

**Statutory Accounting Principles (E) Working Group
Hearing Agenda
February 20, 2024**

ROLL CALL

Dale Bruggeman, Chair	Ohio	Judy Weaver/Steve Mayhew	Michigan
Kevin Clark, Vice Chair	Iowa	Doug Bartlett	New Hampshire
Sheila Travis/Richard Russell	Alabama	Bob Kasinow	New York
Kim Hudson	California	Diana Sherman	Pennsylvania
William Arfanis/Michael Estabrook	Connecticut	Jamie Walker	Texas
Rylynn Brown	Delaware	Doug Stolte/David Smith	Virginia
Cindy Andersen	Illinois	Amy Malm/Elena Vetrina	Wisconsin
Melissa Gibson/Stewart Guerin	Louisiana		

NAIC Support Staff: Julie Gann, Robin Marcotte, Jake Stultz, Jason Farr, Wil Oden

Note: This meeting will be recorded for subsequent use.

REVIEW of COMMENTS on EXPOSED ITEMS

The following items will be considered separately.

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2019-21 SSAP No. 21R (Julie)	SSAP No. 21R—Principles-Based Bond Project	1 – SSAP No. 21R	Comments Received	IP – 1

Summary:

During the 2023 Fall National Meeting, the Working Group exposed revisions to *SSAP No. 21R—Other Admitted Assets* to revise proposed accounting guidance for residuals. Although the initial focus of the revisions to SSAP No. 21R pertained to the inclusion of guidance for non-bond debt securities, as no comments were received on that section, no additional revisions were included from the 2023 Fall exposure.

The key revision for residuals was to incorporate a new measurement method that calculates an effective yield for the determination of interest income and Book/Adjusted Carrying Value (BACV). A practical expedient was also incorporated that allowed companies to utilize a “return of cost basis” approach, in which all cash flows reduce BACV with interest income not recognized until BACV was zero. The exposed revisions also provided guidance if a residual was to cease to be a residual interest and for assessing other-than-temporary impairment.

Since the exposure, NAIC staff have been working with a small group of industry on the proposed guidance. These revisions have again focused on the accounting for residuals and not the guidance for non-bond debt securities.

Interested Parties’ Comments:

Interested parties appreciate the robust dialogue between industry and regulators on this topic. The comments noted generally reflect common ground where industry and regulators are aligned around proposed guidance. We offer the following additional comments and anticipate that similar alignment may be found on several remaining topics.

The recently adopted guidance in SSAP No. 48 to clarify the reclassification of investments which are in nature residuals has raised an important measurement question. There may be cases where SSAP No. 48 investments, having followed equity method accounting for the accounting periods preceding 1-1-2025, have unrealized gains embedded in their transition-date carrying value. How does this fit within the effective yield method with a cap guidance which specifies that residual tranche investments shall not be accreted above initial cost? In order to support a transition which doesn't reverse amounts which were previously recognized, interested parties request that unrealized gains which were recognized prior to 1-1-2025 be included in the initial basis of the investment for purposes of applying the effective yield method with a cap. Should regulators agree with this approach, we would request transition guidance, and can share the nuances we have begun to think through as an industry group.

The question has arisen about whether audits will be required for some residual tranches, once they are no longer subject to SSAP No. 48 guidance for equity method investments, but rather subject to SSAP No. 21R guidance for residual tranche investments. Interested parties believe the legal form of a residual (e.g., LP/LLC form) should not drive the need for audited financial statements when the same accounting method would be applied to all residuals no matter what the legal form. Note that one of the primary purposes of the audit is to support measurement of an equity method investment, including the recording of equity method of accounting income amounts. Once that measurement method is replaced by residual tranche measurement guidance, our understanding is that the audit requirement would be discontinued, saving costs for companies and ultimately for policyholders, and we would like to clarify that understanding with regulators. Interested parties would also like to request that early adoption for year end 2024 reporting be allowed.

Interested parties generally did not understand the addition of paragraph 34, which lays out a rule base for designating a residual in cases where it no longer qualifies. Generally, interested parties are not aware of this circumstance and further are not against the default of leaving such an investment as a residual, which would have the benefit of likely being more conservative than any other treatment and would also prevent the need to create and monitor new policies and processes for a circumstance which would rarely occur.

Paragraph 35 currently states that discounted cash flows will be required as a step in the impairment process for residual tranches "under both methods described above." Given that the practical expedient – to use cost recovery – has been developed partly to offer companies an efficient process which generates a more conservative result, we request that for those companies electing the practical expedient, fair value may be used as the impairment value, rather than requiring a discounted cash flow also to be performed. This approach would be in line with the principle of the practical expedient, as it requires less analysis and is generally expected to result in a more conservative result.

In addition to these comments, interested parties passed on smaller editorial comments to NAIC staff which we have not repeated in this letter.

Recommendation:

NAIC staff recommend exposure of the revised SSAP No. 21R revised to reflect updates from interested parties' comments for a shortened exposure period ending March 7, 2024, to allow for possible adoption consideration during the Spring National Meeting. If additional time is needed, industry and regulators are requested to contact NAIC staff.

Furthermore, NAIC staff has proposed guidance to permit early adoption of the residual guidance as of Dec. 31, 2024, as requested by industry. NAIC staff recognizes that allowing early adoption would result with inconsistencies in the measurement method for residuals between companies that early adopt and those that do not. However, from prior review of the 2022 data and recognizing that residuals could be captured in a number of different SSAPs, with different measurement methods, NAIC staff believes that the measurement method of residuals is already inconsistent across companies. As such, early adoption likely would not create more differences than what has previously been noted. If this is not supported by regulators, NAIC can remove this provision before exposure.

The revisions to the proposed SSAP No. 21R are detailed in the summary within the attachment, but key aspects in response to the industry comments are noted below:

- 1) **Transition:** Transition guidance has been incorporated to specify how residuals that were previously accounted for under different SSAPs will move to the measurement guidance detailed upon the effective date of the updates to SSAP No. 21R. This guidance reflects a prospective measurement approach, with the reporting value as of Dec. 31, 2024, being used as the initial value under SSAP No. 21R application. With this guidance, residuals that were reported with unrealized gains and losses as of Dec. 31, 2024, would realize those gains/losses. (The same approach would also be used for companies that early adopt.)
- 2) **Admittance (Audits):** The guidance specifies that residuals shall follow the accounting and admittance guidance within SSAP No. 21R. As such, residuals that were in the form of a *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* investment would not be required to obtain an audit for admittance pursuant to the requirements of SSAP No. 48.
- 3) **Cease to be a Residual:** The revisions propose to delete the previously exposed guidance for reclassification when investments cease to meet the definition of a residual. NAIC staff agrees with interested parties’ comments that reclassification of investments causes logistical issues within the financial statements. As such, once classified as a residual, the investment will be reported as such until it is disposed of by the reporting entity.
- 4) **OTTI Guidance:** The revisions have incorporated OTTI guidance that addresses both the allowable earned yield method and the practical expedient. Under the proposed practical expedient guidance, anytime the residual has a fair value less than the reported BACV, an OTTI shall be considered to have occurred, and a realized loss equal to the difference between the fair value and the BACV shall be recognized.

In addition to revisions directly responding to the submitted comments, revisions have been proposed to pull in the definition of a residual and eliminate the reference to the guidance in *SSAP No. 43R—Loan-Backed and Structured Securities* and SSAP No. 48. There are also terminology updates (using a specifically defined amortized cost term for the allowable earned yield calculation) and other clarifying revisions.

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2023-16 Schedule BA SSAP No. 48 (Julie)	Schedule BA Reporting Categories	2 – Agenda Item 3 - Blanks Proposal	Comments Received	3 - IP

Summary:

During the 2023 Fall National Meeting, the Working Group exposed revisions, as suggested by interested parties, to further define the investments that should be captured in the different categories for the annual statement reporting lines applicable to investments within *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies*. **(This exposure proposed minor edits to the descriptions in the Annual Statement Instructions and did not propose any SSAP revisions.)**

NAIC staff highlights that there are a few different workstreams to revise Schedule BA, and the proposed revisions within this agenda item were originally focused on improving the definitions of the joint venture, partnership and LLC reporting lines only. The reporting line for non-registered private funds is proposed to be eliminated under the blank reporting changes exposed under 2023-12BWG. This is because non-registered private funds should be within the scope of SSAP No. 48 and reported in the lines specific to SSAP No. 48 investments. Industry originally opposed this elimination, and after further discussion with industry, it has been identified that items are being reported within

the non-registered private fund reporting lines that are not non-registered private funds. This is occurring as the non-registered private fund category permits reporting with SVO-Assigned designations to receive a more desirable RBC impact. This has been noted mostly to include various types of collateral loans (warehouse loans, intercompany {related party} loans, and loans that industry noted to be fully guaranteed by the U.S. government. **NAIC staff highlights that these investments do not reflect non-registered private funds, and the reporting within that category (and not within the reporting lines for collateral loans or non-collateral loans) has resulted in inaccurate data results and the misrepresentation of investments. This is particularly noted as collateral loans were discussed last year, and data results by reporting entity were pulled and made available to the regulators. With the information now known, it seems that some companies may have larger collateral loan balances but were reporting the information in a different category.**

The interested parties' comments on this agenda item exposed by SAPWG provide proposed changes on the underlying category of 'fixed income instruments' under the joint venture reporting line as well as proposed changes to the residual reporting line. The comments then refer to the prior reporting of loans within the non-registered private fund category and the need for further collaboration before the non-registered private fund category is eliminated.

NAIC staff highlights that the Blanks (E) Working Group exposure 2023-12BWG, has also received interested parties' comments. Specifically, the proposed interested parties' revisions received by the Blanks (E) Working Group included edits to clarify the descriptions consistent with this agenda item. However, the interested parties' proposed revisions to these descriptions could be interpreted to formalize the inclusion of non-SSAP No. 48 items in the joint venture, partnership and LLC reporting line with the underlying characteristics of bonds. Specifically, the interested parties' edits proposed to revise the description to include "investments that are engaged in bond strategies, investments with underlying collateral which include contractual principal and/or interest payments, excluding mortgage loans." Although these changes appear consistent with what was exposed in agenda item 2023-16, **NAIC staff has concerns with these edits suggested by industry for the Blanks proposal as these revisions would appear to permit debt securities that do not qualify as bonds as well as collateral loans to be reported within the SSAP No. 48 reporting line. If these interested parties' revisions were incorporated in the Blanks proposal as written, the Annual Statement Instructions would seem to allow investments in categories outside of the dedicated category.**

Pursuant to the SAP Statement of Concept for Consistency, regulators need meaningful and comparable financial information. If investments are permitted to be reported in various categories by reporting entity election, it becomes impossible to aggregate data for assessment and comparisons. Fundamentally, investments should be reported in the dedicated reporting line that pertains to the investment. To address this concern, and to still clarify the descriptions within the reporting lines, NAIC staff has proposed additional edits to the blanks proposal to clarify that items captured within the joint venture, partnership and LLC category shall be in scope of SSAP No. 48. With these NAIC edits, the interested parties' proposed changes are retained but with clarity that the guidance is only applicable for items in scope of SSAP No. 48. As detailed in agenda item 2023-28: Collateral Loans, NAIC is proposing more granular collateral loan reporting lines so reporting entities will report based on the underlying collateral that supports admittance.

As the Blanks (E) Working Group is not a policy making group, and as 2023-12BWG is sponsored by the SAPWG to incorporate revisions to Schedule BA for the bond project, NAIC staff has expanded the discussion of this agenda item to include the comments received by the Blanks (E) Working Group on agenda item 2023-12BWG. NAIC staff has also included a modified blanks proposal that incorporates revisions that consider the interested parties' comments and to further clarify the types of investments that should be captured in specific reporting lines.

Interested Parties' Comments – Comments to SAPWG on Agenda Item 2023-16

The Working Group exposed additional revisions to further define the investments captured on Schedule BA along with the continued proposal to combine non-registered private funds within the proposed reporting lines for joint ventures, partnerships, or limited liability companies. The Working Group also requested additional regulator and

industry feedback on whether more specificity is needed since the existing Schedule BA descriptions are fairly broad.

We continue to evaluate this exposure in conjunction with the sponsored item 2023-12BWG – *Schedule BA Reporting Categories*. Interested parties recommend clarifying language to provide consistency between 2023-12BWG and this exposure as highlighted below:

Joint Ventures, Partnership or Limited Liability Company Interests with Underlying Assets Having the Characteristics:

~~Fixed Income Instruments~~Bonds

Include: Investments with underlying collateral which include contractual principal and/or interest payments, excluding mortgage loans.

Investments on the NAIC List of Schedule BA Non-Registered Private Funds with Underlying Assets Having Characteristics of Bonds or Preferred Stock that have 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 shall be reported on Lines 1399999 and 1499999.~~Any investments deemed by the reporting entity to possess the underlying characteristics of fixed income instruments that has 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 for this category. Report these investments on Lines 1599999 and 1699999.~~

Any investments deemed by the reporting entity to possess the underlying characteristics of bonds 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 shall be reported on Lines 1599999 and 1699999. Designations received from an NAIC CRP are permitted to be reported but are not required and will have no impact on the risk-based capital factor.~~Any investments deemed by the reporting entity to possess the underlying characteristics of fixed income instruments that has 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 for this category. Report these investments on Lines 1799999 and 1899999.~~

Residual Tranches or Interests with Underlying Assets Having Characteristics of:

Investments in Residual Tranches or Interests should be assigned to the subcategory with the highest underlying asset concentration. There shouldn't be any bifurcation of the underlying assets among the subcategories.

Include: Residual tranches or interests from securitization tranches and beneficial interests as well as other structures captured in scope of SSAP No. 43R – ~~Loan-Backed and Structured Securities~~Asset-Backed Securities~~Investments in joint ventures, partnerships and limited liability companies captured in scope of SSAP No. 48 – Joint Ventures, Partnerships and Limited Liability Companies that represent residual interests or that predominantly hold residual interests.~~

Investments in joint ventures, partnerships and limited liability companies captured in scope of SSAP No. 48. – Joint Ventures, Partnerships and Limited Liability Companies that represent residual interests, or that predominantly hold residual interests.

Investments in the form of preferred stock or common stock that are, in substance, residual interests or a residual security tranche, as defined in SSAP No. 43R or SSAP No. 48.

Fixed Income InstrumentsBonds

Also, as a result of discussions between interested parties and NAIC staff on the ‘Non-Registered Private Funds’ category being eliminated and incorporated into the ‘Joint Venture, Partnership or Limited Liability Company Interests’ category, a new item has been exposed by the Working Group (Ref #2023-28) for Collateral Loan Reporting. We hope to collaborate with the NAIC staff on this new exposure to identify the proper reporting for certain warehousing loans that are currently reported in the “non-registered private funds” category and that are collateralized by specific assets. As discussed with NAIC staff, insurers are reporting other fixed income investments in this section of Schedule BA. Examples of such investments include structured settlement investments addressed in SSAP No. 21R – *Other Admitted Assets* that have obtained an NAIC designation, intercompany loans meeting admissibility requirements under SSAP No. 25 – *Affiliates and Other Related Parties* which have obtained an NAIC designation, and loans that are guaranteed by the full faith and credit of the U.S. government. Currently, the non-registered private funds section seems to be the only section of Schedule BA where insurers can report those types of investments. Accordingly, we believe that more work needs to be done to provide appropriate reporting for these types of investments before the removal of the non-registered private fund section. We look forward to collaborating with NAIC staff on this issue. Interested parties also believe that any accounting and reporting changes impacting these items should have a consistent effective date of January 1, 2025, to align with the Bond Project.

In addition, the Working Group made referrals (dated August 28, 2023) regarding ‘SAPWG Schedule BA Proposal for Non-Bond Debt Securities’ to the Valuation of Securities Task Force and Capital Adequacy Task Force. Interested parties have received comments indicating that certain reporting changes, in addition to the Non-Bond Debt Securities categories on Schedule BA, will have RBC risk factor impacts based on the new and revised reporting categories.

We believe a coordination of effort in updating the accounting, reporting, and RBC impacts is vital for changes to Schedule BA as part of the Bond Project.

Recommendation:

NAIC staff recommend that the Working Group expose this agenda item until April 19, 2024 and direct a modified SAPWG-sponsored blanks proposal (2023-12BWG) for exposure during the February 21, 2024 Blanks (E) Working Group conference call. (This proposed modified proposal is included as attachment 3.)

The following modifications are reflected after considering the interested parties’ comments:

- 1) **Statement that all investments shall be reported in the dedicated reporting line category.** Investments that do not fit within any specific reporting line shall be captured as an “Any Other Class of Asset.”
- 2) **Joint Venture, Partnership and Limited Liability Company Reporting Category:** The blanks proposal has been clarified to identify that investments captured within the joint venture, partnership or LLC reporting category shall be in scope of SSAP No. 48. With this clarification, the revisions proposed by industry to clarify the “underlying characteristics of bonds” subcategory to include “collateral that has contractual principal and/or interest payments, excluding mortgage loans,” as well as the other proposed industry descriptions for other subcategories, has been retained. One exception to the SSAP No. 48 restriction has been included to reference structured settlement payment rights in scope of SSAP No. 21R that have an SVO-Assigned designation. This inclusion is consistent with the guidance in SSAP No. 21R.
- 3) **Residual Reporting Category:** The proposal has been modified to refer to SSAP No. 21R for the residual definition, pursuant to agenda item 2019-21. As such, the proposed revisions offered by industry have not been reflected. Beginning Jan. 1, 2025, all residuals shall be captured in scope of SSAP No. 21R, regardless of the investment form.

Although the revisions include the interested parties’ proposal to clarify the description for items with underlying characteristics of bonds to include “investments with underlying collateral which include contractual principal and/or interest payments, excluding mortgage loans,” the NAIC staff revisions clarify that this description applies to SSAP No. 48 investments only. NAIC staff notes that not including the SSAP No. 48 clarification could lead to interpretations that the guidance is intended to permit non-bond debt securities and collateral loans to be reported in these reporting lines. If this was to occur, the reporting would hinder NAIC data users’ ability to aggregate and correctly identify investment data. Items not in scope of SSAP No. 48 shall be reported in other designated categories. For example, loans shall be reported in either the collateral or non-collateral loan reporting lines. As discussed in agenda item 2023-28 (below), a separate blanks proposal is proposed to expand the reporting for collateral loans.

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2023-28 Schedule BA SSAP No. 21R	Collateral Loan Reporting	4 – Agenda Item	Comments Received	5 - IP

Summary:

During the 2023 Fall National Meeting, the Working Group exposed revisions to incorporate a new disclosure to SSAP No. 21R for initial reporting (and data-captured) for year-end 2024 and to expand the reporting lines on Schedule BA to separate collateral loans by the type of collateral that secures the loan. With the exposure, comments were specifically requested on whether any of the proposed reporting lines should be combined.

Interested Parties’ Comments:

Interested parties appreciate the opportunity to comment on proposed expansion of collateral reporting categories. In response to the exposure we have suggested a combination of certain subcategories with the aim of reducing the volume of reporting lines to the lowest reasonable level. These comments are intended to apply to both BA category structure as well as to disclosure requirements.

Collateral Type
Cash, Cash Equivalents & ST Investments
Bonds (ICO & ABS)
Asset Backed Securities
Preferred Stocks
Common Stocks
Real Estate
Mortgage Loans
Joint Ventures, Partnerships, LLC
Subsidiary, Affiliated and Controlled Entities
Other Qualifying Investments
Collateral Does not Qualify as an Investment

Interested parties agree that the purpose of this initiative is to increase the clarity of statutory reporting rather than to impact required capital and the AVR. We are primarily concerned that certain investments which may be re-categorized as a result of this clarification will have unintended capital impacts unless AVR and RBC mapping is also updated. If new mapping is needed, as it appears to be in the case of at least one asset class, we request that Blanks and RBC IRE updates are adopted and effective in the same reporting period as the Working Group updates. Interested parties stand ready to engage in proposed mapping updates through the AVR and RBC, with the aim that no unintended capital changes result from the collateral loan topic adoption.

We believe that any accounting and reporting changes impacting these items should have an effective date of January 1, 2025, consistent with other BA category changes related to Principle Based Bond Project.

Recommendation:

NAIC staff has divided the recommendations to separate consideration of the data-captured disclosure and the proposed reporting line changes to Schedule BA.

- 1) Disclosure - NAIC staff recommend that the Working Group adopt the exposed disclosure revisions to SSAP No. 21R and sponsor a blanks proposal to data-capture the information for year-end 2024. Although industry has suggested combining reporting categories consistently between the reporting lines and the disclosure, NAIC staff suggests maintaining the enhanced granularity within the disclosure, to avoid duplicate reporting between the disclosure and the reporting lines, and to have aggregate information for the underlying collateral on all possible collateral types. The disclosure is detailed in the agenda item, but the illustration is duplicated below for ease of reference:**

Proposed Data-Captured Disclosure:

Aggregate Collateral Loans by Qualifying Investment Collateral:

Collateral Type	Aggregate Collateral Loan	Admitted	Nonadmitted
Cash, Cash Equivalents & ST Investments			
Bonds			
Asset-Backed Securities			
Preferred Stocks			
Common Stocks			
Real Estate			
Mortgage Loans			
Joint Ventures, Partnerships, LLC			
Subsidiary, Affiliated and Controlled Entities			
Other Qualifying Investments			
Collateral Does not Qualify as an Investment			
<i>Total</i>			

Pursuant to SSAP No. 21R, nonadmittance of a collateral loan is required when the fair value of the collateral is not sufficient to cover the collateral loan or if the collateral securing the loan is not a qualifying investment. This includes situations in which collateral in the form of joint ventures, partnerships, LLCs or SCAs is not supported by an audit as required by SSAP No. 48 or SSAP No. 97.

The other qualifying investment category shall only be used to capture collateral loans secured by collateral in the form of contract loans, derivatives, other invested assets not separately reported, receivables for securities, securities lending and any investments that would qualify as a write-in for invested assets. All collateral loans secured by collateral that do not qualify as an investment are required to be nonadmitted under SSAP No. 21R.

- 2) Schedule BA Reporting Lines - NAIC staff recommend that the Working Group expose proposed reporting lines to Schedule BA for collateral loans with a comment deadline of April 19, 2024. Although this agenda item does not contain AVR reporting revisions, the Working Group is specifically requesting feedback from industry and regulators on whether collateral loans backed by certain types of collateral should flow differently through AVR for RBC impact. NAIC staff recommends a referral to the Life Risk-Based Capital Working Group on the proposed reporting lines, and to specifically request feedback on AVR mapping for RBC purposes.**

NAIC staff has noted that collateral loans do not currently flow through AVR. From historical tracking, due to a 1990 intercompany survey, it was identified that collateral loans (along with premium notes, write-ins and policy loans) were very small risks and a small proportion of total portfolio value. Collateral loans were originally captured on Schedule C, and when that schedule was eliminated and loans were moved to Schedule BA, they did not proceed with incorporating an AVR change. Currently, all collateral loans for all lines of business are reported on a single ‘collateral loan’ reporting line in the RBC formula and receive a 0.6080 RBC factor charge. As reporting entities are currently reporting certain loans in the “non-registered private fund” line for them to run through AVR, as the size and impact of collateral loans has increased significantly across reporting entities, and as collateral loans are the only item captured on Schedule BA that does not run through AVR, this agenda item introduces the potential for industry and regulators to consider revisions to this historical treatment with the request for comments on whether collateral loans backed by certain types of collateral should flow through AVR for RBC impact.

NAIC staff notes that in the comments for agenda item 2023-16, interested parties are also reporting certain non-collateral loans in the “non-registered private fund” reporting lines. With the proposed elimination of the non-registered private fund category, revisions have been proposed to further breakdown the non-collateral loan category to separate related party loans from all other non-collateral loans. Comments are also welcome on whether these items should have more reporting line categories.

NOTE: If discussion on AVR mapping is supported per the request for comments, it would only impact life entities. The reporting lines for collateral loans on Schedule BA would be applicable for all lines of business, but p/c and health entities would continue to aggregate all collateral loans into a one-line reporting in the RBC formula until/unless the respective RBC groups elect to separately report collateral loans based on the underlying collateral for RBC factor purposes.

Proposed Schedule BA Reporting Changes:

(Tracking shows changes from the prior exposure.)

Collateral Loans – Reported by Qualifying Investment Collateral that Secures the Loan

~~Cash, Cash Equivalent & Short Term Investments (SSAP No. 2R)~~

~~Unaffiliated.....~~
~~Affiliated.....~~

Bonds and Asset-Backed Securities (SSAP No. 26R & SSAP No. 43R)

Unaffiliated.....
 Affiliated.....

~~Asset Backed Securities (SSAP No. 43R)~~

~~Unaffiliated.....~~
~~Affiliated.....~~

Preferred Stocks (SSAP No. 32R)

Unaffiliated.....
 Affiliated.....

Common Stocks (SSAP No. 30R)

Unaffiliated.....
 Affiliated.....

Mortgage Loans (SSAP No. 37R)

Unaffiliated.....
 Affiliated.....

Real Estate (SSAP No. 40R)
Unaffiliated.....
Affiliated.....

Joint Venture, Partnerships or Limited Liability Companies (SSAP No. 48)
Fixed Income Investments (Unaffiliated)
Fixed Income Investments (Affiliated)

Common Stocks (Unaffiliated)
Common Stocks (Affiliated)

Real Estate (Unaffiliated)
Real Estate (Affiliated)

Mortgage Loans (Unaffiliated)
Mortgage Loans (Affiliated)

Other (Unaffiliated)
Other (Affiliated)
Unaffiliated.....
Affiliated.....

~~Subsidiary, Controlled or Affiliated Investment (SSAP No. 97)~~
~~Unaffiliated.....~~
~~Affiliated.....~~

Other ~~Qualifying~~ Investment Category
Cash, Cash Equivalent and Short-Term Investments (Unaffiliated)
Cash, Cash Equivalent and Short-Term Investments (Affiliated)

Other Long-Term Invested Assets (Unaffiliated)
Other Long-Term Invested Assets (Affiliated)
Unaffiliated.....
Affiliated.....

~~Collateral Does Not Qualify as an Investment~~
~~Unaffiliated.....~~
~~Affiliated.....~~

Non-Collateral Loans

Related Party / Affiliated Loans
All Other Non-Collateral Loans
Unaffiliated.....
Affiliated.....

The comment letters are included in Attachment 5 (7 pages).

Any Other Matters

a. Referral from Life Risk-Based Capital (E) Working Group (Julie – Attachment 6 and 7)

On Jan. 25, 2024, the Life Risk-Based Capital (E) Working Group directed a referral to the Statutory Accounting Principles (E) Working Group and the Capital Adequacy (E) Task Force regarding repurchase transactions. As detailed in the referral, the Life Risk-Based Capital (E) Working Group exposed for public comment a proposal from the ACLI to modify the treatment of repurchase agreements (repos) in the life RBC formula to mirror treatment of certain security lending arrangements. The referral requests consideration by the SAPWG on the accounting and reporting aspects of the proposal. NAIC staff has reviewed the proposal and noted accounting differences between repurchase agreements and security lending programs.

NAIC staff recommend that the Working Group receive the referral and direct an immediate response to the LRBCWG as detailed in attachment 7. In summary, this response requests that consideration on the proposal be deferred to allow assessment and convergence consideration of accounting and reporting requirements for securities lending and repurchase agreements.

NAIC staff then recommend that the Working Group direct an agenda item that assesses potential revisions to *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, as well as potential corresponding reporting changes (e.g., Schedule DL, General Interrogatories and A/S instructions) to ensure consistent accounting and reporting between repos and security lending arrangements. If directed, NAIC staff will proceed as timely as possible and will keep the LRBCWG informed of discussions and progress as this topic is considered.

This response identifies the following key aspects:

- 1) Statutory accounting and reporting for repurchase agreements and securities lending transactions are currently different, particularly with collateral reporting on Schedule DL, as that schedule only includes securities lending collateral.
- 2) Blanks reporting revisions would be required to incorporate a new general interrogatory for reporting entities to capture repurchase collateral from conforming programs.
- 3) The guidance to complete the current securities lending conforming program is captured in the RBC instructions, and this guidance should be included in the Annual State instructions to ensure preparers have the information to properly classify programs.
- 4) As very few reporting entities report any securities lending collateral as part of a nonconforming program, it appears there is interpretation differences on whether the “acceptable collateral” requirements only encompass collateral received and not what the reporting entity currently holds due to reinvestment. Further, the guidance for conforming and nonconforming programs was incorporated before the great financial crisis and significant changes to accounting and reporting were incorporated because of how securities lending impacted certain entities during the crisis. Consideration of the current accounting and reporting requirements interacts with the conforming program requirements may want to be assessed before expanding the concepts to repurchase agreements.

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2024/02-20-24/00-SAPWG Hearing Agenda.docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2024/02-20-24/00-SAPWGHearingAgenda.docx)

Proposed Revisions to SSAP No. 21R – Feb. 20, 2024 Conference Call

Summary of Revisions:

1. Paragraphs 21, 22, 24 and 24: Minor clarifying / corresponding edits.
2. Paragraphs 28-29: Revisions bring in the adopted residual definition from SSAP No. 43R and SSAP No. 48. The last sentence in paragraph 29 is new and specifically addresses residuals: “Additionally, it would be expected that the equity position in an ABS Issuer, as defined in SSAP 26R, would be classified as a residual tranche.”
3. Paragraph 30: Revisions eliminate the descriptions and SSAP locations for the definition of residuals and specify that residuals, per the paragraph 28-29 definition, shall be accounted and reported in accordance with the guidance in SSAP No. 21R.
4. Paragraphs 31: Revisions replace “securitization” with “structure” to broadly reference all residuals that could be captured within the guidance.
5. Paragraph 32: Revisions clarify that residuals shall either be accounted for 1) at the lower amortized cost or fair value, with amortized cost calculated under the allowable earned yield method, or 2) under the practical expedient method, which reflects a return of principal concept.
6. Paragraphs 33 & 34: Revisions reflect terminology changes, to refer to the allowable earned yield method as amortized cost rather than BACV.
7. Paragraph 34 (Deleted): Revisions eliminate the guidance that directed reclassification of residual tranches to other SSAPs / reporting schedules in situations when residual tranches cease to meet the definition of a residual tranche. (For example, in situations in which the senior debt has been repaid.) It is not customary to reclassify investments under statutory accounting principles, and in speaking with interested party representatives, any such situations are likely not to be material and will not continue for extended periods of time. As the reclassification would introduce a number of financial statement reporting questions (as the residual would have to be disposed and then reacquired on the subsequent schedule) and as investment classification generally only occurs at acquisition, the guidance has been eliminated. With this deletion, if a residual is classified as a residual, it would remain with that classification and follow the SSAP No. 21R guidance until it is disposed by the reporting entity.
8. Paragraph 36: Revisions separate the OTTI calculation between those items measured at the allowable earned yield method and those that follow the practical expedient. (The original guidance would have required those companies that follow the practical expedient to calculate the allowable earned yield for determining OTTI, which would defeat the purpose of selecting the practical expedient.) Revisions then clarify terminology to reference amortized cost for the allowable earned yield method and BACV for OTTI under the practical expedient.
9. Paragraph 37: Revisions incorporate transition guidance for residuals that were accounted for under a different SSAP as of December 31, 2024. The transition guidance addresses situations in which the residual was previously accounted for at the lower of amortized cost or fair value as well as situations in which the residuals were previously accounted for at equity value or fair value.
10. Paragraph 41: Revisions prescribe the Jan. 1, 2025, effective date, permitting early application of the residual guidance.

SSAP No. 21R—Other Admitted Assets

Debt Securities That Do Not Qualify as Bonds

20. The guidance within paragraphs 20-28 of this statement shall apply for any security, as defined in *SSAP No. 26R—Bonds*, whereby there is a fixed schedule for one or more future payments (referred to herein as debt securities), but for which the security does not qualify for bond reporting under SSAP No. 26R as an issuer credit obligation or an asset backed security. Investments in scope of this guidance are limited to:

- a. Debt securities for which the investment does not reflect a creditor relationship in substance.
- b. Debt securities that do not qualify for bond reporting due to a lack of substantive credit enhancement.
- c. Debt securities that do not qualify for bond reporting due solely to a lack of meaningful cash flows.

21. Debt securities as described in this statement meet the definition of assets as defined in SSAP [No. 4](#) and are admitted assets to the extent they conform to the requirements of this statement. The guidance in these paragraphs shall not be inferred to other securities or investment structures that are not otherwise addressed in statutory accounting, nor shall it be applied to any investments that are captured within other statutory accounting guidance.

22. Debt securities in scope of this standard that do not qualify as bonds under SSAP No. 26R and for which the primary source of repayment is derived through rights to underlying collateral, qualify as admitted assets if the underlying collateral primarily qualify as admitted invested assets. As detailed in paragraph 29, in the section pertaining to residual tranches, any residual tranches or first loss positions held from the same securitization that did not ~~quality-qualify~~ [as admitted assets](#) to the extent the underlying collateral primarily qualifies as admitted invested assets.

23. Debt securities in scope of this statement shall be initially reported at acquisition at cost, including brokerage and other related fees on *Schedule BA: Other Long-Term Invested Assets*.

24. Debt securities captured in scope [of this statement](#) shall be reported at the lower of amortized cost or fair value. Changes in measurement to reflect a lower value or to reflect changes in fair value shall be recorded as unrealized gains or losses.

25. Debt securities that do not qualify as bonds in the scope of this statement shall follow the guidance in *SSAP No. 43R—Asset-Backed Securities* for calculating amortized cost, for determining and recognizing other-than-temporary impairments and for allocating unrealized and realized gains and losses between the asset valuation reserve (AVR) and interest maintenance reserve (IMR).

26. Investment income shall be recorded, with assessments for collectability and nonadmittance completed and recognized, pursuant to *SSAP No. 34—Investment Income Due and Accrued*.

27. Securities captured within this section shall be included in all invested asset disclosures, along with the following disclosures:

- a. Fair values in accordance with *SSAP No. 100R—Fair Value*.
- a. Concentrations of credit risk in accordance with SSAP No. 27;

- b. Basis at which the securities are stated;
- c. The adjustment methodology used for each type of security (prospective or retrospective);
- d. Descriptions of sources used to determine prepayment assumptions.
- e. All securities within the scope of this statement with a recognized other-than-temporary impairment, disclosed in the aggregate, classified on the basis for the other-than-temporary impairment: (1) intent to sell, (2) inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis, or (3) present value of cash flows expected to be collected is less than the amortized cost basis of the security.
- f. For each security with an other-than-temporary impairment, recognized in the current reporting period by the reporting entity, as the present value of cash flows expected to be collected is less than the amortized cost basis of the securities:
 - i. The amortized cost basis, prior to any current-period other-than-temporary impairment.
 - ii. The other-than-temporary impairment recognized in earnings as a realized loss.
 - iii. The fair value of the security.
 - iv. The amortized cost basis after the current-period other-than-temporary impairment.
- g. All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):
 - v. The aggregate amount of unrealized losses (that is, the amount by which cost or amortized cost exceeds fair value) and
 - vi. The aggregate related fair value of securities with unrealized losses.
- h. The disclosures in (i) and (ii) above should be segregated by those securities that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 months or longer using fair values determined in accordance with SSAP No. 100R.
- i. Additional information should be included describing the general categories of information that the investor considered in reaching the conclusion that the impairments are not other-than-temporary.
- j. When it is not practicable to estimate fair value, the investor should disclose the following additional information, if applicable:
 - i. The aggregate carrying value of the investments not evaluated for impairment, and
 - ii. The circumstances that may have a significant adverse effect on the fair value.

- k. 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.

Residual Tranches or Interests / Loss Positions

28. A residual interest or a residual security tranche (collectively referred to as residuals) exists in investment structures that issue one or more classes of debt securities created for the primary purpose of raising debt capital backed by collateral assets. The primary source of debt repayment is derived through rights to the cash flows of a discrete pool of collateral assets. These designs could be backed directly or indirectly through a feeder fund. The collateral assets generate cash flows that provide interest and principal payments to debt holders through a contractually prescribed distribution methodology (e.g., waterfall dictating the order and application of all collateral cash flows). Once those contractual requirements are met, the remaining cash flows generated by (or with the sale of) the collateral assets are provided to the holder of the residual security/residual interest holder. When an asset within the discrete pool of assets does not perform as expected, it impacts the extent to which cash flows will be generated and distributed. The residual holders in the structure continue to receive payments from the collateral so long as there are cash flows in excess of the debt obligations. The payments to the residual holder may vary significantly, both in timing and amount, based on the underlying collateral performance.

29. The structural design of a residual interest or residual security tranche can vary, but the overall concept is that they receive the remaining cash flows after all debt holders receive contractual interest and principal payments. Determining whether an investment in a structure reflects a residual interest or tranche shall be based on the substance of the investment held rather than its legal form. Common characteristics of residual interests/residual security tranches include the items noted below, but the presence or absence of any of these factors should not be definitive in determination. Classification as a residual should be based on the substance of the investment and how cash flows to the holder are determined. Additionally, it would be expected that the equity position in an ABS Issuer, as defined in SSAP 26R, would be classified as a residual tranche.

- a. Residuals often do not have contractual principal or interest.
- b. Residuals may be structured with terms that appear to be stated principal or interest but that lack substance, and result in receiving the residual cash flows of the underlying collateral. The terms allow for significant variation in the timing and amount of cash flows without triggering a default of the structure.
- c. Residuals do not have credit ratings or NAIC assigned designations. Rather, they are first loss positions that provide subordination to support the credit quality of the typically rated debt tranches.
- d. Residuals may provide payment throughout the investment duration (and not just at maturity), but the payments received continue to reflect the residual amount permitted after debt tranche holders receive contractual principal and interest payments.
- e. Frequently, there are contractual triggers that divert cash flows from the residual holders to the debt tranches if the structure becomes stressed.

~~28.30. Residual tranches or interests from securitization tranches, beneficial interests and loss positions as defined in SSAP No. 43R and SSAP No. 48— Joint Ventures, Partnerships and Limited Liability Companies (which are collectively referred to as residuals), do not qualify for bond reporting. Residuals shall follow~~

[the accounting and admittance guidance within this statement](#) and are required to be reported on Schedule BA: Other Long-Term Invested Assets.

~~29-31.~~ As stated in paragraph 22, residuals are permitted to be admitted assets if debt securities from the same ~~securitization structure~~ qualify (or would qualify) as admitted assets. If the debt security from a ~~securitization structure~~ is (or would be) nonadmitted due to the requirements under paragraph 22, then any residual interests or first loss positions held from the same ~~structure securitization~~ also do not qualify as admitted assets and shall be reported as nonadmitted assets.

~~30-32.~~ Residuals shall be initially reported at cost, or allocated cost (using proportional fair values if acquired along with debt tranches from the securitization). Subsequent to initial acquisition, residuals shall be reported at [either 1\) the lower of amortized cost](#) ~~book adjusted carrying value (BACV) or fair value under the Allowable Earned Yield method~~ detailed in paragraphs ~~31-32~~ [33-34](#) ~~or fair value~~, with temporary reductions in fair value reported as an unrealized loss, [or 2\) at the calculated practical expedient method detailed in paragraph 35.](#)

~~31-33.~~ ~~BACV~~ [For purposes of this statement for residuals only, amortized cost shall be](#) ~~is~~ defined as the cost to acquire the residual reduced for distributions in excess of the Allowable Earned Yield and other-then-temporary impairments (OTTI). The Allowable Earned Yield shall be established at acquisition as the discount rate that equates the initial best estimate of the residual's cash flows to its acquisition cost. The Allowable Earned Yield is not to be updated after acquisition.

~~32-34.~~ Interest income shall be recorded under the effective yield method using the Allowable Earned Yield, capped by the amount of cash distributions received. To the extent that the Allowable Earned Yield, [applied to the current amortized cost](#), exceeds the cash distributions received, such unrecognized interest income may be carried forward to future periods to be recognized when sufficient cash distributions are received. To the extent cash distributions exceed the Allowable Earned Yield (including any unrecognized interest carried forward), ~~BACV~~ [the amortized cost](#) shall be reduced by the excess. As a result of this method, the ~~BACV amortized cost of residuals~~ shall not be increased unless there is a subsequent investment (i.e., an additional purchase with additional consideration remitted).

~~33-35.~~ Reporting entities may elect a practical expedient in lieu of the Allowable Earned Yield detailed in paragraphs ~~33-34~~ [31-32](#) and calculate [Book/Adjusted Carrying Value \(BACV\)](#) such that all distributions received are treated as a reduction in BACV. With this approach, the reporting entity will not recognize any interest or investment income until the residual tranche has a BACV of zero. Once the residual has a zero BACV, distributions received shall be recognized as interest income.

- a. Reporting entities applying the practical expedient shall continue to report residuals on Schedule BA, including those with a zero BACV. Any subsequent distributions shall be reported as interest income until the structure matures/terminates, is unwound, or no longer meets the definition of a residual.
- b. Reporting entities are required to apply the practical expedient to all residuals held.
- c. Reporting entities that wish to discontinue use of the practical expedient approach and move towards the ~~a~~Allowable ~~E~~arned ~~y~~ield method are required to specify and disclose an explicit transition date, and only apply the ~~a~~Allowable ~~e~~arned ~~y~~ield method to residuals acquired after that date. Residuals held prior to the [disclosed accounting method](#) transition date shall continue to follow the practical expedient until those residuals mature/terminate, [or](#) are unwound ~~or no longer meet the definition of a residual.~~

~~34. In situations where the residual structure ceases to meet the definition of a residual tranche (i.e., when all senior debt has been repaid), and the investment structure is expected to continue for more than a year (12 months), the investment shall be reclassified and accounted for prospectively in the scope of whichever SSAP applies.~~

- ~~a. Although it will be determined based on the structure of the resulting investments, presumably, at the time a structure ceases to reflect a residual, it will likely be considered a debt security that does not qualify as a bond or an equity investment in scope of SSAP No. 48 Joint Ventures, Partnerships and Limited Liability Companies.~~
- ~~b. Reporting entities are not required to reclassify an investment if the resulting structure is unwound within 12 months of the senior debt being repaid.~~

36. Residuals (under both methods described above) shall be assessed for other-than-temporary impairment (OTTI) on an ongoing basis, with required assessment anytime that fair value is less than the reported value.

- a. For residuals measured using the Allowable Earned Yield method, as detailed in paragraphs 33-34, an OTTI shall be considered to have occurred if the present value of expected cash flows discounted by the Allowable Earned Yield, is less than the BACV amortized cost. Upon identification of an OTTI, the reporting entity shall recognize a realized loss equal to the difference between the BACV amortized cost and the present value of expected cash flows, with the present value of expected cash flows becoming the new BACV amortized cost to which the Allowable Earned Yield is applied. After the OTTI is recognized, distributions received from the residual shall continue to be recorded in accordance with paragraphs 31-3333-34. Subsequent recoveries in cash flows shall not result in increases to the BACV amortized cost.
- e.b. For residuals measured under the practical expedient, as detailed in paragraph 35, an OTTI shall be considered to have occurred if the fair value of the residual is less than the BACV. The reporting entity shall recognize a realized loss equal to the difference between the fair value and the BACV, with the fair value becoming the new BACV. After the OTTI is recognized, distributions received from the residual shall continue to be recorded in accordance with paragraph 33. Subsequent recoveries in cash flows shall not result in increases to the BACV.

37. Residuals recognized on Schedule BA as of December 31, 2024 and accounted for under a different SSAP, shall follow the following measurement transition guidance as of January 1, 2025:

- a. Reporting entity shall determine whether they will follow the Allowable Earned Yield method detailed in paragraphs 33-34, or the practical expedient detailed in paragraph 35, for all residuals.
- b. Residuals previously accounted for under SSAP No. 26R or SSAP No. 43R shall prospectively apply the Allowable Earned Yield measurement method elected under this Statement using the amortized cost as of December 31, 2024 as the starting point in the calculation. Residuals that will follow the practical expedient shall be recognized on January 1, 2025 at the lower of amortized cost or fair value as of December 31, 2024, realizing any unrealized loss existing at that date.
- c. Residuals reported under the equity method or fair value as of December 31, 2024 (as they were previously captured in scope of SSAP No. 30R, 32R or 48) with unrealized gains or losses recognized, shall recognize any unrealized position as realized, with the reported value as of December 31, 2024 becoming the January 1, 2025 cost basis for subsequent measurement under this statement.

Effective Date and Transition

~~4022~~. 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 guidance for structured settlements when the reporting entity acquires the legal right to receive payments is effective December 31, 2018.

41. Revisions adopted, to add guidance for “Debt Securities That Do Not Qualify as Bonds” and for “Residual Tranches or Interests / Loss Positions” are initially effective Jan. 1, 2025, to correspond with the effective date of the principles-based bond definition. The guidance for residual tranches is permitted for early application. Reporting entities that apply this guidance in 2024 shall continue to follow the transition guidance in paragraph 37 using the modified dates that correspond to the reporting entity’s application date.

<https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2024/02-20-24/1-SSAPNo.21R-2-1-24.docx>

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

Issue: Schedule BA Reporting Categories

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New Issue or SSAP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Description of Issue: This agenda item has been developed to incorporate more detailed definitions for the annual statement reporting categories of *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* (SSAP No. 48) and residual interests on Schedule BA: Other Long-Term Invested Assets. These investments are reported on designated lines divided by the reporting entity’s classification as to the underlying asset characteristics:

- Bonds / Fixed-Income Instruments*
- Common Stocks
- Real Estate
- Mortgage Loans
- Other

** Bonds / fixed-income instruments reported in scope of SSAP No. 48 as non-registered private funds, joint ventures, partnerships, or limited liability companies is divided between investments that have an NAIC designation assigned by the SVO and those that do not have an NAIC designation assigned by the SVO.*

The recent residual discussions have further identified that variations exist across industry on the types of investments that should be captured within each category. It has also been noted that the Annual Statement Instructions are limited with guidance and examples for determining reporting classification.

This agenda item has been drafted to propose revisions to the reporting category descriptions in the Annual Statement Instructions to improve consistency in reporting for both ease of industry classifications and for regulator assessment of the type and volume of investment types. The proposed revisions from the Statutory Accounting Principles (E) Working Group will be used to sponsor a blanks annual statement instruction change. The revisions within this agenda item will not result in statutory accounting revisions.

Existing Authoritative Literature:

A/S Instructions – Life, Accident and Health / Fraternal Companies

Reporting Categories on Schedule BA:

Non-Registered Private Funds with Underlying Assets Having Characteristics of:

Bonds

NAIC Designation Assigned by the Securities Valuation Office (SVO)	
Unaffiliated.....	0799999
Affiliated.....	0899999
NAIC Designation Not Assigned by the Securities Valuation Office (SVO)	
Unaffiliated.....	0999999
Affiliated.....	1099999

Mortgage Loans

	Unaffiliated.....	1199999
	Affiliated.....	1299999
Other Fixed Income Instruments		
	Unaffiliated.....	1399999
	Affiliated.....	1499999

Joint Venture, Partnership or Limited Liability Company Interests with Underlying Assets Having the Characteristics of:

Fixed Income Instruments		
NAIC Designation Assigned by the Securities Valuation Office (SVO)		
	Unaffiliated.....	1599999
	Affiliated.....	1699999
NAIC Designation Not Assigned by the Securities Valuation Office (SVO)		
	Unaffiliated.....	1799999
	Affiliated.....	1899999
Common Stocks		
	Unaffiliated.....	1999999
	Affiliated.....	2099999
Real Estate		
	Unaffiliated.....	2199999
	Affiliated.....	2299999
Mortgage Loans		
	Unaffiliated.....	2399999
	Affiliated.....	2499999
Other		
	Unaffiliated.....	2599999
	Affiliated.....	2699999

Residual Tranches or Interests with Underlying Assets Having Characteristics of:

Fixed Income Instruments		
	Unaffiliated.....	4699999
	Affiliated.....	4799999
Common Stock		
	Unaffiliated.....	4899999
	Affiliated.....	4999999
Preferred Stock		
	Unaffiliated.....	5099999
	Affiliated.....	5199999
Real Estate		
	Unaffiliated.....	5299999
	Affiliated.....	5399999
Mortgage Loans		
	Unaffiliated.....	5499999
	Affiliated.....	5599999
Other		
	Unaffiliated.....	5699999
	Affiliated.....	5799999

Schedule BA Classification Instructions / Guidance:

Non-Registered Private Funds with Underlying Assets Having Characteristics of a Bond, Mortgage Loan or Other Fixed Income Instrument

Include: Fixed income instruments that are not corporate or governmental unit obligations (Schedule D) or secured by real property (Schedule B).

Any investments deemed by the reporting entity to possess the underlying characteristics of a bond or other fixed income instrument that has 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* for this category. Report these investments on Lines 0799999 and 0899999.

Any investments deemed by the reporting entity to possess the underlying characteristics of a bond or other fixed income investment that has 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* for this category. Report these investments on Lines 0999999, 1099999, 1199999, 1299999, 1399999 and 1499999.

Joint Ventures, Partnership or Limited Liability Company Interests with Underlying Assets Having the Characteristics:

Fixed Income Instruments

Include: Leveraged Buy-out Fund.

A fund investing in the “Z” strip of Collateralized Mortgage Obligations.

Any investments deemed by the reporting entity to possess the underlying characteristics of fixed income instruments that has 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* for this category. Report these investments on Lines 1599999 and 1699999.

Any investments deemed by the reporting entity to possess the underlying characteristics of fixed income instruments that has 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* for this category. Report these investments on Lines 1799999 and 1899999.

Common Stocks

Include: Venture Capital Funds.

Real Estate

Include: Real estate development interest. Reporting should be consistent with the detailed property analysis appropriate for the corresponding risk-based capital factor for this investment category. If the requisite details are not available for reporting, report under “Other” subcategory.

Mortgage Loans

Include: Mortgage obligations. Reporting should be consistent with the detailed property analysis appropriate for the corresponding risk-based capital factor for this investment category. If the requisite details are not available for reporting, report under “Other” subcategory.

Other

Include: Limited partnership interests in oil and gas production.

Forest product partnerships.

Investments within the Joint Venture and Partnership Interests category that do not qualify for inclusion in the “Fixed Income Instruments,” “Common Stocks,” “Real Estate” or “Mortgage Loans” subcategories.

Reporting should be consistent with the corresponding risk-based capital factor for this investment category (i.e., Other Long-Term Assets).

Residual Tranches or Interests with Underlying Assets Having Characteristics of:

Investment in Residual Tranches or Interests should be assigned to the subcategory with the highest underlying asset concentration. There shouldn't be any bifurcation of the underlying assets among the subcategories.

Include: Residual tranches or interests captures securitization tranches and beneficial interests as well as other structures captured in scope of *SSAP No. 43R – Loan-Backed and Structured Securities*, that reflect loss layers without any contractual payments, whether interest or principal, or both. Payments to holders of these investments occur after contractual interest and principal payments have been made to other tranches or interests and are based on the remaining available funds. See *SSAP No. 43R* for accounting guidance.

Fixed Income Instruments

Include: Investments with underlying collateral which, if held individually, would be reported on *Schedule D – Part 1 – Long-Term Bonds*

Common Stocks

Include: Investments with underlying collateral which, if held individually, would be reported on *Schedule D – Part 2 – Section 2 – Common Stocks*

Preferred Stocks

Include: Investments with underlying collateral which, if held individually, would be reported on *Schedule D – Part 2 – Section 1 – Preferred Stocks*

Real Estate

Include: Investments with underlying collateral which, if held individually, would be reported on *Schedule A – Real Estate Owned*

Mortgage Loans

Include: Investments with underlying collateral which, if held individually, would be reported on *Schedule B – Mortgage Loans*

Other

Include: Items that do not qualify for inclusion in the above subcategories.

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):

- Bond Project: Under the principle-based bond definition project, revisions are proposed to combine the non-registered provide funds within the reporting category for joint ventures, partnerships and limited liability companies as those items would also be in scope of SSAP No. 48. With that change the category of “fixed income instruments” would be retained.

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

Convergence with International Financial Reporting Standards (IFRS): NA

Recommendation:

NAIC staff recommend that the Working Group include this item on their maintenance agenda as a SAP clarification / potential blanks reporting change and expose this agenda item with a request for industry and regulator feedback to further define and provide examples for the investments captured as non-registered private funds, joint ventures, partnerships or limited liability companies, or residual interests and reported based on the underlying characteristics of assets. Specifically, comments are requested on what should be captured as investments with underlying asset characteristics of:

- Fixed-Income Instruments
- Common Stocks
- Real Estate
- Mortgage Loans
- Other

As detailed in the current A/S instructions, descriptions are included for non-registered private funds, joint ventures, partnerships, and limited liability companies, whereas references to the SSAP the underlying assets would be captured in are included for residual interests.

This agenda item is only intended to improve the annual statement instructions and examples for the allocation of investments based on the above underlying characteristics of assets. If needed, and preferred by the Working Group, this agenda item could be expanded to propose new reporting lines (structural changes) to Schedule BA. As noted within ‘Activity to Date,’ revisions are currently being considered to combine and rearrange broad reporting lines under the bond project. Those revisions currently do not expand on the instructions for reporting based on underlying characteristics of assets. The proposed revisions from the Statutory Accounting Principles (E) Working Group will be used to sponsor a blanks annual statement instruction change. The revisions within this agenda item will not result in actual statutory accounting revisions.

Staff Review Completed by: Julie Gann - NAIC Staff, May 2023

Status:

On August 13, 2023, the Statutory Accounting Principles (E) Working Group moved this agenda item to the active listing, categorized as a SAP clarification and exposed this agenda item to further define for consistency purposes the investments captured as non-registered private funds, joint ventures, partnerships or limited liability companies, or residual interests and reported based on the underlying characteristics of assets.

On December 1, 2023, the Statutory Accounting Principles (E) Working Group exposed additional revisions, as detailed below, to further define the investments captured on Schedule BA along with the continued proposed to combine non-registered private funds within the proposed reporting lines for joint ventures, partnerships, or limited liability companies. The Working Group also requested additional regulator and industry feedback on whether more specificity is needed since the existing Schedule BA descriptions are fairly broad.

Proposed Interested Parties' Edits to the Schedule BA Instructions from Separate Attachment:

Non-Registered Private Funds with Underlying Assets Having Characteristics of a Bond, Mortgage Loan or Other Fixed Income Instrument

Include: Fixed income instruments that are not corporate or governmental unit obligations (Schedule D) or secured by real property (Schedule B).

Any investments deemed by the reporting entity to possess the underlying characteristics of a bond or other fixed income instrument that has 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* for this category. Report these investments on Lines 0799999 and 0899999.

Any investments deemed by the reporting entity to possess the underlying characteristics of a bond or other fixed income investment that has 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* for this category. Report these investments on Lines 0999999, 1099999, 1199999, 1299999, 1399999 and 1499999.

Joint Ventures, Partnership or Limited Liability Company Interests with Underlying Assets Having the Characteristics:

Fixed Income Instruments

Include: [Investments with underlying collateral which include contractual principal and/or interest payments, excluding mortgage loans](#)~~Leveraged Buy-out Fund.~~

~~A fund investing in the "Z" strip of Collateralized Mortgage Obligations.~~

Any investments deemed by the reporting entity to possess the underlying characteristics of fixed income instruments that has 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* for this category. Report these investments on Lines 1599999 and 1699999.

Any investments deemed by the reporting entity to possess the underlying characteristics of fixed income instruments that has 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* for this category. Report these investments on Lines 1799999 and 1899999.

Common Stocks

Include: Venture Capital Funds [or other underlying equity investments](#).

Real Estate

Include: Real estate development interest. Reporting should be consistent with the detailed property analysis appropriate for the corresponding risk-based capital factor for this investment category. If the requisite details are not available for reporting, report under "Other" subcategory.

Mortgage Loans

Include: Mortgage obligations. Reporting should be consistent with the detailed property analysis appropriate for the corresponding risk-based capital factor for this investment category. If the requisite details are not available for reporting, report under “Other” subcategory.

Other

Include: Limited partnership interests in oil and gas production.

Forest product partnerships.

Investments within the Joint Venture and Partnership Interests category that do not qualify for inclusion in the “Fixed Income Instruments,” “Common Stocks,” “Real Estate” or “Mortgage Loans” subcategories.

~~Reporting should be consistent with the corresponding risk-based capital factor for this investment category (i.e., Other Long-Term Assets).~~

Residual Tranches or Interests with Underlying Assets Having Characteristics of:

Investment in Residual Tranches or Interests should be assigned to the subcategory with the highest underlying asset concentration. There shouldn't be any bifurcation of the underlying assets among the subcategories.

Include: Residual tranches or interests from securitization tranches and beneficial interests as well as other structures captured in scope of SSAP No. 43R – *Loan-Backed and Structured Securities* Investments in joint ventures, partnerships and limited liability companies captured in scope of SSAP No. 48—*Joint Ventures, Partnerships and Limited Liability Companies* that represent residual interests or that predominantly hold residual interests.

This category shall also include residual interests or residual security tranches within investment structures that are not captured in scope of SSAP No. 43R or SSAP No. 48 but that reflect, in substance, residual interests or residual security tranches.

Fixed Income Instruments

Include: ~~Investments with underlying collateral which [include contractual principal and/or interest payments, excluding mortgage loans](#), if held individually, would be reported on *Schedule D—Part 1—Long-Term Bonds*.~~

Common Stocks

Include: Investments with underlying collateral which [are securities that represent a subordinate equity ownership](#)., if held individually, would be reported on *Schedule D—Part 2—Section 2—Common Stocks*

Preferred Stocks

Include: Investments with underlying collateral which [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](#)., if held individually, would be reported on *Schedule D—Part 2—Section 1—Preferred Stocks*

Real Estate

Include: Investments with underlying collateral which [is defined as directly-owned real estate properties and single real estate property investments that are directly and](#)

~~wholly-owned through a limited liability company, if held individually, would be reported on Schedule A—Real Estate Owned~~

Mortgage Loans

Include: Investments with underlying collateral which is secured by a mortgage on real estate, ~~if held individually, would be reported on Schedule B—Mortgage Loans~~

Other

Include: Items that do not qualify for inclusion in the above subcategories.

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National Meetings/A. National Meeting Materials/2024/02-20-24/23-16 - Schedule BA Categories.docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2024/02-20-24/23-16-ScheduleBACategories.docx)

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

<p style="text-align: right;">DATE: <u>09/07/2023</u></p> <p>CONTACT PERSON: _____</p> <p>TELEPHONE: _____</p> <p>EMAIL ADDRESS: _____</p> <p>ON BEHALF OF: _____</p> <p>NAME: <u>Dale Bruggeman</u></p> <p>TITLE: <u>Chair SAPWG</u></p> <p>AFFILIATION: <u>Ohio Department of Insurance</u></p> <p>ADDRESS: <u>50W. Town St., 3rd FL., Ste. 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2023-12BWG MOD</u></p> <p>Year <u>2025</u></p> <p>Changes to Existing Reporting [X]</p> <p>New Reporting Requirement []</p> <hr/> <p style="text-align: center;">REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</p> <p>No Impact []</p> <p>Modifies Required Disclosure [X]</p> <p>Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No]</p> <p><i>***If Yes, complete question below***</i></p> <p style="text-align: center;">DISPOSITION</p> <p>[] Rejected For Public Comment</p> <p>[] Referred To Another NAIC Group</p> <p>[] Received For Public Comment</p> <p>[] Adopted Date _____</p> <p>[] Rejected Date _____</p> <p>[] Deferred Date _____</p> <p>[X] Other (Specify) <u>Re-exposed 11/7</u></p>
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BLANK(S) TO WHICH PROPOSAL APPLIES

- | | | |
|---|---|---|
| <input checked="" type="checkbox"/> ANNUAL STATEMENT | <input type="checkbox"/> INSTRUCTIONS | <input checked="" type="checkbox"/> CROSSCHECKS |
| <input checked="" type="checkbox"/> QUARTERLY STATEMENT | <input checked="" type="checkbox"/> BLANK | |
| <input checked="" type="checkbox"/> Life, Accident & Health/Fraternal | <input checked="" type="checkbox"/> Separate Accounts | <input checked="" type="checkbox"/> Title |
| <input checked="" type="checkbox"/> Property/Casualty | <input checked="" type="checkbox"/> Protected Cell | <input type="checkbox"/> Other _____ |
| <input checked="" type="checkbox"/> Health | <input type="checkbox"/> Health (Life Supplement) | <input type="checkbox"/> Life (Health Supplement) |

Anticipated Effective Date: 1st Quarter 2025

IDENTIFICATION OF ITEM(S) TO CHANGE

Categorize debt securities on Schedule BA that do not qualify as bonds under SSAP No. 26 – Bonds or SSAP No. 43R – Asset-Backed Securities and are captured in scope of SSAP No. 21R – Other Invested Assets.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

This proposal updates the Schedule BA categories per the Statutory Accounting Principles Working Group’s bond project and clarify/streamline reporting on Schedule BA.

IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

** This section must be completed on all forms.

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

SCHEDULE BA – PARTS 1, 2 AND 3

OTHER LONG-TERM INVESTED ASSETS – GENERAL INSTRUCTIONS

Include only those classes of invested assets not clearly or normally includable in any other invested asset schedule, or that have been specifically identified for reporting on Schedule BA: Other Invested Assets. Investments shall be reported in the designated reporting category and reporting line that represents the investment. Investments that do not fit within any specific reporting line shall be captured as an “Any Other Class of Asset”. ~~Such assets should include any assets previously written off for book purposes, but which still have a market or investment value. Give a detailed description of each investment and the underlying security. If an asset is to be recorded in Schedule BA that is normally reported in one of the other invested asset schedules, make full disclosure in the Name or Description column of the reason for recording such an asset in Schedule BA.~~

For accounting guidance related to foreign currency transactions and translations, refer to SSAP No. 23—Foreign Currency Transactions and Translations.

If a reporting entity has any detail lines reported for any of the following required groups, categories, or subcategories, it shall report the subtotal amount of the corresponding group, 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:

<u>Group or Category</u>	<u>Line Number</u>
<u>Debt Securities That Do Not Qualify as Bonds</u>	
<u>Debt Securities That Do Not Reflect a Creditor Relationship in Substance</u>	
<u>NAIC Designation Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	0199999
Affiliated	0299999
<u>NAIC Designation Not Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	0399999
Affiliated	0499999
<u>Debt Securities That Lack Substantive Credit Enhancement</u>	
<u>NAIC Designation Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	0599999
Affiliated	0699999
<u>NAIC Designation Not Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	0799999
Affiliated	0899999
<u>Debt Securities That Do Not Qualify as Bonds Solely to a Lack of Meaningful Cash Flows</u>	
<u>NAIC Designation Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	0999999
Affiliated	1099999
<u>NAIC Designation Not Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	1199999
Affiliated	1299999
Oil and Gas Production	
Unaffiliated	0199999
Affiliated	0299999
Transportation Equipment	
Unaffiliated	0399999
Affiliated	0499999
Mineral Rights	

Unaffiliated.....	0599999
Affiliated.....	0699999

Non-Registered Private Funds with Underlying Assets Having Characteristics of:

Bonds

NAIC Designation Assigned by the Securities Valuation Office (SVO)

Unaffiliated.....	0799999
Affiliated.....	0899999

NAIC Designation Not Assigned by the Securities Valuation Office (SVO)

Unaffiliated.....	0999999
Affiliated.....	1099999

Mortgage Loans

Unaffiliated.....	1199999
Affiliated.....	1299999

Other Fixed Income Instruments

Unaffiliated.....	1399999
Affiliated.....	1499999

Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds)
Interests with Underlying Assets Having the Characteristics of:

Fixed Income Instruments Bonds

NAIC Designation Assigned by the Securities Valuation Office (SVO)

Unaffiliated.....	1599999	1399999
Affiliated.....	1699999	1499999

NAIC Designation Not Assigned by the Securities Valuation Office (SVO)

Unaffiliated.....	1799999	1599999
Affiliated.....	1899999	1699999

Preferred Stocks

<u>Unaffiliated.....</u>	<u>1799999</u>
<u>Affiliated.....</u>	<u>1899999</u>

Common Stocks

Unaffiliated.....	1999999
Affiliated.....	2099999

Real Estate

Unaffiliated.....	2199999
Affiliated.....	2299999

Mortgage Loans

Unaffiliated.....	2399999
Affiliated.....	2499999

Other

Unaffiliated.....	2599999
Affiliated.....	2699999

Surplus ~~Debentures, etc.~~ Notes

Unaffiliated.....	2799999
Affiliated.....	2899999

Capital Notes

<u>Unaffiliated.....</u>	<u>2999999</u>
<u>Affiliated.....</u>	<u>3099999</u>

Collateral Loans

Unaffiliated.....	2999999	3199999
Affiliated.....	3099999	3299999

Non-collateral Loans		
Unaffiliated.....		3199999 3399999
Affiliated		3299999 3499999
Capital Notes		
Unaffiliated.....		3399999
Affiliated		3499999
Guaranteed Federal Low Income Housing Tax Credit		
Unaffiliated.....		3599999
Affiliated		3699999
Non-Guaranteed Federal Low Income Housing Tax Credit		
Unaffiliated.....		3799999
Affiliated		3899999
Guaranteed State Low Income Housing Tax Credit		
Unaffiliated.....		3999999
Affiliated		4099999
Non-Guaranteed State Low Income Housing Tax Credit		
Unaffiliated.....		4199999
Affiliated		4299999
All Other Low Income Housing Tax Credit		
Unaffiliated.....		4399999
Affiliated		4499999
Working Capital Finance Investment		
Unaffiliated.....		4599999
Residual Tranches or Interests with Underlying Assets Having Characteristics of:		
Fixed Income Instruments		
Unaffiliated		4699999
Affiliated.....		4799999
Common Stock		
Unaffiliated		4899999
Affiliated.....		4999999
Preferred Stock		
Unaffiliated		5099999
Affiliated.....		5199999
Real Estate		
Unaffiliated		5299999
Affiliated.....		5399999
Mortgage Loans		
Unaffiliated		5499999
Affiliated.....		5599999
Other		
Unaffiliated		5699999
Affiliated.....		5799999
Any Other Class of Assets		
Unaffiliated.....		5899999
Affiliated		5999999
Subtotals		
Unaffiliated.....		6099999 6899999
Affiliated		6199999 6999999
TOTALS.....		6299999 7099999

The following listing is intended to give examples of investments to be included in each category; however, the list should not be considered all-inclusive, ~~and it should not be implied that any invested asset currently being reported in Schedules A, B or D is to be reclassified to Schedule BA:~~

Oil and Gas Production

~~Include: Offshore oil and gas leases.~~

Transportation Equipment

~~Include: Aircraft owned under leveraged lease agreements.
Motor Vehicle Trust Certificates.~~

Mineral Rights

~~Include: Investments in extractive materials.
Timber Deeds.~~

Debt Securities That Do Not Qualify as Bonds

Include: Debt securities captured in SSAP No. 21 – Other Admitted Assets. This is specific to securities, as that term is defined in SSAP No. 26 – Bonds, ~~whereby there is a fixed schedule for one or more future payments (referred to as debt securities), but for which the security does not qualify for bond reporting under SSAP No. 26 as an issuer credit obligation or an asset-backed security.~~

Investments that have 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* shall be reported on Lines 0199999, 0299999, 0599999, 0699999, 0999999, and 1099999.

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* for this category. Designations received from an SEC NRSRO are permitted to be reported but are not required. Report these investments on Lines 0399999, 0499999, 0799999, 0899999, 1199999 and 1299999.

Exclude: Any investment that does not qualify as a security. This term is defined in SSAP No. 26R.

Any investment that is not captured as a debt security that does not qualify as a bond pursuant to SSAP No. 21R—Other Admitted Assets.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of a Bond, Mortgage Loan or Other Fixed Income Instrument~~

~~Include: Fixed income instruments that are not corporate or governmental unit obligations (Schedule D) or secured by real property (Schedule B).~~

~~Any investments deemed by the reporting entity to possess the underlying characteristics of a bond or other fixed income instrument that has 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* for this category. Report these investments on Lines 0799999 and 0899999.~~

~~Any investments deemed by the reporting entity to possess the underlying characteristics of a bond or other fixed income investment that has 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 for this category. Report these investments on Lines 0999999, 1099999, 1199999, 1299999, 1399999 and 1499999.~~

Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) Interests with Underlying Assets Having the Characteristics:

Include: Items in scope of SSAP No. 48 – Joint Ventures, Partnerships or Limited Liability Companies, which includes non-registered private funds. Investments shall be reported based on their underlying characteristics as described below. Investments shall be assigned fully to a subcategory. There should not be any bifurcation of the SSAP No. 48 investment among the subcategories.

Structured Security payment rights in scope of SSAP No. 21 that have an SVO-Assigned designation. Structured security payments rights that do not have an SVO-Assigned designation shall be reported as an Any Other Class of Asset.

Exclude: Any investment that is not captured in scope of SSAP No. 48.

Fixed Income Instruments Bonds

Include: Investments in scope of SSAP No. 48 with underlying collateral that has contractual principal and/or interest payments, excluding mortgage loans.

Structured Settlement payment rights in scope of SSAP no. 21R that have an SVO-Assigned designation.

~~Leveraged Buy-out Fund, Joint ventures, partnerships or limited liability companies (Including Non-Registered Private Funds) investments that are engaged in bond strategies.~~

~~A fund investing in the “Z” strip of Collateralized Mortgage Obligations.~~

~~Any investments deemed by the reporting entity to possess the underlying characteristics of fixed income instruments~~ Investments on the NAIC List of Schedule BA Non-Registered Private Funds with Underlying Assets Having Characteristics of Bonds or Preferred Stock and structured settlement payment rights in scope of SSAP No. 21R that has 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* ~~for this category~~. Report these investments on Lines ~~1599999~~ 1399999 and ~~1699999~~ 1499999.

Any investments deemed by the reporting entity to possess the underlying characteristics of ~~fixed income instruments~~ bonds that ~~has~~ 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* ~~for this category~~. Designations received from an SEC NRSRO are permitted to be reported but are not required. Report these investments on Lines ~~1799999~~ 1599999 and ~~1899999~~ 1699999.

Preferred Stocks

Include: ~~Preferred Stock Interests~~ Investments in scope of SSAP No. 48 with underlying characteristics of securities that represents ownership of a corporation and gives the holder a claim prior to the claims of common stockholders on earnings and also generally on assets in the event of liquidation.

Common Stocks

Include: Investments in scope of SSAP No. 48 with underlying characteristics of Venture Capital Funds or other underlying equity investments.

Real Estate

Include: [Investments in scope of SSAP No. 48 with underlying collateral that reflects Real estate development interest.](#) Reporting should be consistent with the detailed property analysis appropriate for the corresponding risk-based capital factor for this investment category. If the requisite details are not available for reporting, report under “Other” subcategory.

Mortgage Loans

Include: [Items in scope of SSAP No. 48 that reflect Mortgage obligations.](#) Reporting should be consistent with the detailed property analysis appropriate for the corresponding risk-based capital factor for this investment category. If the requisite details are not available for reporting, report under “Other” subcategory.

Other

Include: [Items in scope of SSAP No. 48 that do not fit within the specific categories.](#)

Limited partnership interests in oil and gas production.

Forest product partnerships.

[Other Investments within the Joint Venture, and Partnership or Limited Liability Companies](#) interests category that do not qualify for inclusion in the “~~Fixed Income Instruments~~ [Bonds](#),” “Common Stocks,” “Real Estate” or “Mortgage Loans” subcategories.

~~Reporting should be consistent with the corresponding risk-based capital factor for this investment category (i.e., Other Long Term Assets).~~

Surplus ~~Debentures, etc.~~ Notes

Include: That portion of any subordinated indebtedness, surplus debenture, surplus note, debenture note, premium income note, bond, or other contingent evidence of indebtedness that is reported in the surplus of the issuer.

Capital Notes

Include: [The portion of any capital note that is reported on the line for capital notes of the issuing insurance reporting entity.](#)

Collateral Loans

Include: Refer to *SSAP No. 21R—Other Admitted Assets* for a definition of collateral loans. [Loans that are backed by any form of collateral, regardless of if the collateral is sufficient to fully cover the loan, shall be captured in this category. Guidance in SSAP No. 21R shall be followed to determine nonadmittance.](#)

In the description column, the name of the actual borrower and state if the borrower is a parent, subsidiary, affiliate, officer or director. Also include the type of collateral held.

Non-collateral Loans

Include: ~~For purposes of this section, n~~Non-collateral loans are considered the unpaid portion of loans previously made to another organization or individual in which the reporting entity has a right to receive money for the loan, but for which the reporting entity has not obtained collateral to secure the loan.

Non-collateral loans shall not include investments captured in scope of SSAP No. 26 – Bonds, SSAP No. 37 – Mortgage Loans, SSAP No. 43 – Asset-Backed Securities, or SSAP No. 49 – Policy Loans. ~~those instruments that meet the definition of a bond, per SSAP No. 26R – Bonds, a mortgage loan per SSAP No. 37 – Mortgage Loans, loan backed or structured asset backed securities per SSAP No. 43R – Loan Backed and Structured Securities, or a policy or contract loan per SSAP No. 49 – Policy Loans.~~

In the description column, provide the name of the actual borrower. For affiliated entities, state if the borrower is a parent, subsidiary, affiliate, officer or director. Refer to SSAP No. 20—*Nonadmitted Assets* and SSAP No. 25—*Affiliates and Other Related Parties* for accounting guidance.

Capital Notes

~~Include: — The portion of any capital note that is reported on the line for capital notes of the issuing insurance reporting entity.~~

Low Income Housing Tax Credit

- Include: All Low Income Housing Tax Credit Investments (LIHTC or affordable housing) that are in the form of a Limited Partnership or a Limited Liability Company including those investments that have the following risk mitigation factors:
- A. Guaranteed Low Income Housing Tax Credit Investments. There must be an all-inclusive guarantee from a CRP-rated entity that guarantees the yield on the investment.
 - B. Non-guaranteed Low Income Housing Tax Credit Investments.
 - I. A level of leverage below 50%. For a LIHTC Fund, the level of leverage is measured at the fund level.
 - II. There is a Tax Credit Guarantee Agreement from General Partner or managing member. This agreement requires the General Partner or managing member to reimburse investors for any shortfalls in tax credits due to errors of compliance, for the life of the partnership. For a LIHTC Fund, a Tax Credit Guarantee is required from the developers of the lower tier LIHTC properties to the upper tier partnership and all other LIHTC investments.
 - III. There are sufficient operating reserves, capital replacement reserves and/or operating deficit guarantees present to mitigate foreseeable foreclosure risk at the time of the investment.

Non-qualifying LIHTCs should be reported in the “All Other” category

Working Capital Finance Investment

Include: Investments in an interest in a Confirmed Supplier Receivables (CSR) under a Working Capital Finance Program (WCFP) that is designated by the SVO as meeting the criteria specified in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for an NAIC “1” or “2.”

Working Capital Finance Program (WCFP)

Open account program under which an Investor may purchase interests, or evidence thereof, in commercial non-insurance receivables.

A WFCP is created for the benefit of a commercial investment grade obligor and its suppliers of goods or services and facilitated by a financial intermediary.

Confirmed Supplier Receivables (CSR)

A first priority perfected security interest claim or right to payment of a monetary obligation from the Obligor arising from the sale of goods or services from the Supplier to the Obligor the payment of which the Obligor has confirmed by representing and warranting that it will not protest, delay, or deny, nor offer nor assert any defenses against, payment to the supplier or any party taking claim or right to payment from the supplier.

See SSAP No. 105R—Working Capital Finance Investments for accounting guidance.

Residual Tranches or Interests with Underlying Assets Having Characteristics of:

Investment in Residual Tranches or Interests should be assigned to the subcategory with the highest underlying asset concentration. There ~~shouldn't~~ should not be any bifurcation of the underlying assets among the subcategories.

Include: Residual tranches or interests captured in scope of SSAP No. 21R – Other Admitted Assets. The scope of SSAP No. 21R includes all in-substance residuals regardless of the investment form. Therefore, this category shall include investments that reflect in-substance residuals in the form of 1) an investment in a securitization tranche or beneficial interest, 2) an investment in a joint venture, partnership or limited liability company, 3) an investment in preferred stock 4) an investment in common stock, or 5) any other investment structure. ~~captures from securitization tranches and beneficial interests as well as other structures captured in scope of SSAP No. 43R—Loan Backed and Structured Asset Backed Securities, that reflect loss layers without any contractual payments, whether interest or principal, or both. Payments to holders of these investments occur after contractual interest and principal payments have been made to other tranches or interests and are based on the remaining available funds. See SSAP No. 43R for accounting guidance.~~

~~Investments in joint ventures, partnerships and limited liability companies captured in scope of SSAP No. 48.—Joint Ventures, Partnerships and Limited Liability Companies that represent residual interests, or that predominantly hold residual interests.~~

~~This category shall also include residual interests or residual security tranches within investment structures that are not captured in scope of SSAP No. 43R or SSAP No. 48 but that reflect, in substance, residual interests or residual security tranches.~~

Fixed Income Instruments

Include: Investments with underlying collateral which, if held individually, would be reported on *Schedule D – Part 1 – Long-Term Bonds*

Common Stocks

Include: Investments with underlying collateral which, if held individually, would be reported on *Schedule D – Part 2 – Section 2 – Common Stocks*

Preferred Stocks

Include: Investments with underlying collateral which, if held individually, would be reported on *Schedule D – Part 2 – Section 1 – Preferred Stocks*

Real Estate

Include: Investments with underlying collateral which, if held individually, would be reported on *Schedule A – Real Estate Owned*

Mortgage Loans

Include: Investments with underlying collateral which, if held individually, would be reported on *Schedule B – Mortgage Loans*

Other

Include: Items that do not qualify for inclusion in the above subcategories.

Any Other Class of Assets

Include: Investments that do not fit into one of the other categories. An example of items that may be included are reverse mortgages.

All structured settlement income streams acquired as investments where the reporting entity acquires the legal right to receive payments. (Valuation and admittance provisions are detailed in *SSAP No. 21R—Other Admitted Assets*.)

[This category shall also include oil and gas leases, aircraft owned under leveraged lease arrangements, investments in extractive materials and timber deeds that are not owned within a partnership, LLC or joint venture structure.](#)

SCHEDULE BA – PART 1

OTHER LONG-TERM INVESTED ASSETS OWNED DECEMBER 31 OF CURRENT YEAR

Refer to *SSAP No. 23—Foreign Currency Transactions and Translations* for accounting guidance.

Column 1 – CUSIP Identification

~~This column must be completed for those investments included on Lines 0799999 and 1599999.~~

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 those investments not included on Lines 0799999 and 1599999, a CUSIP should be provided if one has been assigned.~~

If no CUSIP number exists, the CUSIP field should be zero-filled.

Column 2 – Name or Description

Show name of the asset, such as the name of a limited partnership. If not applicable, show description of the asset.

Column 3 – [Restricted Asset](#) Code

~~Enter “^” in this column for all assets that are bifurcated between the insulated separate account filing and the non-insulated separate account filing.~~

If long-term invested assets are not under the exclusive control of the company as shown in the General Interrogatories, it is to be identified by placing one of the **symbols identified in the Investment Schedules General Instructions** in this column.

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, immediately followed by the appropriate code (identified in the Investment Schedules General Instructions).~~



Column 7 – NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol

This column must be completed for those investments included on Lines ~~0799999~~[0199999](#), ~~0899999~~[0299999](#), ~~1599999~~[0599999](#), ~~1699999~~[0699999](#), [0999999](#), [1099999](#), [1399999](#), [1499999](#), and 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 investments noted above, 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.~~

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).

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 7A~~
- ~~NAIC Designation Modifier~~ ~~Column 7B~~
- ~~SVO Administrative Symbol~~ ~~Column 7C~~

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:

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.



**** Columns 21 through 27 will be electronic only. ****

Column 21 – Investments Involving Related Parties

Required for all investments involving related parties including, but not limited to, those captured as affiliate investments. This disclosure intends to capture information on investments held that reflect interactions involving related parties, regardless of whether the related party meets the affiliate definition, or the reporting entity has received domiciliary state approval to disclaim control/affiliation.

Enter one of the following codes to identify the role of the related party in the investment.

1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.
2. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer, or other similar influential role and for which 50% or more of the underlying collateral represents investments in or direct credit exposure to related parties.
3. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role and for which less than 50% (including 0%) of the underlying collateral represents investments in or direct credit exposure to related parties.
4. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies in which the structure reflects an in-substance related party transaction but does not involve a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role.
5. The investment is identified as related party, but the role of the related party represents a different arrangement than the options provided in choices 1-4.
6. The investment does not involve a related party.

Column ~~21~~22 – Fair Value Hierarchy Level and Method Used to Obtain Fair Value Code

Report the fair value level that represents the inputs used to determine fair value. Whenever possible, the reported fair value shall reflect level 1, followed by level 2, and then level 3. In all situations fair value shall be determined in accordance with SSAP No. 100R—Fair Value. ~~Whenever possible, fair value should represent the price at which the security could be sold, based on market information. Fair value should only be determined analytically when the market based value cannot be obtained.~~

The following is a listing of valid fair value level indicators to show the fair value hierarchy level.

“1” for Level 1

“2” for Level 2

“3” for Level 3

The following is a listing of the valid method indicators to show the method used by the reporting entity to determine the Rate Used to Obtain Fair Value.

“a” for securities where the rate is determined by a pricing service.

“b” for securities where the rate is determined by a stock exchange.

“c” for securities where the rate is determined by a broker or custodian. The reporting entity should obtain and maintain the pricing policy for any broker or custodian used as a pricing source. In addition, the broker must either be approved by the reporting entity as a counterparty for buying and selling securities or be an underwriter of the security being valued. (Reporting entities shall utilize source “c” to capture any other method used by the reporting entity to obtain observable inputs resulting in a hierarchy Level 1 or Level 2. Documentation of this source shall then be included in Column 22.)

“d” for securities where the rate is determined by the reporting entity or a third party contracted by the reporting entity. The reporting entity is required to maintain a record of the pricing methodology used.

“e” for securities where the rate is determined by the unit price published in the NAIC *Valuation of Securities*.

Enter a combination of hierarchy and method indicator. The fair value hierarchy level indicator would be listed first and the method used to determine fair value indicator would be listed next. For example, use “1b” to report Level 1 for the fair value hierarchy level and stock exchange for the method used to determine fair value.

The guidance in *SSAP No. 100R—Fair Value* allows the use of net asset value per share (NAV) instead of fair value for certain investments. If NAV) is used instead of fair value leave blank.

Column ~~22~~23 – Source Used to Obtain Fair Value

For Method Code “a,” identify the specific pricing service used.

For Method Code “b,” identify the specific stock exchange used.

The listing of most **stock exchange codes can be found in the Investment Schedules General Instructions.**

For Method Code “c,” identify the specific broker or custodian used.

For Method Code “d,” leave blank.

For Method Code “e,” leave blank.

If net asset value (NAV) is used instead of fair value, the reporting entity should use “NAV” to indicate net asset value used instead of fair value.

~~Column 23 – Legal Entity Identifier (LEI)~~

~~Provide the 20-character Legal Entity Identifier (LEI) for any issuer as assigned by a designated Local Operating Unit. If no LEI number has been assigned, leave blank.~~

Column 24 – Postal Code

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated..... 1199999~~

~~Affiliated..... 1299999~~

Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) ~~Interests with Underlying Assets Having the Characteristics of:~~

Real Estate

Unaffiliated..... 2199999

Affiliated..... 2299999

Mortgage Loans

Unaffiliated..... 2399999

Affiliated..... 2499999

The postal code(s) reported in this column should reflect the location of the underlying property. For U.S. states, territories and possessions, use the five-digit ZIP code and not the ZIP+4 code. Outside the U.S. states, territories and possessions, use that country’s equivalent to the ZIP code. Multiple postal codes should be entered if the underlying properties are located in more than one postal code and listed from highest to lowest value associated with the underlying properties separated by commas.

Example two U.S. postal codes and one United Kingdom postal code (51501,68104,E4 7SD).

Column 25 – Property Type

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated.....1199999~~

~~Affiliated.....1299999~~

~~Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) Interests with Underlying Assets Having the Characteristics of:~~

Real Estate

Unaffiliated.....2199999

Affiliated.....2299999

Mortgage Loans

Unaffiliated.....2399999

Affiliated.....2499999

For property type, use one of the following codes to indicate the primary use of the property:

- OF Office
- RT Retail
- MU Apartment/Multifamily
- IN Industrial
- HC Medical/Health Care
- MX Mixed Use
- LO Lodging
- OT Other

Column 26 – Maturity Date

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated.....1199999~~

~~Affiliated.....1299999~~

State the date the mortgage loan matures.

~~Column 27 Investments Involving Related Parties~~

~~Required for all investments involving related parties including, but not limited to, those captured as affiliate investments. This disclosure intends to capture information on investments held that reflect interactions involving related parties, regardless of whether the related party meets the affiliate definition, or the reporting entity has received domiciliary state approval to disclaim control/affiliation.~~

~~Enter one of the following codes to identify the role of the related party in the investment.~~

- ~~1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.~~
- ~~2. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer, or other similar influential role and for which 50% or more of the underlying collateral represents investments in or direct credit exposure to related parties.~~
- ~~3. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role and for which less than 50% (including 0%) of the underlying collateral represents investments in or direct credit exposure to related parties.~~
- ~~4. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies in which the structure reflects an in-substance related party transaction but does not involve a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role.~~
- ~~5. The investment is identified as related party, but the role of the related party represents a different arrangement than the options provided in choices 1-4.~~
- ~~6. The investment does not involve a related party.~~

NAIC Designation Category Footnote:

Provide the total book/adjusted carrying value amount by NAIC Designation Category that represents the amount in reported in Column 12.

SCHEDULE BA – PART 2**OTHER LONG-TERM INVESTED ASSETS ACQUIRED AND ADDITIONS MADE DURING THE YEAR**

This schedule should reflect not only those newly acquired long-term invested assets, but also any increases or additions to long-term invested assets acquired in the current and prior periods, including, for example, capital calls from existing limited partnerships.

Column 1 – CUSIP Identification

~~This column must be completed for those investments included on Lines 0799999 and 1599999.~~

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 those investments not included on Lines 0799999 and 1599999, a CUSIP should be provided if one has been assigned.~~

If no CUSIP number exists, the CUSIP field should be zero-filled.



Detail Eliminated To Conserve Space



** Columns 12 through 16 will be electronic only. **

Column 12 – Investments Involving Related Parties

Required for all investments involving related parties including, but not limited to, those captured as affiliate investments. This disclosure intends to capture information on investments held that reflect interactions involving related parties, regardless of whether the related party meets the affiliate definition, or the reporting entity has received domiciliary state approval to disclaim control/affiliation.

Enter one of the following codes to identify the role of the related party in the investment.

1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.
2. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer, or other similar influential role and for which 50% or more of the underlying collateral represents investments in or direct credit exposure to related parties.
3. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role and for which less than 50% (including 0%) of the underlying collateral represents investments in or direct credit exposure to related parties.
4. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies in which the structure reflects an in-substance related party transaction but does not involve a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role.
5. The investment is identified as related party, but the role of the related party represents a different arrangement than the options provided in choices 1-4.
6. The investment does not involve a related party.

~~Column 12 — Legal Entity Identifier (LEI)~~

~~Provide the 20-character Legal Entity Identifier (LEI) for any issuer as assigned by a designated Local Operating Unit. If no LEI number has been assigned, leave blank.~~

Column 13 – Postal Code

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated..... 1199999~~

~~Affiliated..... 1299999~~

~~Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) Interests with Underlying Assets Having the Characteristics of:~~

~~Real Estate~~

~~Unaffiliated..... 2199999~~

~~Affiliated..... 2299999~~

~~Mortgage Loans~~

~~Unaffiliated..... 2399999~~

~~Affiliated..... 2499999~~

The postal code(s) reported in this column should reflect the location of the underlying property. For U.S. states, territories and possessions, use the five-digit ZIP code and not the ZIP+4 code. Outside the U.S. states, territories and possessions, use that country’s equivalent to the ZIP code. Multiple postal codes should be entered if the underlying properties are located in more than one postal code and listed from highest to lowest value associated with the underlying properties separated by commas.

Example two U.S. postal codes and one United Kingdom postal code (51501,68104,E4 7SD).

Column 14 – Property Type

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated..... 1199999~~

~~Affiliated..... 1299999~~

~~Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) Interests with Underlying Assets Having the Characteristics of:~~

~~Real Estate~~

~~Unaffiliated..... 2199999~~

~~Affiliated..... 2299999~~

~~Mortgage Loans~~

~~Unaffiliated..... 2399999~~

~~Affiliated..... 2499999~~

For property type, use one of the following codes to indicate the primary use of the property:

- OF Office
- RT Retail
- MU Apartment/Multifamily
- IN Industrial
- HC Medical/Health Care
- MX Mixed Use
- LO Lodging
- OT Other

Column 15 – Maturity Date

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated..... 1199999~~
~~Affiliated..... 1299999~~

State the date the mortgage loan matures.

~~Column 16 – Investments Involving Related Parties~~

~~Required for all investments involving related parties including, but not limited to, those captured as affiliate investments. This disclosure intends to capture information on investments held that reflect interactions involving related parties, regardless of whether the related party meets the affiliate definition, or the reporting entity has received domiciliary state approval to disclaim control/affiliation.~~

~~Enter one of the following codes to identify the role of the related party in the investment.~~

- ~~1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.~~
- ~~2. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer, or other similar influential role and for which 50% or more of the underlying collateral represents investments in or direct credit exposure to related parties.~~
- ~~3. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role and for which less than 50% (including 0%) of the underlying collateral represents investments in or direct credit exposure to related parties.~~
- ~~4. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies in which the structure reflects an in-substance related party transaction but does not involve a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role.~~
- ~~5. The investment is identified as related party, but the role of the related party represents a different arrangement than the options provided in choices 1-4.~~
- ~~6. The investment does not involve a related party.~~

SCHEDULE BA – PART 3**OTHER LONG-TERM INVESTED ASSETS DISPOSED, TRANSFERRED OR REPAID DURING THE YEAR**

This schedule should reflect not only disposals of an entire “other invested asset” but should also include partial disposals and amounts received during the year on investments still held, including, for example, return of capital distributions from limited partnerships.

Column 1 – CUSIP Identification

~~This column must be completed for those investments included on Lines 0799999 and 1599999.~~

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 those investments not included on Lines 0799999 and 1599999, a CUSIP should be provided if one has been assigned.~~

If no CUSIP number exists, the CUSIP field should be zero-filled.



Detail Eliminated To Conserve Space

**** Columns 21 through 25 will be electronic only. ****

Column 21 – Investments Involving Related Parties

Required for all investments involving related parties including, but not limited to, those captured as affiliate investments. This disclosure intends to capture information on investments held that reflect interactions involving related parties, regardless of whether the related party meets the affiliate definition, or the reporting entity has received domiciliary state approval to disclaim control/affiliation.

Enter one of the following codes to identify the role of the related party in the investment.

1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.
2. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer, or other similar influential role and for which 50% or more of the underlying collateral represents investments in or direct credit exposure to related parties.
3. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role and for which less than 50% (including 0%) of the underlying collateral represents investments in or direct credit exposure to related parties.
4. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies in which the structure reflects an in-substance related party transaction but does not involve a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role.
5. The investment is identified as related party, but the role of the related party represents a different arrangement than the options provided in choices 1-4.
6. The investment does not involve a related party.

~~Column 21 — Legal Entity Identifier (LEI)~~

~~Provide the 20-character Legal Entity Identifier (LEI) for any issuer as assigned by a designated Local Operating Unit. If no LEI number has been assigned, leave blank.~~

Column 22 — Postal Code

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated..... 1199999~~

~~Affiliated..... 1299999~~

~~Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) Interests with Underlying Assets Having the Characteristics of:~~

~~Real Estate~~

~~Unaffiliated..... 2199999~~

~~Affiliated..... 2299999~~

~~Mortgage Loans~~

~~Unaffiliated..... 2399999~~

~~Affiliated..... 2499999~~

The postal code(s) reported in this column should reflect the location of the underlying property. For U.S. states, territories and possessions, use the five-digit ZIP code and not the ZIP+4 code. Outside the U.S. states, territories and possessions, use that country’s equivalent to the ZIP code. Multiple postal codes should be entered if the underlying properties are located in more than one postal code and listed from highest to lowest value associated with the underlying properties separated by commas.

Example of two U.S. postal codes and one United Kingdom postal code (51501,68104,E4 7SD).

Column 23 — Property Type

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated..... 1199999~~

~~Affiliated..... 1299999~~

~~Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) Interests with Underlying Assets Having the Characteristics of:~~

~~Real Estate~~

~~Unaffiliated..... 2199999~~

~~Affiliated..... 2299999~~

~~Mortgage Loans~~

~~Unaffiliated..... 2399999~~

~~Affiliated..... 2499999~~

For property type, use one of the following codes to indicate the primary use of the property:

- OF Office
- RT Retail
- MU Apartment/Multifamily
- IN Industrial
- HC Medical/Health Care
- MX Mixed Use
- LO Lodging
- OT Other

Column 24 – Maturity Date

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated..... 1199999~~
~~Affiliated..... 1299999~~

State the date the mortgage loan matures.

~~Column 25 — Investments Involving Related Parties~~

~~Required for all investments involving related parties including, but not limited to, those captured as affiliate investments. This disclosure intends to capture information on investments held that reflect interactions involving related parties, regardless of whether the related party meets the affiliate definition, or the reporting entity has received domiciliary state approval to disclaim control/affiliation.~~

~~Enter one of the following codes to identify the role of the related party in the investment.~~

- ~~1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.~~
- ~~2. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer, or other similar influential role and for which 50% or more of the underlying collateral represents investments in or direct credit exposure to related parties.~~
- ~~3. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role and for which less than 50% (including 0%) of the underlying collateral represents investments in or direct credit exposure to related parties.~~
- ~~4. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies in which the structure reflects an in-substance related party transaction but does not involve a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role.~~
- ~~5. The investment is identified as related party, but the role of the related party represents a different arrangement than the options provided in choices 1-4.~~
- ~~6. The investment does not involve a related party.~~

ASSET VALUATION RESERVE
EQUITY AND OTHER INVESTED ASSET COMPONENT –
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS

This supporting form is used to calculate the basic contribution, reserve objective and maximum reserve targets for the common stock, real estate and other invested assets sub-components of the equity component of the AVR. Instructions apply to the general account and to the separate accounts, if applicable.

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=====** Detail Eliminated To Conserve Space **=====
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Lines 22
through 28

– Other Invested Assets with Underlying Characteristics of Bonds

Report the book/adjusted carrying value of all Schedule BA assets owned where the characteristics of the underlying investment are similar to bonds (Lines ~~0799999 and 0899999 and the portion of Lines 1399999, 1499999, 1599999 and 1699999 that applies to fixed income instruments similar to bonds~~ 0199999, 0299999, 0599999, 0699999, 0999999, 1099999, 1399999, and 1499999) that have been valued according to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* in Columns 1 and 4. Follow the SVO guidelines and categorize these assets into NAIC designations one through six as directed by the NAIC Securities Valuation Office instructions, except those exempt obligations (as listed in the AVR instructions for Line 2) which 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.

Lines 30
through 35

– Other Invested Assets with Underlying Characteristics of Preferred Stocks

Report the book/adjusted carrying value of all Schedule BA assets owned where the characteristics of the underlying investment are similar to preferred stocks (~~the portion of Lines 1399999, 1499999, 1599999 and 1699999 that applies to fixed income instruments similar to preferred stocks~~ 1799999 and 1899999), that have been valued according to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* and certain surplus debentures (included in Lines 2799999 and 2899999) and capital notes (included in Lines 3399999 and 3499999) in Columns 1 and 4. Follow the SVO guidelines and categorize these assets into classes P1 through P6 or RP1 through RP6 as directed by the NAIC Securities Valuation Office instructions. For surplus debentures and capital notes, use the Credit Rating Provider (CRP) rating to categorize these assets as if the SVO had assigned an NAIC designation of 1 through 6. ~~ONLY those surplus debentures and capital notes with a CRP rating equivalent to an NAIC 1 or NAIC 2 designation may be included in this section (in Lines 30 and 31).~~ 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.

~~Include: Surplus debentures and capital notes that possess a CRP rating equivalent to an NAIC 1 or NAIC 2 designation.~~

~~Exclude: All surplus debentures and capital notes that do NOT possess an CRP rating equivalent to an NAIC 1 or NAIC 2 designation. These surplus debentures are to be reported in Line 83 (Other Invested Assets—Schedule BA) of this schedule.~~

Lines 38
through 63

– Other Invested Assets with Underlying Characteristics of Mortgage Loans

Report the book/adjusted carrying value of all Schedule BA assets owned where the characteristics of the underlying investment are similar to mortgage loans (Lines ~~1199999, 1299999,~~ 2399999 and 2499999), excluding any mortgage-backed/asset-backed securities included in Lines 22 through 28 above, in Columns 1 and 4. Categorize the mortgage loans as indicated in Lines 38 through 55.

For Lines 38 through 63, the classification methodology for mortgages is outlined in the Life Risk-Based Capital instructions. Multiply the amount in Column 4 for each category by the reserve factors in Columns 5, 7 and 9, Lines 38 through 63. Report the products by category in Columns 6, 8 and 10, respectively. For 2015 reporting, unaffiliated, overdue and in process of foreclosure mortgages that are insured or guaranteed should be included in Lines 47, 49, 52 or 54.



Detail Eliminated To Conserve Space



Lines 94

through 100

– Other Invested Assets with Underlying Characteristics of Surplus Notes and Capital Notes

Report the book/adjusted carrying value of all Schedule BA assets owned where the characteristics of the underlying investment are similar to surplus notes and capital notes in Columns 1 and 4. Use the Credit Rating Provider (CRP) rating to categorize these assets as if the SVO had assigned an NAIC designation of 1 through 6. If no CRP rating, then report based on the reporting entity's assumption of credit risk. 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 ~~94-101~~ & ~~102-95~~ – Working Capital Finance Investments

Report the book/adjusted carrying value of all working capital finance investments owned (Schedule BA, Part 1, Line 4599999) in Columns 1 and 4. Categorize the working capital finance investments into NAIC designations 1 or 2 as directed by the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*. 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 ~~96-103~~

– 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, 5899999 and 5999999~~) in Column 1 and any encumbrances on these assets in Column 3. Schedule DL, Part 1 investments reported on Line 9409999999 would be included in this total if not classified in one of the above categories. Collateral loans (Lines ~~2999999-3199999~~ and ~~3099999-3299999~~) 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 96, 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.~~

| Line ~~97~~101 – Other Short-Term Invested Assets – Schedule DA

Report the book/adjusted carrying value of all other Schedule DA (Lines 7029999999 and 7509999999) and Schedule DL, Part 1 (Line 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.

| Line ~~98~~105 – Total Other Invested Assets – Schedules BA & DA

The Columns 6, 8 and 10 amounts must be combined with Columns 6, 8 and 10, Line 21 amounts and reported on the Asset Valuation Reserve Page, Column 5, Lines 7, 10 and 9, respectively.

NOTE: Other invested asset reserves will be calculated based on the nature of the underlying investments related to the Schedule BA and Schedule DA assets. Assets should be categorized as if the company owned the underlying investment. For example:

- Mortgage participation certificates and similar holdings should be classified as fixed income assets.
- Gas and oil production and mineral rights have potential variability of return and should be categorized as equity investments.
- Partnership investments should be classified as fixed or equity investments or as equity real estate, depending on the purpose of the partnership. The maximum AVR factor would be that appropriate for the asset classification.
- A “look through” approach should be taken for any Schedule BA and Schedule DA assets not specifically listed, so as to reflect in the AVR calculation the essential nature of the investments.

QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

SCHEDULE BA – PARTS 2 AND 3

OTHER LONG-TERM INVESTED ASSETS ACQUIRED AND DISPOSED OF

Report the other long-term assets acquired during the current quarter. Investments acquired and sold during the same quarter should be reported in both Part 2 and Part 3. Include only those classes of invested assets not clearly or normally includable in any other invested asset schedule, or that have been specifically identified for reporting on Schedule BA: Other Invested Assets. Investments shall be reported in the designated reporting category and reporting line that represents the investment. Investments that do not fit within any specific reporting line shall be captured as an “Any other Class of Asset”. ~~Such assets should include any assets previously written off for book purposes, but that still have a market or investment value. Give a detailed description of each investment and the underlying security. If an asset is to be recorded in Schedule BA that is normally reported in one of the other invested asset schedules, make full disclosure in a footnote of the reason for recording such an asset in Schedule BA.~~

For accounting guidance related to foreign currency transactions and translations, refer to *SSAP No. 23—Foreign Currency Transactions and Translations*.

If a reporting entity has any detail lines reported for any of the following required groups, categories or subcategories, it shall report the subtotal amount of the corresponding group, 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:

<u>Group or Category</u>	<u>Line Number</u>
<u>Debt Securities That Do Not Qualify as Bonds</u>	
<u>Debt Securities That Do Not Reflect a Creditor Relationship in Substance</u>	
<u>NAIC Designation Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	0199999
Affiliated	0299999
<u>NAIC Designation Not Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	0399999
Affiliated	0499999
<u>Debt Securities That Lack Substantive Credit Enhancement</u>	
<u>NAIC Designation Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	0599999
Affiliated	0699999
<u>NAIC Designation Not Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	0799999
Affiliated	0899999
<u>Debt Securities That Do Not Qualify as Bonds SeleySolely to a Lack of Meaningful Cash Flows</u>	
<u>NAIC Designation Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	0999999
Affiliated	1099999
<u>NAIC Designation Not Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	1199999
Affiliated	1299999
Oil and Gas Production	
Unaffiliated	0199999
Affiliated	0299999
Transportation Equipment	
Unaffiliated	0399999
Affiliated	0499999
Mineral Rights	
Unaffiliated	0599999

Affiliated	0699999
Non-Registered Private Funds with Underlying Assets Having Characteristics of:	
Bonds	
NAIC Designation Assigned by the Securities Valuation Office (SVO)	
Unaffiliated	0799999
Affiliated	0899999
NAIC Designation Not Assigned by the Securities Valuation Office (SVO)	
Unaffiliated	0999999
Affiliated	1099999
Mortgage Loans	
Unaffiliated	1199999
Affiliated	1299999
Other Fixed Income Instruments	
Unaffiliated	1399999
Affiliated	1499999
Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including non-Registered Private Funds)	
Interests with Underlying Assets Having the Characteristics of:	
Fixed Income Instruments	
Bonds	
NAIC Designation Assigned by the Securities Valuation Office (SVO)	
Unaffiliated	1599999
Affiliated	1699999
NAIC Designation Not Assigned by the Securities Valuation Office (SVO)	
Unaffiliated	1799999
Affiliated	1899999
Preferred Stocks	
Unaffiliated	1799999
Affiliated	1899999
Common Stocks	
Unaffiliated	1999999
Affiliated	2099999
Real Estate	
Unaffiliated	2199999
Affiliated	2299999
Mortgage Loans	
Unaffiliated	2399999
Affiliated	2499999
Other	
Unaffiliated	2599999
Affiliated	2699999
Surplus Debentures, etc. Notes	
Unaffiliated	2799999
Affiliated	2899999
Capital Notes	
Unaffiliated	2999999
Affiliated	3099999
Collateral Loans	
Unaffiliated	2999999
Affiliated	3099999
Non-collateral Loans	
Unaffiliated	3199999
Affiliated	3399999

Affiliated	3299999 <u>3499999</u>
Capital Notes	
Unaffiliated.....	3399999
Affiliated	3499999
Guaranteed Federal Low Income Housing Tax Credit	
Unaffiliated.....	3599999
Affiliated	3699999
Non-Guaranteed Federal Low Income Housing Tax Credit	
Unaffiliated.....	3799999
Affiliated	3899999
Guaranteed State Low Income Housing Tax Credit	
Unaffiliated.....	3999999
Affiliated	4099999
Non-Guaranteed State Low Income Housing Tax Credit	
Unaffiliated.....	4199999
Affiliated	4299999
All Other Low Income Housing Tax Credit	
Unaffiliated.....	4399999
Affiliated	4499999
Working Capital Finance Investment	
Unaffiliated.....	4599999
Residual Tranches or Interests with Underlying Assets Having Characteristics of:	
Fixed Income Instruments	
Unaffiliated	4699999
Affiliated.....	4799999
Common Stock	
Unaffiliated	4899999
Affiliated.....	4999999
Preferred Stock	
Unaffiliated	5099999
Affiliated.....	5199999
Real Estate	
Unaffiliated	5299999
Affiliated.....	5399999
Mortgage Loans	
Unaffiliated	5499999
Affiliated.....	5599999
Other	
Unaffiliated	5699999
Affiliated.....	5799999
Any Other Class of Assets	
Unaffiliated.....	5899999
Affiliated	5999999
Subtotals	
Unaffiliated.....	6099999 <u>6899999</u>
Affiliated	6199999 <u>6999999</u>
TOTALS.....	6299999 <u>7099999</u>

The following listing is intended to give examples of investments to be included in each category; however, the list should not be considered all-inclusive, ~~and it should not be implied that any invested asset currently being reported in Schedules A, B or D is to be reclassified to Schedule BA.~~

Oil and Gas Production

~~Include: Offshore oil and gas leases.~~

Transportation Equipment

~~Include: Aircraft owned under leveraged lease agreements;
Motor Vehicle Trust Certificates.~~

Mineral Rights

~~Include: Investments in extractive materials.

Timber Deeds.~~

Debt Securities That Do Not Qualify as Bonds

Include: Debt securities captured in SSAP No. 21 – Other Admitted Assets. This is specific to securities, as that term is defined in SSAP No. 26 – Bonds, ~~whereby there is a fixed schedule for one or more future payments (referred to as debt securities), but for which the security does not qualify for bond reporting under SSAP No. 26 as an issuer credit obligation or an asset-backed security.~~

Investments that have 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* shall be reported on Lines 0199999, 0299999, 0599999, 0699999, 0999999, and 1099999.

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* for this category. Designations received from an SEC NRSRO are permitted to be reported but are not required. Report these investments on Lines 0399999, 0499999, 0799999, 0899999, 1199999 and 1299999.

Exclude: Any investment that does not qualify as a security. This term is defined in SSAP No. 26R.

Any investment that is not captured as a debt security that does not qualify as a bond pursuant to SSAP No. 21R—Other Admitted Assets.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of a Bond, Mortgage Loan or Other Fixed Income Instrument~~

~~Include: Fixed income instruments that are not corporate or governmental unit obligations (Schedule D) or secured by real property (Schedule B).~~

~~Any investments deemed by the reporting entity to possess the underlying characteristics of a bond or other fixed income instrument that has 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* for this category. Report these investments on Lines 0799999 and 0899999.~~

~~Any investments deemed by the reporting entity to possess the underlying characteristics of a bond or other fixed income investment that has 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* for this category. Report these investments on Lines 0999999, 1099999, 1199999, 1299999, 1399999 and 1499999.~~

Interests in Joint Ventures, Partnerships or Limited Liability ~~Company~~ Companies (Including Non-Registered Private Funds) ~~Interests with Underlying Assets Having the Characteristics:~~

Include: Items in scope of SSAP No. 48 – Joint Ventures, Partnerships or Limited Liability Companies, which includes non-registered private funds. Investments shall be reported based on their underlying characteristics as described below. Investments shall be assigned fully to a subcategory. There should not be any bifurcation of the SSAP No. 48 investment among the subcategories.

Structured Security payment rights in scope of SSAP No. 21 that have an SVO-Assigned designation. Structured security payments rights that do not have an SVO-Assigned designation shall be reported as an Any Other Class of Asset.

Exclude: Any investment that is not captured in scope of SSAP No. 48.

Fixed Income Instruments**Bonds**

Include: Investments in scope of SSAP No. 48 with underlying collateral that has contractual principal and/or interest payments, excluding mortgage loans.

Structured Settlement payment rights in scope of SSAP No. 21R that have an SVO-Assigned designation.

~~Joint ventures, partnerships or limited liability companies (including non-registered private funds) investments that are engaged in bond strategies. Leveraged Buy-out Fund.~~

~~A fund investing in the “Z” strip of Collateralized Mortgage Obligations.~~

~~Any investments deemed by the reporting entity to possess the underlying characteristics of fixed income instruments~~ Investments on the NAIC List of Schedule BA Non-Registered Private Funds with Underlying Assets Having Characteristics of Bonds or Preferred Stock and structured settlement payment rights in scope of SSAP No. 21R that has 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* ~~for this category~~. Report these investments on Lines ~~1599999-1399999~~ and ~~1699999-1499999~~.

~~Any investments deemed by the reporting entity to possess the underlying characteristics of fixed income instruments~~ bonds that ~~has~~ 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* ~~for this category~~. Designations received from an SEC NRSRO are permitted to be reported but are not required. Report these investments on Lines ~~1799999-1599999~~ and ~~1899999-1699999~~.

Preferred Stocks

Include: ~~Preferred Stock Interests~~ Investments in scope of SSAP No. 48 with underlying characteristics of securities that represents ownership of a corporation and gives the holder a claim prior to the claims of common stockholders on earnings and also generally on assets in the event of liquidation.

Common Stocks

Include: Investments in scope of SSAP No. 48 with underlying characteristics of Venture Capital Funds or other underlying equity investments.

Real Estate

Include: [Investments in scope of SSAP No. 48 with underlying collateral that reflects R](#)real estate development interest. Reporting should be consistent with the detailed property analysis appropriate for the corresponding risk-based capital factor for this investment category. If the requisite details are not available for reporting, report under “Other” subcategory.

Mortgage Loans

Include: [Items in scope of SSAP No. 48 that reflect M](#)mortgage obligations. Reporting should be consistent with the detailed property analysis appropriate for the corresponding risk-based capital factor for this investment category. If the requisite details are not available for reporting, report under “Other” subcategory.

Other

Include: [Items in scope of SSAP No. 48 that do not fit within the specific categories.](#)

Limited partnership interests in oil and gas production.

Forest product partnerships.

Investments within the Joint Venture and Partnership Interests category that do not qualify for inclusion in the “~~Fixed Income Instruments~~[Bonds](#),” “Common Stocks,” “Real Estate” or “Mortgage Loans” subcategories.

~~Reporting should be consistent with the corresponding risk-based capital factor for this investment category (i.e., Other Long-Term Assets).~~

Surplus ~~Debentures, etc.~~ Notes

Include: That portion of any subordinated indebtedness, surplus debenture, surplus note, debenture note, premium income note, bond, or other contingent evidence of indebtedness that is reported on the surplus.

Capital Notes

Include: [The portion of any capital note that is reported on the line for capital notes of the issuing insurance reporting entity.](#)

Collateral Loans

Include: Refer to *SSAP No. 21R—Other Admitted Assets*, for a definition of collateral loans. [Loans that are backed by any form of collateral, regardless of if the collateral is sufficient to fully cover the loan, shall be captured in this category. Guidance in SSAP No. 21R shall be followed to determine nonadmittance.](#)

In the description column, the name of the actual borrower and state if the borrower is a parent, subsidiary, affiliate, officer or director. Also include the type of collateral held.

Non-collateral Loans

Include: ~~For purposes of this section, n~~Non-collateral loans are considered the unpaid portion of loans previously made to another organization or individual in which the reporting entity has a right to receive money for the loan, but for which the reporting entity has not obtained collateral to secure the loan.

Non-collateral loans shall not include investments captured in scope of SSAP No. 26 – Bonds, SSAP No. 37 – Mortgage Loans, SSAP No. 43R – Asset-Backed Securities, or SSAP No. 49 – Policy Loans. ~~those instruments that meet the definition of a bond, per SSAP No. 26R – Bonds, a mortgage loan per SSAP No. 37 – Mortgage Loans, loan-backed or structured asset-backed securities per SSAP No. 43R – Loan Backed and Structured Securities, or a policy or contract loan per SSAP No. 49 – Policy Loans.~~

In the description column, provide the name of the actual borrower. For affiliated entities, state if the borrower is a parent, subsidiary, affiliate, officer or director. Refer to SSAP No. 20—Nonadmitted Assets and SSAP No. 25—Affiliates and Other Related Parties, for accounting guidance.

Capital Notes

~~Include: ————— The portion of any capital note that is reported on the line for capital notes of the issuing insurance reporting entity.~~

Low Income Housing Tax Credit

Include: All Low Income Housing Tax Credit Investments (LIHTC or affordable housing) that are in the form of a Limited Partnership or a Limited Liability Company, including those investments that have the following risk mitigation factors:

- A. Guaranteed Low Income Housing Tax Credit Investments. There must be an all-inclusive guarantee from a CRP-rated entity that guarantees the yield on the investment.
- B. Non-guaranteed Low Income Housing Tax Credit Investments.
 - I. A level of leverage below 50%. For a LIHTC Fund, the level of leverage is measured at the fund level.
 - II. There is a Tax Credit Guarantee Agreement from General Partner or managing member. This agreement requires the General Partner or managing member to reimburse investors for any shortfalls in tax credits due to errors of compliance, for the life of the partnership. For a LIHTC Fund, a Tax Credit Guarantee is required from the developers of the lower tier LIHTC properties to the upper tier partnership and all other LIHTC investments.
 - III. There are sufficient operating reserves, capital replacement reserves and/or operating deficit guarantees present to mitigate foreseeable foreclosure risk at the time of the investment.

Non-qualifying LIHTCs should be reported in the “All Other” category

Working Capital Finance Investment

Include: Investments in an interest in a Confirmed Supplier Receivables (CSR) under a Working Capital Finance Program (WCFP) that is designated by the SVO as meeting the criteria specified in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for an NAIC “1” or “2.”

Working Capital Finance Program (WCFP)

Open account program under which an Investor may purchase interests, or evidence thereof, in commercial non-insurance receivables. A WCFP is created for the benefit of a commercial investment grade obligor and its suppliers of goods or services and facilitated by a financial intermediary.

Confirmed Supplier Receivables (CSR)

A first priority perfected security interest claim or right to payment of a monetary obligation from the Obligor arising from the sale of goods or services from the Supplier to the Obligor, the payment of which the Obligor has confirmed by representing and warranting that it will not protest, delay, or deny, nor offer nor assert any defenses against payment to the supplier or any party taking claim or right to payment from the supplier.

See *SSAP No. 105R—Working Capital Finance Investments*, for accounting guidance

Residual Tranches or Interests with Underlying Assets Having Characteristics of:

Investment in Residual Tranches or Interests should be assigned to the subcategory with the highest underlying asset concentration. There should not be any bifurcation of the underlying assets among the subcategories.

Include: Residual tranches or interests captured in scope of SSAP No. 21R – Other Admitted Assets. The scope of SSAP No. 21R includes all in-substance residuals regardless of the investment form. Therefore, this category shall include investments that reflect in-substance residuals in the form of 1) an investment in a securitization tranche or beneficial interest, 2) an investment in a joint venture, partnership or limited liability company, 3) an investment in preferred stock, 4) an investment in common stock, or 5) any other investment structure. ~~captures securitization tranches and beneficial interests as well as other structures captured in scope of SSAP No. 43R—Loan Backed and Structured Asset Backed Securities, that reflect loss layers without any contractual payments, whether interest or principal, or both. Payments to holders of these investments occur after contractual interest and principal payments have been made to other tranches or interests and are based on the remaining available funds. See SSAP No. 43R for accounting guidance.~~

~~Investments in joint ventures, partnerships and limited liability companies captured in scope of SSAP No. 48.—Joint Ventures, Partnerships and Limited Liability Companies that represent residual interests, or that predominantly hold residual interests.~~

~~This category shall also include residual interests or residual security tranches within investment structures that are not captured in scope of SSAP No. 43R or SSAP No. 48 but that reflect, in substance, residual interests or residual security tranches.~~

Fixed Income Instruments

Include: Investments with underlying collateral which, if held individually, would be reported on *Schedule D – Part 1 – Long-Term Bonds*

Common Stocks

Include: Investments with underlying collateral which, if held individually, would be reported on *Schedule D – Part 2 – Section 2 – Common Stocks*

Preferred Stocks

Include: Investments with underlying collateral which, if held individually, would be reported on *Schedule D – Part 2 – Section 1 – Preferred Stocks*

Real Estate

Include: Investments with underlying collateral which, if held individually, would be reported on *Schedule A – Real Estate Owned*

Mortgage Loans

Include: Investments with underlying collateral which, if held individually, would be reported on *Schedule B – Mortgage Loans*

Other

Include: Items that do not qualify for inclusion in the above subcategories.

Any Other Class of Assets

Include: Investments that do not fit into one of the other categories. An example of items that may be included are reverse mortgages.

All structured settlement income streams acquired as investments where the reporting entity acquires the legal right to receive payments. (Valuation and admittance provisions are detailed in *SSAP No. 21R—Other Admitted Assets*.)

[This category shall also include oil and gas leases, aircraft owned under leveraged lease arrangements, investments in extractive materials and timber deeds that are not owned within a partnership, LLC or joint venture structure.](#)

SCHEDULE BA – PART 2**OTHER LONG-TERM INVESTED ASSETS ACQUIRED
AND ADDITIONS MADE DURING THE CURRENT QUARTER**

This schedule should reflect not only those newly acquired long-term invested assets, but also any increases or additions to long-term invested assets acquired in the current and prior periods, including, for example, capital calls from existing limited partnerships.

Column 1 – CUSIP Identification

~~This column must be completed for those investments included on Lines 0799999, 0899999, 1599999 and 1699999.~~

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 those investments not included on Lines 0799999, 0899999, 1599999 and 1699999, a CUSIP should be provided if one has been assigned.~~

If no CUSIP number exists, the CUSIP field should be zero-filled.


Detail Eliminated To Conserve Space


Column 6 – NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol

This column must be completed for those investments included on Lines ~~0799999~~[0199999](#), ~~0899999~~[0299999](#), ~~1599999~~[0599999](#), ~~1699999~~[0699999](#), [0999999](#), [1099999](#), [1399999](#), [1499999](#), and 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 the investments noted above, 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.~~

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).

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 6A](#)
- ~~• NAIC Designation Modifier~~ [Column 6B](#)
- ~~• SVO Administrative Symbol~~ [Column 6C](#)

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”).


Detail Eliminated To Conserve Space


**** Columns 14 through 18 will be electronic only. ****

Column 14 – Investments Involving Related Parties

Required for all investments involving related parties including, but not limited to, those captured as affiliate investments. This disclosure intends to capture information on investments held that reflect interactions involving related parties, regardless of whether the related party meets the affiliate definition, or the reporting entity has received domiciliary state approval to disclaim control/affiliation.

Enter one of the following codes to identify the role of the related party in the investment.

1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.
2. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer, or other similar influential role and for which 50% or more of the underlying collateral represents investments in or direct credit exposure to related parties.
3. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role and for which less than 50% (including 0%) of the underlying collateral represents investments in or direct credit exposure to related parties.
4. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies in which the structure reflects an in-substance related party transaction but does not involve a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role.
5. The investment is identified as related party, but the role of the related party represents a different arrangement than the options provided in choices 1-4.
6. The investment does not involve a related party.

~~Column 14 – Legal Entity Identifier (LEI)~~

~~Provide the 20 character Legal Entity Identifier (LEI) for issuer as assigned by a designated Local Operating Unit. If no LEI number has been assigned, leave blank.~~

Column 15 – Postal Code

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated..... 1199999~~

~~Affiliated..... 1299999~~

Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) ~~Interests with Underlying Assets Having the Characteristics of:~~

Real Estate

Unaffiliated..... 2199999

Affiliated..... 2299999

Mortgage Loans

Unaffiliated.....	2399999
Affiliated.....	2499999

The postal code(s) reported in this column should reflect the location of the underlying property. For U.S. states, territories and possessions, use the five-digit ZIP code and not the ZIP+4 code. Outside the U.S. states, territories and possessions, use that country’s equivalent to the ZIP code. Multiple postal codes should be entered if the underlying properties are located in more than one postal code and listed from highest to lowest value associated with the underlying properties separated by commas.

Example of two U.S. postal codes and one United Kingdom postal code (51501,68104,E4 7SD)

Column 16 – Property Type

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

Unaffiliated.....	1199999
Affiliated.....	1299999

~~Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) Interests with Underlying Assets Having the Characteristics of:~~

~~Real Estate~~

Unaffiliated.....	2199999
Affiliated.....	2299999

~~Mortgage Loans~~

Unaffiliated.....	2399999
Affiliated.....	2499999

For property type, use one of the following codes to indicate the primary use of the property:

- OF Office
- RT Retail
- MU Apartment/Multifamily
- IN Industrial
- HC Medical/Health Care
- MX Mixed Use
- LO Lodging
- OT Other

Column 17 – Maturity Date

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

Unaffiliated.....	1199999
------------------------------	--------------------

~~Affiliated.....1299999~~

State the date the mortgage loan matures.

~~Column 18 Investments Involving Related Parties~~

~~Required for all investments involving related parties including, but not limited to, those captured as affiliate investments. This disclosure intends to capture information on investments held that reflect interactions involving related parties, regardless of whether the related party meets the affiliate definition, or the reporting entity has received domiciliary state approval to disclaim control/affiliation.~~

~~Enter one of the following codes to identify the role of the related party in the investment.~~

- ~~1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.~~
- ~~2. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer, or other similar influential role and for which 50% or more of the underlying collateral represents investments in or direct credit exposure to related parties.~~
- ~~3. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role and for which less than 50% (including 0%) of the underlying collateral represents investments in or direct credit exposure to related parties.~~
- ~~4. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies in which the structure reflects an in-substance related party transaction but does not involve a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role.~~
- ~~5. The investment is identified as related party, but the role of the related party represents a different arrangement than the options provided in choices 1-4.~~
- ~~6. The investment does not involve a related party.~~

SCHEDULE BA – PART 3**OTHER LONG-TERM INVESTED ASSETS DISPOSED, TRANSFERRED OR REPAID
DURING THE CURRENT QUARTER**

This schedule should reflect not only disposals of an entire “other invested asset” but should also include partial disposals and amounts received during the year on investments still held, including, for example, return of capital distributions from limited partnerships.

Column 1 – CUSIP Identification

~~This column must be completed for those investments included on Lines 0799999, 0899999, 1599999 and 1699999.~~

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 those investments not included on Lines 0799999, 0899999, 1599999 and 1699999, a CUSIP should be provided if one has been assigned.~~

If no CUSIP number exists, the CUSIP field should be zero-filled.



Detail Eliminated To Conserve Space



**** Columns 21 through 25 will be electronic only. ****

Column 21 – Investments Involving Related Parties

Required for all investments involving related parties including, but not limited to, those captured as affiliate investments. This disclosure intends to capture information on investments held that reflect interactions involving related parties, regardless of whether the related party meets the affiliate definition, or the reporting entity has received domiciliary state approval to disclaim control/affiliation.

Enter one of the following codes to identify the role of the related party in the investment.

1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.
2. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer, or other similar influential role and for which 50% or more of the underlying collateral represents investments in or direct credit exposure to related parties.
3. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role and for which less than 50% (including 0%) of the underlying collateral represents investments in or direct credit exposure to related parties.
4. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies in which the structure reflects an in-substance related party transaction but does not involve a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role.
5. The investment is identified as related party, but the role of the related party represents a different arrangement than the options provided in choices 1-4.

Column 21 ~~Legal Entity Identifier (LEI)~~ 6. The investment does not involve a related party.

~~Provide the 20-character Legal Entity Identifier (LEI) for issuer as assigned by a designated Local Operating Unit. If no LEI number has been assigned, leave blank.~~

Column 22 – Postal Code

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated..... 1199999~~

~~Affiliated..... 1299999~~

Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) Interests with Underlying Assets Having the Characteristics of:

Real Estate

Unaffiliated..... 2199999

Affiliated..... 2299999

Mortgage Loans

Unaffiliated..... 2399999

Affiliated..... 2499999

The postal code(s) reported in this column should reflect the location of the underlying property. For U.S. states, territories and possessions, use the five-digit ZIP code and not the ZIP+4 code. Outside the U.S. states, territories and possessions, use that country’s equivalent to the ZIP code. Multiple postal codes should be entered if the underlying properties are located in more than one postal code and listed from highest to lowest value associated with the underlying properties separated by commas.

Example of two U.S. postal codes and one United Kingdom postal code (51501,68104,E4 7SD)

Column 23 – Property Type

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated..... 1199999~~

~~Affiliated..... 1299999~~

Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) Interests with Underlying Assets Having the Characteristics of:

Real Estate

Unaffiliated..... 2199999

Affiliated..... 2299999

Mortgage Loans

Unaffiliated.....	2399999
Affiliated.....	2499999

For property type, use one of the following codes to indicate the primary use of the property:

- OF Office
- RT Retail
- MU Apartment/Multifamily
- IN Industrial
- HC Medical/Health Care
- MX Mixed Use
- LO Lodging
- OT Other

Column 24 – Maturity Date

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

Unaffiliated.....	1199999
Affiliated.....	1299999

State the date the mortgage loan matures.

~~Column 25 — Investments Involving Related Parties~~

~~Required for all investments involving related parties including, but not limited to, those captured as affiliate investments. This disclosure intends to capture information on investments held that reflect interactions involving related parties, regardless of whether the related party meets the affiliate definition, or the reporting entity has received domiciliary state approval to disclaim control/affiliation.~~

~~Enter one of the following codes to identify the role of the related party in the investment.~~

- ~~1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.~~
- ~~2. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer, or other similar influential role and for which 50% or more of the underlying collateral represents investments in or direct credit exposure to related parties.~~
- ~~3. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role and for which less than 50% (including 0%) of the underlying collateral represents investments in or direct credit exposure to related parties.~~
- ~~4. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies in which the structure reflects an in-substance related party transaction but does not involve a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role.~~

5. ~~The investment is identified as related party, but the role of the related party represents a different arrangement than the options provided in choices 1-4.~~
6. ~~The investment does not involve a related party.~~

ANNUAL STATEMENT BLANK – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

SCHEDULE BA – PART 1

Showing Other Long-Term Invested Assets OWNED December 31 of Current Year

1 CUSIP Identification	2 Name or Description	3 Restricted Asset Code	4 Location		6 Name of Vendor or General Partner	7 NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol	8 Date Originally Acquired	9 Type and Strategy	10 Actual Cost	11 Fair Value	12 Book/Adjusted Carrying Value Less Encumbrances	13 Change in Book/Adjusted Carrying Value					18 Investment Income	19 Commitment for Additional Investment	20 Percentage of Ownership	
			4 City	5 State								13 Unrealized Valuation Increase/ (Decrease)	14 Current Year's (Depreciation) or (Amortization)/ Accretion	15 Current Year's Other-Than-Temporary Impairment Recognized	16 Capitalized Deferred Interest and Other	17 Total Foreign Exchange Change in B./A.C.V.				
.....
6299999	Totals																			XXX

1. Line Number Book/Adjusted Carrying Value by NAIC Designation Category Footnote:
 1A \$ 1B \$ 1C \$ 1D \$ 1E \$ 1F \$
 2A \$ 2B \$ 2C \$
 3A \$ 3B \$ 3C \$
 4A \$ 4B \$ 4C \$
 5A \$ 5B \$ 5C \$
 6 \$

**ASSET VALUATION RESERVE
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
EQUITY AND OTHER INVESTED ASSET COMPONENT**

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	Basic Contribution		Reserve Objective		Maximum Reserve	
							5 Factor	6 Amount (Cols. 4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols. 4x9)
COMMON STOCK												
1		Unaffiliated Public		XXX	XXX		0.0000		0.1580 (a)		0.1580 (a)	
2		Unaffiliated Private		XXX	XXX		0.0000		0.1945		0.1945	
3		Federal Home Loan Bank		XXX	XXX		0.0000		0.0061		0.0097	
4		Affiliated Life with AVR.....		XXX	XXX		0.0000		0.0000		0.0000	
Affiliated Investment Subsidiary:												
5		Fixed Income Exempt Obligations					XXX		XXX		XXX	
6		Fixed Income Highest Quality.....					XXX		XXX		XXX	
7		Fixed Income High Quality					XXX		XXX		XXX	
8		Fixed Income Medium Quality.....					XXX		XXX		XXX	
9		Fixed Income Low Quality.....					XXX		XXX		XXX	
10		Fixed Income Lower Quality.....					XXX		XXX		XXX	
11		Fixed Income In or Near Default.....					XXX		XXX		XXX	
12		Unaffiliated Common Stock Public.....					0.0000		0.1580 (a)		0.1580 (a)	
13		Unaffiliated Common Stock Private					0.0000		0.1945		0.1945	
14		Real Estate					(b)		(b)		(b)	
15		Affiliated-Certain Other (See SVO Purposes & Procedures Manual)		XXX	XXX		0.0000		0.1580		0.1580	
16		Affiliated - All Other.....		XXX	XXX		0.0000		0.1945		0.1945	
17		Total Common Stock (Sum of Lines 1 through 16)					XXX		XXX		XXX	
REAL ESTATE												
18		Home Office Property (General Account only).....					0.0000		0.0912		0.0912	
19		Investment Properties					0.0000		0.0912		0.0912	
20		Properties Acquired in Satisfaction of Debt.....					0.0000		0.1337		0.1337	
21		Total Real Estate (Sum of Lines 18 through 20)					XXX		XXX		XXX	
OTHER INVESTED ASSETS												
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF BONDS												
22		Exempt Obligations		XXX	XXX		0.0000		0.0000		0.0000	
23	1	Highest Quality		XXX	XXX		0.0005		0.0016		0.0033	
24	2	High Quality		XXX	XXX		0.0021		0.0064		0.0106	
25	3	Medium Quality		XXX	XXX		0.0099		0.0263		0.0376	
26	4	Low Quality		XXX	XXX		0.0245		0.0572		0.0817	
27	5	Lower Quality		XXX	XXX		0.0630		0.1128		0.1880	
28	6	In or Near Default.....		XXX	XXX		0.0000		0.2370		0.2370	
29		Total with Bond Characteristics (Sum of Lines 22 through 28)		XXX	XXX		XXX		XXX		XXX	

ASSET VALUATION RESERVE (Continued)
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
EQUITY AND OTHER INVESTED ASSET COMPONENT

Line Number	NAIC Designation	Description	1	2	3	4	Basic Contribution		Reserve Objective		Maximum Reserve	
			Book/ Adjusted Carrying Value	Reclassify Related Party Encumbrances	Add Third Party Encumbrances	Balance for AVR Reserve Calculations (Cols. 1+2+3)	5 Factor	6 Amount (Cols.4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols.4x9)
		INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF PREFERRED STOCKS										
30	1	Highest Quality		XXX	XXX		0.0005		0.0016		0.0033	
31	2	High Quality		XXX	XXX		0.0021		0.0064		0.0106	
32	3	Medium Quality		XXX	XXX		0.0099		0.0263		0.0376	
33	4	Low Quality		XXX	XXX		0.0245		0.0572		0.0817	
34	5	Lower Quality		XXX	XXX		0.0630		0.1128		0.1880	
35	6	In or Near Default		XXX	XXX		0.0000		0.2370		0.2370	
36		Affiliated Life with AVR		XXX	XXX		0.0000		0.0000		0.0000	
37		Total with Preferred Stock Characteristics (Sum of Lines 30 through 36)		XXX	XXX		XXX		XXX		XXX	
		INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF MORTGAGE LOANS										
		In Good Standing Affiliated:										
38		Mortgages – CM1 – Highest Quality			XXX		0.0011		0.0057		0.0074	
39		Mortgages – CM2 – High Quality			XXX		0.0040		0.0114		0.0149	
40		Mortgages – CM3 – Medium Quality			XXX		0.0069		0.0200		0.0257	
41		Mortgages – CM4 – Low Medium Quality			XXX		0.0120		0.0343		0.0428	
42		Mortgages – CM5 – Low Quality			XXX		0.0183		0.0486		0.0628	
43		Residential Mortgages – Insured or Guaranteed			XXX		0.0003		0.0007		0.0011	
44		Residential Mortgages – All Other		XXX	XXX		0.0015		0.0034		0.0046	
45		Commercial Mortgages – Insured or Guaranteed			XXX		0.0003		0.0007		0.0011	
		Overdue, Not in Process Affiliated:										
46		Farm Mortgages			XXX		0.0480		0.0868		0.1371	
47		Residential Mortgages – Insured or Guaranteed			XXX		0.0006		0.0014		0.0023	
48		Residential Mortgages – All Other			XXX		0.0029		0.0066		0.0103	
49		Commercial Mortgages – Insured or Guaranteed			XXX		0.0006		0.0014		0.0023	
50		Commercial Mortgages – All Other			XXX		0.0480		0.0868		0.1371	
		In Process of Foreclosure Affiliated:										
51		Farm Mortgages			XXX		0.0000		0.1942		0.1942	
52		Residential Mortgages – Insured or Guaranteed			XXX		0.0000		0.0046		0.0046	
53		Residential Mortgages – All Other			XXX		0.0000		0.0149		0.0149	
54		Commercial Mortgages – Insured or Guaranteed			XXX		0.0000		0.0046		0.0046	
55		Commercial Mortgages – All Other			XXX		0.0000		0.1942		0.1942	
56		Total Affiliated (Sum of Lines 38 through 55)			XXX		XXX		XXX		XXX	
57		Unaffiliated – In Good Standing With Covenants			XXX		(c)		(c)		(c)	
		Unaffiliated – In Good Standing Defeased With Government Securities			XXX							
58		Unaffiliated – In Good Standing Primarily Senior			XXX		0.0011		0.0057		0.0074	
59		Unaffiliated – In Good Standing All Other			XXX		0.0040		0.0114		0.0149	
60		Unaffiliated – In Good Standing All Other			XXX		0.0069		0.0200		0.0257	
61		Unaffiliated – Overdue, Not in Process			XXX		0.0480		0.0868		0.1371	
62		Unaffiliated – In Process of Foreclosure			XXX		0.0000		0.1942		0.1942	
63		Total Unaffiliated (Sum of Lines 57 through 62)			XXX		XXX		XXX		XXX	
64		Total with Mortgage Loan Characteristics (Lines 56 + 63)			XXX		XXX		XXX		XXX	

ASSET VALUATION RESERVE (Continued)
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
EQUITY AND OTHER INVESTED ASSET COMPONENT

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	Basic Contribution		Reserve Objective		Maximum Reserve	
							5 Factor	6 Amount (Cols. 4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols. 4x9)
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF COMMON STOCK												
65		Unaffiliated Public		XXX	XXX		0.0000		0.1580(a)		0.1580(a)	
66		Unaffiliated Private		XXX	XXX		0.0000		0.1945		0.1945	
67		Affiliated Life with AVR.....		XXX	XXX		0.0000		0.0000		0.0000	
68		Affiliated Certain Other (See SVO Purposes & Procedures Manual).....		XXX	XXX		0.0000		0.1580		0.1580	
69		Affiliated Other - All Other		XXX	XXX		0.0000		0.1945		0.1945	
70		Total with Common Stock Characteristics (Sum of Lines 65 through 69)		XXX	XXX		XXX		XXX		XXX	
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF REAL ESTATE												
71		Home Office Property (General Account only).....					0.0000		0.0912		0.0912	
72		Investment Properties					0.0000		0.0912		0.0912	
73		Properties Acquired in Satisfaction of Debt					0.0000		0.1337		0.1337	
74		Total with Real Estate Characteristics (Sum of Lines 71 through 73)					XXX		XXX		XXX	
LOW INCOME HOUSING TAX CREDIT INVESTMENTS												
75		Guaranteed Federal Low-Income Housing Tax Credit					0.0003		0.0006		0.0010	
76		Non-guaranteed Federal Low-Income Housing Tax Credit					0.0063		0.0120		0.0190	
77		Guaranteed State Low Income Housing Tax Credit					0.0003		0.0006		0.0010	
78		Non-guaranteed State Low Income Housing Tax Credit					0.0063		0.0120		0.0190	
79		All Other Low-Income Housing Tax Credit.....					0.0273		0.0600		0.0975	
80		Total LIHTC (Sum of Lines 75 through 79)					XXX		XXX		XXX	
RESIDUAL TRANCHES OR INTERESTS												
81		Fixed Income Instruments – Unaffiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
82		Fixed Income Instruments – Affiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
83		Common Stock – Unaffiliated		XXX	XXX		0.0000		0.1580		0.1580	
84		Common Stock – Affiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
85		Preferred Stock – Unaffiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
86		Preferred Stock – Affiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
87		Real Estate – Unaffiliated.....					0.0000		0.1580		0.1580	
88		Real Estate – Affiliated.....					0.0000		0.1580		0.1580	
89		Mortgage Loans – Unaffiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
90		Mortgage Loans – Affiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
91		Other – Unaffiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
92		Other – Affiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
93		Total Residual Tranches or Interests (Sum of Lines 81 through 92)					XXX		XXX		XXX	
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF SURPLUS NOTES & CAPITAL NOTES												
94	1	Highest Quality.....		XXX	XXX		0.0005		0.0016		0.0033	
95	2	High Quality.....		XXX	XXX		0.0021		0.0064		0.0106	
96	3	Medium Quality.....		XXX	XXX		0.0099		0.0263		0.0376	
97	4	Low Quality.....		XXX	XXX		0.0245		0.0572		0.0817	
98	5	Lower Quality.....		XXX	XXX		0.0630		0.1128		0.1880	
99	6	In or Near Default.....		XXX	XXX		0.0000		0.2370		0.2370	
100		Total with Bond Characteristics (Sum of Lines 94 through 100)		XXX	XXX		XXX		XXX		XXX	
ALL OTHER INVESTMENTS												
101	94	NAIC 1 Working Capital Finance Investments		XXX			0.0000		0.0042		0.0042	
102	95	NAIC 2 Working Capital Finance Investments		XXX			0.0000		0.0137		0.0137	
103	96	Other Invested Assets - Schedule BA		XXX			0.0000		0.1580		0.1580	
104	97	Other Short-Term Invested Assets - Schedule DA		XXX			0.0000		0.1580		0.1580	
105	98	Total All Other (Sum of Lines 94, 95, 96 and 97)		XXX			XXX		XXX		XXX	
106	99	Total Other Invested Assets - Schedules BA & DA (Sum of Lines 29, 37, 64, 70, 74, 80, 93, 100 and 98-105)					XXX		XXX		XXX	

(a) Times the company's weighted average portfolio beta (Minimum .1215, Maximum .2431).
 (b) Determined using same factors and breakdowns used for directly owned real estate.
 (c) This will be the factor associated with the risk category determined in the company generated worksheet.

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

Issue: Collateral Loan Reporting

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New Issue or SSAP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Description of Issue: This agenda item has been developed to propose an expansion of reporting for collateral loans on Schedule BA to enable regulators the ability to quickly identify the type of collateral in support of admittance of collateral loans in scope of *SSAP No. 21R—Other Admitted Assets*. This agenda item has been drafted in response to comments that the current reporting detail on Schedule BA does not provide sufficient clarity on the type of collateral used in support of admittance of collateral loans. Furthermore, with the adoption of agenda item 2022-11, the statutory accounting guidance has been clarified that the collateral must reflect a qualifying investment, meaning that it would qualify for admittance if held directly by the insurer. This amendment further clarified that collateral that represents an investment in scope of *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* or *SSAP No. 97—Investments in Subsidiary, Controlled or Affiliated Entities* is required to be audited consistent with the admittance requirements of those SSAPs.

As detailed within, this agenda item proposes new disclosure requirements in SSAP No. 21R for collateral loans. The new disclosure requirement is proposed to be satisfied by an expansion of the reporting on Schedule BA, so that the collateral loans are separated by the type of collateral investment that secures the loan. Additionally, a new aggregated data-captured note is proposed to identify the admitted and nonadmitted collateral loans by the type of collateral that secures the loan.

Existing Authoritative Literature:

- **SSAP No. 21R—Other Admitted Assets - (Tracking shows the edits adopted on Oct. 23, 2023.)**

4. Collateral loans are unconditional obligations¹ for the payment of money secured by the pledge of a [qualifying](#) investment² and meet the definition of assets as defined in SSAP No. 4, and are admitted assets to the extent they conform to the requirements of this statement. The outstanding principal balance on the loan and any related accrued interest shall be recorded as an admitted asset subject to the following limitations:

a. **Loan Impairment—**Determination as to the impairment of a collateral loan shall be based on current information and events. When it is considered probable that any portion of amounts due under the contractual terms of the loan will not be collected the loan is considered impaired. The impairment shall be measured based on the fair value of the collateral less estimated costs to obtain and sell the collateral. The difference between the net value of the collateral and the recorded asset shall be written off in accordance with *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets*;

b. **Nonadmitted Asset—**In accordance with *SSAP No. 20—Nonadmitted Assets*, collateral loans secured by assets that do not qualify as investments [which would otherwise be admitted](#) shall be nonadmitted. Further, any amount of the loan outstanding which is in excess of the permitted relationship of fair value of the pledged investment to the collateral loan shall be treated as a nonadmitted asset. [To support the admissibility of collateral loans, reporting entities shall maintain documentation sufficient to support the reasonableness of the fair value measurement of the underlying collateral, which shall be](#)

[made available to the applicable domiciliary regulator and independent audit firm upon request.](#)

Footnote 1: For purposes of determining a collateral loan in scope of this statement, a collateral loan does not include investments captured in scope of other statements. For example, SSAP No. 26R—Bonds includes securities (as defined in that statement) representing a creditor relationship whereby there is a fixed schedule for one or more future payments. Investments captured in SSAP No. 26R that are also secured with collateral shall continue to be captured within scope of SSAP No. 26R.

Footnote 2: [A qualifying investment defined as those assets listed in Section 3 of Appendix A-001—Investments of Reporting Entities which would, if held by the insurer, qualify for admittance. For example, if the collateral would not qualify for admittance under SSAP No. 4 due to encumbrances or other third-party interests, then it does not meet the definition of "qualifying" and the collateral loan, or any portion thereof which is not adequately collateralized, is not permitted to be admitted. In the cases where the collateral is an equity/unit investment in a joint venture, partnership, limited liability company, and or SCA is pledged as collateral in a collateral loan, audited financial statements on a consistent annual basis are always required in accordance with SSAP No. 48 and or SSAP No. 97.](#)

Effective Date and Transition

22. ____ 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 guidance for structured settlements when the reporting entity acquires the legal right to receive payments is effective December 31, 2018. [The clarification regarding audits of qualifying collateral pledged for collateral loans in the footnote 2 to paragraph 4, requires applicable audits to be obtained for the 2023 reporting period in the subsequent year. In periods after year-end 2023, the audits of equity collateral pledged for collateral loans are required to be obtained for the reporting year in which it was pledged and annually thereafter. The annual audit lag shall be consistent from period to period.](#)

- **A/S Blank and Instructions** *(This reflects what is proposed to be adopted in 2023-12BWG.)*

Collateral Loans

Unaffiliated.....	3199999
Affiliated.....	3299999

Collateral Loans

Include: Refer to SSAP No. 21R—Other Admitted Assets for a definition of collateral loans. Loans that are backed by any form of collateral, regardless of if the collateral is sufficient to fully cover the loan, shall be captured in this category. Guidance in SSAP No. 21R shall be followed to determine nonadmittance.

In the description column, the name of the actual borrower and state if the borrower is a parent, subsidiary, affiliate, officer or director. Also include the type of collateral held.

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):

- Agenda Item 2022-11: Collateral for Loans clarified guidance on the criteria for collateral in order for a collateral loan to qualify as an admitted asset.
- Blanks Agenda Item 2023-12BWG incorporates revisions as part of the bond project to capture debt securities that do not qualify as bonds on Schedule BA. The revisions within this blanks item incorporate minor revisions to the instructions for collateral loans.

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

Recommendation:

NAIC staff recommend that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose this agenda item with proposed revisions to incorporate a new disclosure to SSAP No. 21R, for initial reporting as of year-end 2024, and to sponsor a blanks proposal for a new data-captured disclosure and to expand the reporting lines on Schedule BA to separate collateral loans by the type of collateral that secures the loan. NAIC staff recommends that the Working Group direct a corresponding blanks proposal to allow for concurrent exposure.

Proposed Revisions to SSAP No. 21R: *(Only new edits are tracked. Prior adopted revisions are shown clean.)*

4. Collateral loans are unconditional obligations¹ for the payment of money secured by the pledge of a qualifying investment² and meet the definition of assets as defined in SSAP No. 4, and are admitted assets to the extent they conform to the requirements of this statement. The outstanding principal balance on the loan and any related accrued interest shall be recorded as an admitted asset subject to the following limitations:

- a. Loan Impairment—Determination as to the impairment of a collateral loan shall be based on current information and events. When it is considered probable that any portion of amounts due under the contractual terms of the loan will not be collected the loan is considered impaired. The impairment shall be measured based on the fair value of the collateral less estimated costs to obtain and sell the collateral. The difference between the net value of the collateral and the recorded asset shall be written off in accordance with SSAP No. 5R—*Liabilities, Contingencies and Impairments of Assets*;
- b. Nonadmitted Asset—In accordance with SSAP No. 20—*Nonadmitted Assets*, collateral loans secured by assets that do not qualify as investments which would otherwise be admitted shall be nonadmitted. Further, any amount of the loan outstanding which is in excess of the permitted relationship of fair value of the pledged investment to the collateral loan shall be treated as a nonadmitted asset. To support the admissibility of collateral loans, reporting entities shall maintain documentation sufficient to support the reasonableness of the fair value measurement of the underlying collateral, which shall be made available to the applicable domiciliary regulator and independent audit firm upon request.

5. Collateral loans shall be reported based on the type of qualifying investment that secures the loan. An aggregate note disclosure shall identify the total amount of collateral loans, and the collateral loans admitted and nonadmitted by qualifying investment type.

Footnote 1: For purposes of determining a collateral loan in scope of this statement, a collateral loan does not include investments captured in scope of other statements. For example, SSAP No. 26R—*Bonds* includes securities (as defined in that statement) representing a creditor relationship whereby there is a fixed schedule for one or more future payments. Investments captured in SSAP No. 26R that are also secured with collateral shall continue to be captured within scope of SSAP No. 26R.

Footnote 2: A qualifying investment defined as those assets listed in Section 3 of *Appendix A-001—Investments of Reporting Entities* which would, if held by the insurer, qualify for admittance. For example, if the collateral would not qualify for admittance under SSAP No. 4 due to encumbrances or other third-party interests, then it does not meet the definition of "qualifying" and the collateral loan, or any portion thereof which is not adequately collateralized, is not permitted to be admitted. In the cases where the collateral is an equity/unit investment in a joint venture, partnership, limited liability company, and or SCA is

pledged as collateral in a collateral loan, audited financial statements on a consistent annual basis are always required in accordance with SSAP No. 48 and or SSAP No. 97.

Proposed Schedule BA Reporting Changes:

Collateral Loans – Reported by Qualifying Investment Collateral that Secures the Loan

Cash, Cash Equivalent & Short-Term Investments (SSAP No. 2R)

Unaffiliated.....
Affiliated.....

Bonds (SSAP No. 26R)

Unaffiliated.....
Affiliated.....

Asset-Backed Securities (SSAP No. 43R)

Unaffiliated.....
Affiliated.....

Preferred Stocks (SSAP No. 32R)

Unaffiliated.....
Affiliated.....

Common Stocks (SSAP No. 30R)

Unaffiliated.....
Affiliated.....

Mortgage Loans (SSAP No. 37R)

Unaffiliated.....
Affiliated.....

Real Estate (SSAP No. 40R)

Unaffiliated.....
Affiliated.....

Joint Venture, Partnerships or Limited Liability Companies (SSAP No. 48R)

Unaffiliated.....
Affiliated.....

Subsidiary, Controlled or Affiliated Investment (SSAP No. 97)

Unaffiliated.....
Affiliated.....

Other Qualifying Investment Category

Unaffiliated.....
Affiliated.....

Collateral Does Not Qualify as an Investment

Unaffiliated.....
Affiliated.....

Collateral Loans

Include: Refer to SSAP No. 21R—Other Admitted Assets for a definition of collateral loans. Loans that are backed by any form of collateral, regardless of if the collateral is sufficient to fully cover the loan, shall be captured in this category. Guidance in SSAP No. 21R shall be followed to determine nonadmittance.

In the description column, the name of the actual borrower and state if the borrower is a parent, subsidiary, affiliate, officer or director. Also include the type of collateral held.

Classify the collateral loan in accordance with the type of collateral held, such that if the loan was to default and the collateral was to be claimed by the reporting entity, where it would be captured (investment type by SSAP) as a directly-held investment. If more than one form of collateral secures the loan, classification should occur based on the primary collateral source. The other qualifying investment category shall only be used to capture collateral loans secured by collateral in the form of contract loans, derivatives, other invested assets not separately reported, receivables for securities, securities lending and any investments that would qualify as a write-in for invested assets.

Proposed Data-Captured Disclosure:

Aggregate Collateral Loans by Qualifying Investment Collateral:

<u>Collateral Type</u>	<u>Aggregate Collateral Loan</u>	<u>Admitted</u>	<u>Nonadmitted</u>
<u>Cash, Cash Equivalents & ST Investments</u>			
<u>Bonds</u>			
<u>Asset-Backed Securities</u>			
<u>Preferred Stocks</u>			
<u>Common Stocks</u>			
<u>Real Estate</u>			
<u>Mortgage Loans</u>			
<u>Joint Ventures, Partnerships, LLC</u>			
<u>Subsidiary, Affiliated and Controlled Entities</u>			
<u>Other Qualifying Investments</u>			
<u>Collateral Does not Qualify as an Investment</u>			
<u>Total</u>			

Pursuant to SSAP No. 21R, nonadmittance of a collateral loan is required when the fair value of the collateral is not sufficient to cover the collateral loan or if the collateral securing the loan is not a qualifying investment. This includes situations in which collateral in form of joint ventures, partnerships, LLCs or SCAs is not supported by an audit as required by SSAP No. 48 or SSAP No. 97.

The other qualifying investment category shall only be used to capture collateral loans secured by collateral in the form of contract loans, derivatives, other invested assets not separately reported, receivables for securities, securities

[lending and any investments that would qualify as a write-in for invested assets. All collateral loans secured by collateral that does not qualify as an investment are is required to be nonadmitted under SSAP No. 21R.](#)

Staff Review Completed by: Julie Gann - NAIC Staff, September 2023

Status:

On December 1, 2023, the Statutory Accounting Principles (E) Working Group moved this agenda item to the active listing, categorized as a SAP clarification and exposed revisions to incorporate a new disclosure to SSAP No. 21R for initial reporting as of year-end 2024, and to sponsor a blanks proposal for a new data-captured disclosure and to expand the reporting lines on Schedule BA to separate collateral loans by the type of collateral that secures the loan. Comments are requested on whether any of the proposed reporting lines should be combined.

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2024/02-20-24/23-28 - Collateral Loan Reporting.docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2024/02-20-24/23-28-CollateralLoanReporting.docx)

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January 22, 2024

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: Interested Parties Comments on the Items Exposed for Comment during the NAIC
National Meeting in Orlando with Comments due January 22

Dear Mr. Bruggeman:

Interested parties appreciate the opportunity to comment on the following items that were exposed for comment by the Statutory Accounting Working Group (the Working Group).

Ref #2019-21: SSAP No. 21 – Principles-Based Bond Project

During the meeting, the Working Group exposed the changes summarized below:

1. All changes exposed in Summer 2023 have been accepted with new edits shown as tracked in the re-exposed draft. (This has been done for readability and to highlight changes from the prior exposure.)
2. Paragraph 30: Revisions specify that temporary reductions in fair value shall be reported as unrealized losses. This guidance was revised to mirror the updated OTTI guidance proposed in paragraph 35.
3. Paragraphs 31-32: Revisions incorporate the measurement method of residuals to be the “effective yield method with a cap.” With the revised guidance, the BACV of a residual will be limited to the initial cost, and recognition of interest income / reduction of the cost basis will depend on the cash flows received. Cash flows received that are within the allowable earned yield will be reported as interest income and cash flows received in excess of the allowable earned yield will reduce the carrying value. This revised method intends to allow a systematic approach to recognizing interest income over the life of the

security, while not permitting an increase in the cost basis based on an expectation of future cash flows.

4. Paragraph 33: Revisions incorporate a practical expedient to the measurement method detailed in paragraphs 31-32 that permits companies to utilize a “return of cost basis” approach. Under this approach, all cash flows received from residual tranches will be taken as a reduction of BACV. Once the BACV reaches zero, then all cash flows received will be recognized as interest income. (This was the approach exposed at the Summer National Meeting for all residuals.) Although the industry comment letter has noted support for the ‘effective yield with a cap’ method detailed in paragraphs 31-32, we noted that some companies would prefer the simplicity of the return of cost basis approach. For companies that do not have significant residual holdings, the preference is the return of cost basis approach to avoid any operational complexity. NAIC staff supports the inclusion of this practical expedient as it is a more conservative approach in the measurement method of residuals.
5. Paragraph 34: Revisions provide guidance for accounting and reporting if the investment no longer meets the definition of a residual.
6. Paragraph 35: Guidance for OTTI has been revised to be consistent with SSAP No. 43R and the assessment of the present value of expected cash flows to the BACV.

Interested parties appreciate the robust dialogue between industry and regulators on this topic. The comments noted above generally reflect common ground where industry and regulators are aligned around proposed guidance. We offer the following additional comments and anticipate that similar alignment may be found on several remaining topics.

The recently adopted guidance in SSAP No. 48 to clarify the reclassification of investments which are in nature residuals has raised an important measurement question. There may be cases where SSAP No. 48 investments, having followed equity method accounting for the accounting periods preceding 1-1-2025, have unrealized gains embedded in their transition-date carrying value. How does this fit within the effective yield method with a cap guidance which specifies that residual tranche investments shall not be accreted above initial cost? In order to support a transition which doesn’t reverse amounts which were previously recognized, interested parties request that unrealized gains which were recognized prior to 1-1-2025 be included in the initial basis of the investment for purposes of applying the effective yield method with a cap. Should regulators agree with this approach, we would request transition guidance, and can share the nuances we have begun to think through as an industry group.

The question has arisen about whether audits will be required for some residual tranches, once they are no longer subject to SSAP No. 48 guidance for equity method investments, but rather subject to SSAP No. 21R guidance for residual tranche investments. Interested parties believe the legal form of a residual (e.g., LP/LLC form) should not drive the need for audited financial statements when the same accounting method would be applied to all residuals no matter what

the legal form. Note that one of the primary purposes of the audit is to support measurement of an equity method investment, including the recording of equity method of accounting income amounts. Once that measurement method is replaced by residual tranche measurement guidance, our understanding is that the audit requirement would be discontinued, saving costs for companies and ultimately for policyholders, and we would like to clarify that understanding with regulators. Interested parties would also like to request that early adoption for year end 2024 reporting be allowed.

Interested parties generally did not understand the addition of paragraph 34, which lays out a rule base for de-designating a residual in cases where it no longer qualifies. Generally, interested parties are not aware of this circumstance and further are not against the default of leaving such an investment as a residual, which would have the benefit of likely being more conservative than any other treatment and would also prevent the need to create and monitor new policies and processes for a circumstance which would rarely occur.

Paragraph 35 currently states that discounted cash flows will be required as a step in the impairment process for residual tranches “under both methods described above.” Given that the practical expedient – to use cost recovery – has been developed partly to offer companies an efficient process which generates a more conservative result, we request that for those companies electing the practical expedient, fair value may be used as the impairment value, rather than requiring a discounted cash flow also to be performed. This approach would be in line with the principle of the practical expedient, as it requires less analysis and is generally expected to result in a more conservative result.

In addition to these comments, interested parties passed on smaller editorial comments to NAIC staff which we have not repeated in this letter.

Ref #2023-16: SSAP 48 - Schedule BA Reporting Categories

The Working Group exposed additional revisions to further define the investments captured on Schedule BA along with the continued proposal to combine non-registered private funds within the proposed reporting lines for joint ventures, partnerships, or limited liability companies. The Working Group also requested additional regulator and industry feedback on whether more specificity is needed since the existing Schedule BA descriptions are fairly broad.

We continue to evaluate this exposure in conjunction with the sponsored item 2023-12BWG – *Schedule BA Reporting Categories*. Interested parties recommend clarifying language to provide consistency between 2023-12BWG and this exposure as highlighted below:

Joint Ventures, Partnership or Limited Liability Company Interests with Underlying Assets
Having the Characteristics:

~~Fixed Income Instruments~~ Bonds

Include: Investments with underlying collateral which include contractual principal and/or interest payments, excluding mortgage loans.

Investments on the NAIC List of Schedule BA Non-Registered Private Funds with Underlying Assets Having Characteristics of Bonds or Preferred Stock that have 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 shall be reported on Lines 1399999 and 1499999. ~~Any investments deemed by the reporting entity to possess the underlying characteristics of fixed income instruments that has 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 for this category. Report these investments on Lines 1599999 and 1699999.~~

Any investments deemed by the reporting entity to possess the underlying characteristics of bonds 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 shall be reported on Lines 1599999 and 1699999. ~~Designations received from an NAIC CRP are permitted to be reported but are not required and will have no impact on the risk-based capital factor. Any investments deemed by the reporting entity to possess the underlying characteristics of fixed income instruments that has 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 for this category. Report these investments on Lines 1799999 and 1899999.~~

Residual Tranches or Interests with Underlying Assets Having Characteristics of:

Investments in Residual Tranches or Interests should be assigned to the subcategory with the highest underlying asset concentration. There shouldn't be any bifurcation of the underlying assets among the subcategories.

Include: Residual tranches or interests from securitization tranches and beneficial interests as well as other structures captured in scope of SSAP No. 43R – ~~Loan-Backed and Structured Securities~~ Asset-Backed Securities ~~Investments in joint ventures, partnerships and limited liability companies captured in scope of SSAP No. 48 – Joint Ventures, Partnerships and Limited Liability Companies that represent residual interests or that predominantly hold residual interests.~~

Investments in joint ventures, partnerships and limited liability companies captured in scope of SSAP No. 48. – Joint Ventures, Partnerships and Limited Liability Companies that represent residual interests, or that predominantly hold residual interests.

Investments in the form of preferred stock or common stock that are, in substance, residual interests or a residual security tranche, as defined in SSAP No. 43R or SSAP No. 48.

~~Fixed Income Instruments~~ Bonds

Also, as a result of discussions between interested parties and NAIC staff on the ‘Non-Registered Private Funds’ category being eliminated and incorporated into the ‘Joint Venture, Partnership or Limited Liability Company Interests’ category, a new item has been exposed by the Working Group (Ref #2023-28) for Collateral Loan Reporting. We hope to collaborate with the NAIC staff on this new exposure to identify the proper reporting for certain warehousing loans that are currently reported in the “non-registered private funds” category and that are collateralized by specific assets. As discussed with NAIC staff, insurers are reporting other fixed income investments in this section of Schedule BA. Examples of such investments include structured settlement investments addressed in SSAP No. 21R – *Other Admitted Assets* that have obtained an NAIC designation, intercompany loans meeting admissibility requirements under SSAP No. 25 – *Affiliates and Other Related Parties* which have obtained an NAIC designation, and loans that are guaranteed by the full faith and credit of the U.S. government. Currently, the non-registered private funds section seems to be the only section of Schedule BA where insurers can report those types of investments. Accordingly, we believe that more work needs to be done to provide appropriate reporting for these types of investments before the removal of the non-registered private fund section. We look forward to collaborating with NAIC staff on this issue. Interested parties also believe that any accounting and reporting changes impacting these items should have a consistent effective date of January 1, 2025, to align with the Bond Project.

In addition, the Working Group made referrals (dated August 28, 2023) regarding ‘SAPWG Schedule BA Proposal for Non-Bond Debt Securities’ to the Valuation of Securities Task Force and Capital Adequacy Task Force. Interested parties have received comments indicating that certain reporting changes, in addition to the Non-Bond Debt Securities categories on Schedule BA, will have RBC risk factor impacts based on the new and revised reporting categories.

We believe a coordination of effort in updating the accounting, reporting, and RBC impacts is vital for changes to Schedule BA as part of the Bond Project.

Ref #2023-28: SSAP No. 21R – Collateral Loan Reporting

The Working Group moved this agenda item to the active listing, categorized as a SAP clarification and exposed revisions to incorporate a new disclosure to SSAP No. 21R for initial reporting as of year-end 2024, and to sponsor a blanks proposal for a new data-captured disclosure and to expand the reporting lines on Schedule BA to separate collateral loans by the type of collateral that secures the loan. Comments were requested on whether any of the proposed reporting lines should be combined.

Interested parties appreciate the opportunity to comment on proposed expansion of collateral reporting categories. In response to the exposure we have suggested a combination of certain

subcategories with the aim of reducing the volume of reporting lines to the lowest reasonable level. These comments are intended to apply to both BA category structure as well as to disclosure requirements.

Collateral Type
Cash, Cash Equivalents & ST Investments
Bonds (ICO & ABS)
Asset Backed Securities
Preferred Stocks
Common Stocks
Real Estate
Mortgage Loans
Joint Ventures, Partnerships, LLC
Subsidiary, Affiliated and Controlled Entities
Other Qualifying Investments
Collateral Does not Qualify as an Investment

Interested parties agree that the purpose of this initiative is to increase the clarity of statutory reporting rather than to impact required capital and the AVR. We are primarily concerned that certain investments which may be re-categorized as a result of this clarification will have unintended capital impacts unless AVR and RBC mapping is also updated. If new mapping is needed, as it appears to be in the case of at least one asset class, we request that Blanks and RBC IRE updates are adopted and effective in the same reporting period as the Working Group updates. Interested parties stand ready to engage in proposed mapping updates through the AVR and RBC, with the aim that no unintended capital changes result from the collateral loan topic adoption.

We believe that any accounting and reporting changes impacting these items should have an effective date of January 1, 2025, consistent with other BA category changes related to Principle Based Bond Project.

* * * *

Please feel free to contact either one of us if you have any questions or would like to discuss the above recommendations.

Statutory Accounting Principles Working Group
January 22, 2024
Page 7

Sincerely,

D. Keith Bell

Rose Albrizio

cc: Interested parties
NAIC staff

MEMORANDUM

TO: Dale Bruggeman, Chair, Statutory Accounting Principles (E) Working Group
Tom Botsko, Chair, Capital Adequacy (E) Task Force

FROM: Philip Barlow, Chair, Life Risk-Based Capital (E) Working Group

DATE: January 25, 2024

RE: Repurchase Agreement RBC Proposal Referral

The Life Risk-Based Capital (E) Working Group received, discussed, and exposed for public comment, a proposal from the American Council of Life Insurers (ACLI) to modify the treatment of repurchase agreements in the life risk-based capital (RBC) formula (Proposal). One comment was received from the ACLI with full support of the Proposal. ACLI has subsequently provided an official proposal with structural changes to the RBC blanks and instructions. The implementation of the structural changes is predicated on changes made to the Annual Statement's General Interrogatories. NAIC staff has reviewed the proposal and noted accounting differences between repurchase agreements and security lending programs, on which the proposal appears to base the RBC treatment.

The Working Group would appreciate consideration by the Statutory Accounting Principles (E) Working Group on accounting and reporting aspects of the proposal as well as the Capital Adequacy (E) Task Force on its possible application to the other RBC formulas.

Cc: Dave Fleming, Julie Gann, Robin Marcotte, Jake Stultz, Jason Farr, Wil Oden, Mary Caswell, Maggie Chang, Eva Yeung, Crystal Brown

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National Meetings/A. National Meeting Materials/2024/02-20-24/6 - LRBCWG referral to SAPWG and CATF Repo proposal 1-29-24.docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National%20Meetings/A.%20National%20Meeting%20Materials/2024/02-20-24/6%20-%20LRBCWG%20referral%20to%20SAPWG%20and%20CATF%20Repo%20proposal%201-29-24.docx)

MEMORANDUM

TO: Philip Barlow, Chair, Life Risk-Based Capital (E) Working Group

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

DATE: February 8, 2024 - **DRAFT**

RE: Repurchase Agreement RBC Proposal Referral

The Statutory Accounting Principles (E) Working Group (SAPWG) appreciates the Life Risk-Based Capital (E) Working Group soliciting comments on the proposal from the American Council of Life Insurers (ACLI) to modify the treatment of repurchase agreements in the life risk-based capital (RBC) formula to converge with treatment for securities lending programs. As detailed in the ACLI-sponsored proposal, the request is to incorporate a concept of ‘conforming programs’ for repurchase agreements, with the collateral attributed to those programs assigned a 0.2% (.0020) factor instead of a 1.26% (.0126) factor.

Although the RBC proposal was exposed for a potential year-end 2024 effective date, the SAPWG notes that the statutory accounting and reporting for securities lending and repurchase agreements are currently different. As such, the SAPWG requests that the LRBCWG defer consideration of the proposal until the SAPWG has time to assess the differences and consider converging revisions (if deemed appropriate) before modifying the RBC formula. Particularly, securities lending collateral is detailed in Schedule DL: Securities Lending Collateral Asset for 1) collateral that an entity has received and reinvested and 2) collateral received that the entity has not reinvested but for which the entity has the ability to sell or repledge. This schedule currently does not include repurchase agreement collateral and capturing consistent information on collateral for both securities lending and repurchase agreements is a topic that the SAPWG would like to consider before providing a response to the RBC proposal. As detailed within the proposal, the ACLI identifies that repurchase agreements and securities lending transactions are similar forms of short-term collateralized funding for life insurers, with counterparties reflecting the key difference between the two funding structures. With these similarities, consistent reporting of the collateral seems appropriate to ensure financial regulators receive comparable information regardless of the legal form of the agreement. This is further supported by a review of year-end 2022 data which identified that securities associated with securities lending transactions are declining, whereas securities associated repurchase agreements are increasing.

In addition to time to permit assessment and convergence of accounting and reporting, the SAPWG also notes that blanks reporting revisions would be required to incorporate a new general interrogatory for reporting entities to capture repurchase collateral from conforming programs and for that data to be pulled directly into the RBC formula. With the timing of the Blanks (E) Working Group process, such revisions would need to be adopted in May to be in effect for year-end. By deferring beyond 2024, further time can be provided to ensure the blanks

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reporting revisions are properly reflected. Although the revisions appear to be limited, the SAPWG has also noted that the guidance to complete the current securities lending conforming program Annual Statement General Interrogatories are captured in the RBC Instructions. To ensure consistency in reporting, the SAPWG would recommend including guidance within the Annual Statement Instructions. It is noted that the financial statement preparers may not have the RBC instructions, therefore the current process creates a disconnect in which preparers may not have the information to properly assess whether a program should be classified as conforming or nonconforming.

Lastly, in response to a preliminary comparison of conforming and nonconforming securities lending programs, it has been identified that very few reporting entities report any securities lending collateral as part of a nonconforming program. Although the instructions identify what is permitted as “acceptable collateral,” from a review of the collateral reported on Schedule DL, reporting entities are classifying programs as conforming even though the reported Schedule DL collateral is outside the parameters of acceptable collateral. From initial assessments, it appears that there may be interpretation differences on whether the “acceptable collateral” requirement encompasses only the collateral received from the counterparty and not what the reporting entity currently holds due to reinvestment of the original collateral. Further clarification of the intent of the guidelines and what is conforming or nonconforming may be warranted before expanding the provisions to include repurchase agreements. It is highlighted that the provisions to separate conforming and nonconforming programs in the RBC formula was incorporated before the great financial crisis, and significant changes to accounting and reporting (including Schedule DL) were incorporated because of how securities lending transactions impacted certain reporting entities during the crisis. Consideration of how the current securities lending accounting and reporting requirements interact with the conforming program requirements may want to be assessed before expanding the conforming program concepts to repurchase agreements with a reduced RBC factor.

In conclusion, the SAPWG appreciates the opportunity to provide immediate comments on the initial exposure and requests that consideration on the proposal be deferred to allow assessment and convergence of accounting and reporting requirements for securities lending and repurchase agreements. The SAPWG will add this issue to its working agenda and proceed as timely as possible and will keep the LRBC WG informed of discussions and progress as this topic is considered.

Cc: Dave Fleming, Julie Gann, Robin Marcotte, Jake Stultz, Jason Farr, Wil Oden, Mary Caswell, Maggie Chang, Eva Yeung, Crystal Brown

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