in the assignment of an NAIC Designation and does not involve financial modeling methodology, whether developed by the SSG on its own or in collaboration with the SVO, is subject to the appeal process.

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8. The policy statement set forth in this section shall be applicable generally to any transaction filed with the SSG for an analytical assessment, including, but not limited to, a Price Grid or for assignment of an NAIC Designation. Any filing with the SSG is deemed to be incomplete unless the insurer has provided the information, documentation, and data in quantity and quality sufficient to permit the SSG to conduct an analysis of the creditworthiness of the issuer and the terms of the security to determine the requested analytical value. It is the obligation of the reporting insurance company to provide the SSG with all necessary information. It is the responsibility of the SSG to determine whether the information provided is sufficient and reliable for its purposes and to communicate informational deficiencies to the reporting insurance company.

Documentation Standards

9. In order for an insurer-owned RMBS or CMBS to be eligible for the year-end modeling process, conducted pursuant to this section below, the analysis must be based on information, documentation and data of the utmost integrity. A Legacy Security must meet the Ongoing Information requirements. An RMBS, CMBS or Re-REMIC that is not a Legacy Security must meet the Initial Information and Ongoing Information requirements. For the purposes of determining a Re-REMIC's status as a Legacy Security, the closing date of the Re-REMIC (not the Underlying Security) shall be used. The SSG may, in its sole discretion, determine that the Initial Information and/or Ongoing Information is not sufficient and/or not reliable to permit the RMBS or CMBS CUSIP to be eligible for financial modeling. If the SSG determines that the Initial Information and/or Ongoing Information is not sufficient and/or not reliable to permit the RMBS or CMBS CUSIP to be eligible for financial modeling, it will communicate this decision to the insurer and invite a dialogue to ascertain whether alternative information is available that would be deemed sufficient and/or reliable by the SSG.

Initial Information Requirements

10. An RMBS or CMBS meets the Initial Information Requirements if the security meets one of the following three conditions:

    - **RTAS** – The RMBS or CMBS was assigned a preliminary price grid or designation as described in this Part;
    - **Initial Sufficiency Filing** – The RMBS or CMBS was reviewed by SSG through an Initial Sufficiency Filing; or
    - **Safe Harbor** – The RMBS or CMBS meets the Safe Harbor requirements.

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Initial Sufficiency Information Filing

11. An insurance company may file Initial Sufficiency Information with the SSG for the purpose of obtaining a determination that an RMBS or CMBS CUSIP is eligible for financial modeling under the annual surveillance process discussed below. Initial Sufficiency Information is only filed once for any given RMBS or CMBS. Reporting insurance companies are solely responsible for providing the SSG with Initial Information. A determination by the SSG that a given RMBS or CMBS CUSIP is eligible for financial modeling after an Initial Sufficiency Filing assessment is subject to the further and continuing obligation that the SSG obtain or the insurer provide the SSG with updated Ongoing Information close to the date of the annual surveillance.

12. **Required Documents for Initial Sufficiency Filing** – An insurer that owns an RMBS or a CMBS for which Initial Information is not publicly available shall provide the SSG with the following documentation.

13. **RMBS** – Unless otherwise specified by the SSG in a Modeling Alert, as further described below, an Initial Filing for an RMBS consists of submission of Initial Information and Ongoing Information in the form of the following documentation:

    - Pooling and Servicing Agreement or similar
    - Prospectus, Offering Memorandum or similar; Accountant's comfort letter
    - If applicable, ISDA Schedules and Confirmations or similar
    - Legal opinions given in connection with the transaction
    - Any other documents referenced by the above
    - Third-Party Due diligence scope document and raw results. If less than 100% due diligence, detailed description of the loan selection process
    - If applicable, loan purchase agreements or similar. Loan Tape

14. **CMBS** – Unless otherwise specified by the SSG in a Modeling Alert, as further described below, an Initial Filing for a CMBS consists of submission of Initial Information and Ongoing Information in the form of the following documentation:

    - Pooling and Servicing Agreement or similar
    - Prospectus, Offering Memorandum or similar; Accountant's comfort letter
    - If applicable, ISDA Schedules and Confirmations or similar
    - Legal opinion given in connection with the transaction
    - Any other documents referenced in the above

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- Asset Summaries
- Loan Tape
- Loan documents, including reliable information about the terms of the transaction; including, but not limited to, financial covenants, events of default, legal remedies and other information about financial, contractual or legal aspects of the transaction in form and substance consistent with industry best practices for CMBS issuance.
- In certain cases, additional documents below will enable the SSG to verify and validate initial underwriting information of the property securing the CMBS. These documents may be required in form and substance consistent with best practices for typical CMBS issuance.
- Historical operating statements and borrower's budget
- Underwriter's analysis of stabilized cash flow with footnotes of assumptions used
- Property type specific, rent roll information
- Appraisals and other data from recognized industry market sources
- Independent engineering report (Property Condition Assessment)
- Environmental Site Assessment (ESA) – Phase I/Phase II
- Documentation related to seismic, flood and windstorm risks
- Franchise agreements and ground leases, if applicable
- Management agreements

SSG Modeling Alerts

15. The SSG shall at all times have discretion to determine that differences in the structure, governing law, waterfall structure or any other aspect of a securitization or a class of securitization requires that insurance companies provide Initial Information and/or Ongoing Information additional to or different from that identified in this Part. The SSG shall communicate such additional or different documentation requirements to insurers by publishing a Modeling Alert on the NAIC website and scheduling a meeting of the VOS/TF to ensure public dissemination of the decision.

Safe Harbor

16. Safe Harbor options serve as proxies for the Initial Sufficiency filing. The options reflect publicly available information that a third party has analyzed the Initial Information. Because the structured securities market is quite dynamic, the list of Safe Harbor options may change frequently, with

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notice and opportunity for comment, as described in this section. An RMBS or CMBS meets the Initial Information requirement if:

- At least two Section 17(g)-7 reports issued by different CRPs are publicly available; or
- A security that is publicly registered under the federal Securities Act of 1933.

Ongoing Information Requirements

17. An RMBS or CMBS meets the Ongoing Information Requirements if Ongoing Information is available to the SSG and the relevant third-party vendor from an Original Source. The SSG, in its sole discretion and in consultation with the relevant third-party vendor, may determine that the Ongoing Information is not sufficient or reliable to permit a given RMBS or CMBS CUSIP to be financially modeled. However, in making such a determination, the SSG shall take into account reasonable market practices and standards.

Special Rules for Certain Re-REMICs

18. Re-REMICs are generally simple restructurings of RMBS or CMBS. An Initial Sufficiency Filing for a Re-REMIC (a) which is not a Legacy Security itself but (b) where each Underlying Security is a Legacy Security shall not require submission of information regarding the Underlying Securities. In most cases, a prospectus for the Re-REMIC will be sufficient. If the SSG determines that additional information about the Re-REMIC structure or formation is required, it will communicate this decision to the insurer and invite a dialogue to ascertain whether additional information is available that would be deemed sufficient by the SSG.

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ANALYTICAL ASSIGNMENTS

ANNUAL SURVEILLANCE OF RMBS AND CMBS – MODELED AND NON-MODELED SECURITIES

Scope

19. This section explains the financial modeling methodology applicable to all RMBS and CMBS (defined above) securitizations, ~~and~~ the book/adjusted carrying value methodology applicable to a modeled Legacy Security, the NAIC Designation Intrinsic Price Mapping applicable to a modeled non-Legacy Security, and non-modeled securities subject to *SSAP No. 43R—Loan-Backed and Structured Securities*. Please refer to SSAP No. 43R for a description of securities subject to its provisions. The VOS/TF does not formulate policy or administrative procedures for statutory accounting guidance. Reporting insurance companies are responsible for determining whether a security is subject to SSAP No. 43R and applying the appropriate guidance.

Important Limitation on the Definitions of RMBS and CMBS

20. The definitions of RMBS and CMBS above are intended solely to permit the SSG to communicate with financial modeling vendors, insurance company investors who own RMBS and CMBS subject to financial modeling and/or the book/adjusted carrying value methodology and their investment advisors to facilitate the performance by the SSG of the financial modeling methodology described below. The definitions contained in this section are not intended for use and should not be used as accounting or statutory statement reporting instructions or guidance.

    NOTE: Please refer to *SSAP No. 43R—Loan-Backed and Structured Securities* for applicable accounting guidance and reporting instructions.

ANALYTICAL PROCEDURES APPLICABLE TO RMBS AND CMBS SECURITIZATIONS SUBJECT TO FINANCIAL MODELING METHODOLOGY

Filing Exemption Status of RMBS and CMBS

21. RMBS and CMBS are not eligible for ~~the~~ filing exemption because credit ratings of CRPs are no longer used to set risk-based capital (RBC) for RMBS or CMBS. However, RMBS and CMBS are not submitted to the SSG.

Use of Financial Modeling for Year-End Reporting for RMBS and CMBS

22. Beginning with year-end 2009 for RMBS and 2010 for CMBS, probability weighted net present values will be produced under NAIC staff supervision by an NAIC-selected vendor using its financial model with defined analytical inputs selected by the SSG. The vendor will provide the SSG with a Intrinsic Price and/or a range of net present values for each RMBS or CMBS

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corresponding to each NAIC Designation category. The NAIC Designation for a specific Legacy Security RMBS or CMBS is determined by the insurance company, based on book/adjusted carrying value ranges, and the NAIC Designation for a specific non-Legacy Security RMBS or CMBS is determined by the NAIC Designation Intrinsic Price Mapping by SSG.

NOTE: Please refer to *SSAP No. 43R—Loan-Backed and Structured Securities* for guidance on all accounting and related reporting issues.

Analytical Procedures for RMBS and CMBS

23. The SSG shall develop and implement all necessary processes to coordinate the engagement by the NAIC of a vendor who will perform loan-level analysis of insurer-owned RMBS and CMBS using the vendor's proprietary models.

RMBS AND CMBS SUBJECT TO FINANCIAL MODELING

Setting Microeconomic Assumptions and Stress Scenarios

24. Not later than September of each year, the SSG shall begin working with the vendor to identify the assumptions, stress scenarios and probabilities (hereafter model criteria) the SSG intends to use at year-end to run the vendor's financial model.

The Financial Modeling Process

25. Information about the financial modeling process can be found at *www.naic.org/structured_securities/index_structured_securities.htm.*

Use of Net Present Value and Carrying Value for Financially Modeled Legacy Security RMBS and CMBS

26. For each modeled Legacy Security RMBS and CMBS, the financial model determines the net present value at which the expected loss equals the midpoint between the RBC charges for each NAIC Designation; i.e., each price point, if exceeded, changes the NAIC Designation. Net present value is the net present value of principal losses, discounted using the security's coupon rate (adjusted in case of original issue discount securities to book yield at original issue and in case of floating rate securities, discounted using LIBOR curve + Origination spread). Because of the difference in RBC charge, the deliverable is five values for each RMBS and CMBS security for companies required to maintain an asset valuation reserve (AVR) and five values for companies not required to maintain an AVR. This is illustrated in the chart below.

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RBC charge / NAIC designation (pre-tax)

P&C	RBC	Midpoint
1	0.3%	0.65%
2	1.0%	1.50%
3	2.0%	3.25%
4	4.5%	7.25%
5	10.0%	20.00%
6	30.0%	
Life	**RBC**	**Midpoint**
1	0.4%	0.85%
2	1.3%	2.95%
3	4.6%	7.30%
4	10.0%	16.50%
5	23.0%	26.50%
6	30.0%	

27. The NAIC Designation and NAIC Designation Category for a given modeled Legacy Security RMBS or CMBS CUSIP owned by a given insurance company depends on the insurer's book/adjusted carrying value of each RMBS or CMBS, whether that carrying value, in accordance with *SSAP No. 43R—Loan-Backed and Structured Securities*, paragraphs 25 through 26a, is the amortized cost or fair value, and where the book/adjusted carrying value matches the price ranges provided in the model output for each NAIC Designation and the mapped NAIC Designation Category, reflected in the table below, to be used for reporting an NAIC Designation Category until new Risk Based Capital factors are adopted for each NAIC Designation Category and new prices ranges developed~~; except that an RMBS or CMBS tranche that has no expected loss under any of the selected modeling scenarios and that would be equivalent to an **NAIC 1** Designation if the filing exempt process were used, would be assigned an **NAIC 1** Designation and **NAIC 1.D Designation Category** regardless of the insurer's book/adjusted carrying value~~.

NOTE: Please refer to the detailed instructions provided in SSAP No. 43R.

NAIC Designation Determined by Modeled Price Ranges	Mapped NAIC Designation Category
1	1.D
2	2.B
3	3.B
4	4.B
5	5.B
6	6

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Use of Intrinsic Price for Financially Modeled non-Legacy Security RMBS and CMBS

28. The NAIC Designation and NAIC Designation Category for a given modeled non-Legacy Security RMBS or CMBS CUSIP owned by a given insurance is assigned by SSG and **does not** depend on the insurer's book/adjusted carrying value of each RMBS or CMBS. The NAIC Designation and Designation Category assigned will be determined by applying the Intrinsic Price to the NAIC Designation Intrinsic Price Mapping, as defined in this Part.

SECURITIES NOT MODELED BY THE SSG AND NOT RATED BY AN NAIC CRP OR DESIGNATED BY THE SVO

29. Securities subject to *SSAP No. 43R—Loan-Backed and Structured Securities* that cannot be modeled by the SSG and are not rated by an NAIC CRP or designated by the SVO are either: (a) assigned the NAIC administrative symbol **ND** (not designated), requiring subsequent filing with the SVO; or (b) assigned the NAIC Designation for Special Reporting Instruction [i.e., an **NAIC 5GI,** NAIC Designation Category **NAIC 5.B GI** or **NAIC 6*** (six-star)].

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MORTGAGE REFERENCED SECURITIES

Definition

30. A Mortgage Referenced Security has the following characteristics: A Mortgage Referenced Security's coupon and/or principal payments are linked, in whole or in part, to prices of, or payment streams from, real estate, index or indices related to real estate, or assets deriving their value from instruments related to real estate, including, but not limited to, mortgage loans.

Not Filing Exempt

31. A Mortgage Referenced Security is not eligible for filing exemption but is subject to the filing requirement.

NAIC Risk Assessment

32. In determining the NAIC Designation of a Mortgage Referenced Security, the SSG may use the financial modeling methodology discussed in this Part, adjusted (if and as necessary) to the specific reporting and accounting requirements applicable to Mortgage Referenced Securities.

Quarterly Reporting for Mortgage Reference Securities

33. To determine the NAIC Designation to be used for quarterly financial statement reporting for a Mortgage Reference Security purchased subsequent to the annual surveillance described in this Part, the insurer uses the prior year-end modeling data for that CUSIP (which can be obtained from the NAIC) until the annual surveillance data is published for the current year. For a Mortgage Reference Security that is not in the prior year-end modeling data for that CUSIP, the insurer may follow the instructions in Part Two of this manual for the assignment of the SVO Administrative Symbol "Z" provided the insurer owned security meets the criteria for a security that is in transition in reporting or filing status.

NOTE: Please refer to SSAP No. 26R and SSAP No. 43R for the definition of and guidance on Structured Notes and Mortgage Referenced Securities. Please also refer to Part Three of this Manual for guidance about the filing exempt status of Structured Notes.

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GROUND LEASE FINANCING TRANSACTIONS

Definition

34. Ground Lease Financing (GLF) transactions are defined and explained in "Ground Lease Financing Transactions" in Part Three of this Manual.

SSG Role and Process

1. On occasion, the SVO may refer a GLF transaction to the SVO for financial modeling of the GLF space leases or business operation, as applicable, in accordance with the process set forth in "Ground Lease Financing Transactions" in Part Three of this Manual. Following an SVO referral the SSG and SVO will maintain open communication related to requests for additional data, analytical questions and analytical conclusions. Any GLF transaction NAIC Designation will be assigned by the SVO.

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THE RTAS – EMERGING INVESTMENT VEHICLE

Purpose

2. Price grids and/or Designations and Designation Categories are generated for the exclusive use of insurance companies and the NAIC regulatory community. Insurance companies use official Price Grids and/or Designations and Designation Categories by following the instructions in *SSAP No. 43R—Loan-Backed and Structured Securities* to derive a final NAIC Designation for the RMBS or CMBS, which they use to derive the RBC applicable for the RMBS or CMBS.

NOTE: Please refer to SSAP No. 43R for a full explanation of the applicable procedure.

Extension of Authority

3. The Regulatory Treatment Assessment Service – Emerging Investment Vehicle procedure is extended to the SSG, and the SSG is authorized to determine probable regulatory treatment for RMBS and CMBS pursuant to this Part or for other securities, where, in the opinion of the SSG, financial modeling methodology would yield the necessary analytical insight to determine probable regulatory treatment or otherwise enable the SSG to make recommendations to the VOS/TF as to regulatory treatment for a security.

Interpretation

4. To facilitate this purpose, wherever in the Regulatory Treatment Assessment Service – Emerging Investment Vehicle procedure reference is made to the SVO, it shall be read to also refer to and apply to the SSG, adjusting for differences in the operational or methodological context. The Regulatory Treatment Assessment Service – Emerging Investment Vehicle procedure shall also be read as authority for collaboration between SVO and SSG staff functions so as to encompass RTAS assignments that require the use of SVO financial, corporate, municipal, legal, and structural analysis and related methodologies, as well as of financial modeling methodologies.

Translation of Preliminary into Official Price Grids and/or NAIC Designations and Designation Categories

5. Price Grids and/or Designations and Designation Categories ("PGD") generated by the SSG pursuant to an RTAS are preliminary within the meaning of that term as used in the Regulatory Treatment Assessment Service – Emerging Investment Vehicle procedure and accordingly cannot be used for official NAIC regulatory purposes. Preliminary NAIC Designations are translated into official NAIC Designations by the SVO when an insurance company purchases and files the security and the SVO conducts an official assessment. However, this Manual does not require the filing of RMBS and CMBS subject to financial modeling methodology with the SSG. It is, therefore, necessary to specify a procedure for the translation of preliminary Price Grids and/or

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Designations and Designation Categories ("Preliminary PGD") into official ~~Price Grids~~ PGD that can be used for NAIC regulatory purposes. Preliminary ~~Price Grids~~ PGDs generated by the SSG become an official ~~Price Grid~~ PGD within the meaning of this section when an insurance company has purchased the security for which the ~~Price Grid~~ PGD was generated and reported that security for quarterly reporting purposes using the SSG generated ~~Price Grid~~ PGD. A ~~Price Grid~~ PGD for a security reported by an insurance company for quarterly reporting is effective until the SSG conducts the next annual surveillance pursuant to this Part at which the time the ~~Price Grid~~ PGDs generated by the SSG at year-end shall be the official ~~Price Grid~~ PGDs for that security.

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Blanks (E) Working Group
Editorial Revisions to the Blanks and Instructions
(presented at the March 16, 2021, Meeting)

Statement Type:
H = Health; **L/F** = Life/Fraternal Combined; **P/C** = Property/Casualty; **SA** = Separate Accounts; **T** = Title

Effective	Table Name	Description	Statement Type	Filing Type
2021	Life, Health and Annuity Guaranty Association Assessable Premium Exhibit – Parts 1	**CHANGE TO BLANK** Put XXX in Columns 1 and 3 for line 4.99 and modify the section header between Line 5 and Line 6 as shown below. DEVELOPMENT OF AMOUNTS INCLUDED IN LINES 1 THROUGH 5 THAT SHOULD BE DEDUCTED IN DETERMINING THE BASE PRIOR TO ADDITIONAL ADJUSTMENTS IN PART 2 Do not include any amounts more than once in Lines 6 through 9	H, L/F, P/C	Annual
2021	Life, Health and Annuity Guaranty Association Assessable Premium Exhibit – Part 2	**CHANGE TO BLANK** Made Premium plural in column headers 1 and 3 to agree with Part 1. Life Insurance Premiums Accident & Health Premiums	H, L/F, P/C	Annual
2021	Life, Health and Annuity Guaranty Association Assessable Premium Exhibit – Parts 1	**CHANGE TO INSTRUCTION** Modify the instruction from Part 1 as shown below. Development of Amounts Included in Lines 1 Through 5 That Should Be Deducted in Determining the ~~Gross Premium~~ Base Prior to Additional Adjustments in Part 2	H, L/F, P/C	Annual
2021	Notes to Financial Statements	**CHANGE TO INSTRUCTION** Modify the instruction for Note 10O as shown below. Modify the illustration for Not 10O to replace the column header "Reported Value" with "Amount of Guarantee Recognized Under SSAP No. 5R". • ~~The SCA or SSAP No. 48 entity's reported value~~ The amount of the recognized guarantee under SSAP No. 5R.	H, L/F, P/C, T	Annual

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Effective	Table Name	Description	Statement Type	Filing Type
2021	Schedule BA, Part 1	**CHANGE TO INSTRUCTION** Make the following edits to the Column 7 instructions to clarify lines where NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol are made. Column 7 – NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol This column must be completed for those investments included on Lines 0799999, 0899999, 1599999, 1699999 and ~~16~~4599999. For all other lines the column may be completed if the investment has an NAIC Designation received from the SVO or from an NAIC CRP. For ~~Schedule BA~~ the investments noted above ~~with the underlying characteristics of a bond or a preferred stock instrument~~, insert the appropriate combination of the NAIC Designation (1 through 6), NAIC Designation Modifier (A through G) and SVO Administrative Symbol. The list of valid SVO Administrative Symbols is shown below. ******Detail Eliminated to Conserve Space****** NAIC Designation Modifier: ~~The NAIC Designation Modifier should only be used for securities reported on the lines below if eligible to receive one, as defined in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual), otherwise, the field should be left blank.~~ • ~~Underlying Characteristics of Bonds Lines 0799999 through 0899999~~ • ~~Underlying Characteristics of Preferred Stocks Lines 1599999 through 1699999~~ As defined in the P&P Manual, there is not an NAIC Designation Modifier for investments reporting an NAIC Designation 6, therefore, the NAIC Designation Modifier field should be left blank. Refer to the P&P Manual for the application of these modifiers. SVO Administrative Symbol: ******Detail Eliminated to Conserve Space****** ~~The NAIC designation NAIC Designation Modifier and SVO Administrative Symbol field should be left blank for those Schedule BA investments that have not been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*.~~ The NAIC Designation Category is the combination of NAIC Designation and NAIC Designation Modifier. Valid combinations of NAIC Designation and NAIC Designation Modifier for NAIC Designation Category are shown below:	H, L/F, P/C, T	Annual

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Effective	Table Name	Description	Statement Type	Filing Type
2021	Schedule BA, Part 2	**CHANGE TO INSTRUCTION** Make the following edits to the Column 6 instructions to clarify lines where NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol are made. Column 6 – NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol This column must be completed for those investments included on Lines 0799999, 0899999, 1599999, 1699999 and ~~16~~4599999. For all other lines the column may be completed if the investment has an NAIC Designation received from the SVO or from an NAIC CRP. For ~~Schedule BA~~ the investments noted above ~~with the underlying characteristics of a bond or a preferred stock instrument~~, insert the appropriate combination of the NAIC Designation (1 through 6), NAIC Designation Modifier (A through G) and SVO Administrative Symbol. The list of valid SVO Administrative Symbols is shown below. ******Detail Eliminated to Conserve Space****** NAIC Designation Modifier: ~~The NAIC Designation Modifier should only be used for securities reported on the lines below if eligible to receive one, as defined in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual), otherwise, the field should be left blank.~~ • ~~Underlying Characteristics of Bonds Lines 0799999 through 0899999~~ • ~~Underlying Characteristics of Preferred Stocks Lines 1599999 through 1699999~~ As defined in the P&P Manual, there is not an NAIC Designation Modifier for investments reporting an NAIC Designation 6, therefore, the NAIC Designation Modifier field should be left blank. Refer to the P&P Manual for the application of these modifiers. SVO Administrative Symbol: ******Detail Eliminated to Conserve Space****** ~~The NAIC designation NAIC Designation Modifier and SVO Administrative Symbol field should be left blank for those Schedule BA investments that have not been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*.~~ The NAIC Designation Category is the combination of NAIC Designation and NAIC Designation Modifier. Valid combinations of NAIC Designation and NAIC Designation Modifier for NAIC Designation Category are shown below:	H, L/F, P/C, T	Quarterly

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Effective	Table Name	Description	Statement Type	Filing Type
2021	Analysis of Operations by Lines of Business – Individual Life Insurance	**CHANGE TO INSTRUCTION** The instruction for Column 5 is in conflict with adopted guidance for the Valuation Manual for PBR and the VM-20 Supplement. The change below removes that conflict. Column 5 – Indexed Life Exclude~~Include~~: Indexed universal life with secondary guarantees. Column 7 – Universal Life with Secondary Guarantees Include: Indexed universal life with secondary guarantees.	L/F	Annual
2021	Schedule D, Part 1	**CHANGE TO INSTRUCTION** Make the following addition to the instructions to Columns 27 and 28. Column 27 – Call Date Report the call date used to calculate the Effective Date of Maturity. If call date does not affect the Effective Date of Maturity field but exists, report the next call date. If there is no call date, leave blank. Column 28 – Call Price Report the call price used to calculate the Effective Date of Maturity. If call price does not affect the Effective Date of Maturity field but exists, report the next call price. If there is no call price, leave blank.	H, L/F, P/C, T	Annual
2021	Schedule Y, Part 1A	**CHANGE TO BLANK** Change Column 15 header description as shown below. Is an SCA Filing Required? (Yes/No)	H, L/F, P/C, T	Annual
2022	Schedule Y, Part 1A	**CHANGE TO BLANK** Change Column 15 header description as shown below. Is an SCA Filing Required? (Yes/No)	H, L/F, P/C, T	Quarterly

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Effective	Table Name	Description	Statement Type	Filing Type
2021	Schedule Y, Part 1A	**CHANGE TO INSTRUCTION** Change Column 15 instructions as shown below. Column 15 – Is an SCA Filing Required? (Yes/No) Answer ~~y~~Yes ~~(Y)~~ or ~~n~~No ~~(N)~~ if an SCA (Subsidiary, Controlled and Affiliated) SUB 1 (initial) or SUB 2 (annual) filing with the NAIC is required per *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* for the entity in Column 8.	H, L/F, P/C, T	Annual
2022	Schedule Y, Part 1A	**CHANGE TO INSTRUCTION** Change Column 15 instructions as shown below. Column 15 – Is an SCA Filing Required? (Yes/No) Answer ~~y~~Yes ~~(Y)~~ or ~~n~~No ~~(N)~~ if an SCA (Subsidiary, Controlled and Affiliated) SUB 1 (initial) or SUB 2 (annual) filing with the NAIC is required per *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* for the entity in Column 8.	H, L/F, P/C, T	Quarterly
2021	Analysis of Operations by Lines of Business – Summary	**CHANGE TO INSTRUCTION** Remove the crosscheck below. The count for group policies on the Life Insurance (state page) is policies not certificates as should be reported on the Analysis of Operations by Lines of Business – Summary page. Line 34 – Policies/Certificates in Force End of Year The number provided should be count of direct written policies/certificates in force at the end of the year. ~~The sum of Columns 2 and 3 should equal Line 23, Column 9 of Life Insurance (state page).~~	L/F	Annual

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