

Statutory Accounting Principles (E) Working Group
November 16, 2022
Comment Letters Received – Bond Project
Reporting Proposal

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October 7, 2022

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

RE: Items Exposed for Comment by the Statutory Accounting Principles Working Group on August 10, 2022, with Comments due October 7th

Dear Mr. Bruggeman:

Interested parties appreciate the opportunity to comment on the exposure drafts released for comment by the NAIC Statutory Accounting Principles (E) Working Group (the Working Group) during its meeting on August 10th in Portland.

We offer the following comments:

Reporting Lines/Descriptions Proposal: Issuer Credit Obligations and Asset Backed Securities

The Working Group exposed the following 2 items which propose reporting changes to improve transparency and granularity as part of the Principles-Based Bond Definition Project. The first document includes proposed reporting lines and descriptions for bonds. The second document includes a new proposed Schedule D-1 with new sections, columns, and reporting instructions to separate and capture information specific to issuer creditor obligations (Schedule D – Part 1 – Section 1) and asset-backed securities (Schedule D – Part 1 – Section 2). A variety of schedule and instruction changes are proposed for each schedule.

Attached is a marked-up version for each of the above items exposed that includes substantive comments that begin with ‘IP Comments:’ next to the item being addressed. The attachment also includes editorial revisions as appropriate. Also attached is a clean version that reflects all of our

comments and revisions.

The following are the key items highlighted in our comments:

- If ABS investments will no longer be allowed to be reported on Schedule DA – Part 1 (Short-Term Investments) and Schedule E – Part 2 (Cash Equivalents), should consideration be given to modifying SSAP No. 2R—*Cash, Cash Equivalents, Drafts, and Short-Term Investments*?
- In several instances, we are recommending that the column data referencing ‘Acquisition’ data be changed to ‘Origination’ to provide consistency of the data and match the instructions.
- We recommend removing the ‘Current Overcollateralization Percentage (ABS)’ field as it is industry’s understanding that the assessment of whether the reporting entity benefits from substantive credit enhancement through subordination and/or overcollateralization is done at the date of acquisition of the investment based on the characteristics of the investment at origination.
- We are unsure as to what is being requested in the ‘PIK Interest Due and Accrued’ column.

Interested parties understand that the new Schedule D – Part 1 – Section 1 aligns with SSAP No. 26R and Schedule D – Part 1 – Section 2 aligns with SSAP No. 43R. To assist in this alignment, would it make sense to rename SSAP No. 26R ‘Bonds – Issuer Credit Obligations’ and SSAP No. 43R ‘Bonds – Asset-Backed Securities’?

Our comments and suggested changes to the proposed reporting changes reflect our understanding of the concurrently exposed changes to SSAP No. 26R and SSAP No. 43R to bring the accounting and reporting into sync as part of the Principles-Based Bond Definition Project. We believe there will be an opportunity to continue to work with insurance regulators and NAIC staff on further changes as new feedback is received on these important issues.

Ref #2019-21: Proposed Bond Definition

Pursuant to the direction from the Working Group in October 2020, a small group of regulators and industry have been meeting regularly to draft a bond definition for consideration. The intent of this project is to clarify what should be considered a bond (whether captured in SSAP No. 26R—Bonds or SSAP No. 43R—Loan-Backed and Structured Securities) and reported on Schedule D-1: Long-Term Bonds: This exposure is specific to the proposed bond definition included in the exposed Form A, along with the glossary (page 5) and appendices (pages 6-12), but comments on future developments (such as reporting changes, accounting and reporting guidance for items that do not qualify as bonds, transition guidance, etc.) may also be submitted to assist in the development of these items. This exposure document reflects the direction of the Working Group from the July 18, 2022, call in which comments received after the March 2022 exposure were discussed. This exposure is accompanied by a proposed issue paper that details the discussions in developing the principles-based bond definition as well as proposed statutory accounting revisions to SSAP No. 26R and SSAP No. 43R. Proposed reporting changes were

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exposed July 18, 2022.

Interested parties will submit comments under a separate comment letter at a later date.

* * *

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

Sincerely,

D. Keith Bell

Rose Albrizio

cc: NAIC staff
Interested parties

**Reporting Proposal
General Instructions
Comment Summary**

1. Page 3 - Comments indicate that the definitions for SAP Book Value, SAP Carrying Value, Adjusted Carrying Value and Recorded Investments should be reviewed.
2. Page 6 - Comments propose to clarify that convertible bonds are included with corporate bonds, with the exception of mandatory convertible bonds, which are in a separate category.
3. Page 7 - Comments identify the lines for which affiliated investments are not reported. These include government jurisdictions, SVO-Identified Bond ETFs and Certificates of Deposit.
4. Page 9 - Comments expand the definition of financial asset-backed securities that are not-self-liquidating. The revised definition is as follows: Include all financial asset-backed securities where the structure does not represent a design where the terms of the underlying collateral has contractual principal and interest that results with a conversion into cash over a period of time (e.g., receivables or other such assets).
5. Page 9 - Comments clarify the practical expedient in SSAP No. 43R, noting that it may be utilized.
6. Page 10 - Comments move the definition of affiliated reporting lines. This is a placement change from page 9.

**Bond Definition
Proposed Reporting Lines
Exposed July 18, 2022 – With Interested Parties Tracked Changes**

This document proposes annual statement general instructions (reporting line descriptions) for suggested reporting lines for investments reported as issuer credit obligations or asset-backed securities on Schedule D, Part 1. As detailed within, the general classifications that currently exist are proposed to be deleted and new reporting lines divided between issuer credit obligations and asset-backed securities are suggested.

Comments are requested on all aspects of this document – including whether reporting lines should be added or deleted as well as the suggested instructions to clarify what should be captured in each location.

Although this document is the “Investment Schedule General Instructions” the revisions have been limited to Schedule D, Part 1. (Other sections have been deleted from this draft.) It is recognized that corresponding revisions will be required to a variety of other schedules. Although it is perceived that the new reporting lines will be carried over into applicable schedules, comments are also welcome on whether variations should occur. Once initial consideration occurs on Schedule D, Part 1, then impact to other schedules will be subsequently detailed so a complete picture can be considered prior to incorporation.

The proposed reporting lines are detailed below. These lines are not part of this page in the Annual Statement Instructions but are included for reference purposes.

Comments on the proposed lines, as well as the ordering of the proposed lines are welcome. **The categories for which both unaffiliated and affiliated holdings are proposed to be captured are identified.** This is simply to identify the categories in which affiliated holdings will be reported and does not represent the actual structure for reporting in the blanks. Comments are requested on these categories and whether additional categories shall report affiliated investments.

Issuer Credit Obligations:

- U.S. Government Obligations
- Other U.S. Government Securities
- Non-U.S. Sovereign Jurisdiction Securities
- Municipal Bonds – General Obligations
- Municipal Bonds – Special Revenue.....
- Project Finance Bonds Issued by Operating Entities (Unaffiliated / Affiliated)
- Corporate Bonds (Unaffiliated / Affiliated)
- Mandatory Convertible Bonds (Unaffiliated / Affiliated)
- Single Entity Backed Obligations (Unaffiliated / Affiliated)
- SVO-Identified Bond Exchange Traded Funds – Fair Value
- SVO-Identified Bond Exchange Traded Funds – Systematic Value
- Bonds Issued from SEC-Registered Business Development Corps, Closed End Funds & REITS (Unaffiliated / Affiliated).
- Bank Loans – Issued (Unaffiliated / Affiliated)
- Bank Loans – Acquired (Unaffiliated / Affiliated).....
- Mortgages Loans that Qualify as SVO-Identified Credit Tenant Loans (Unaffiliated / Affiliated)
- Certificates of Deposit.....
- Other Issuer Credit Obligations (Unaffiliated / Affiliated)
- Total Issuer Credit Obligations (Unaffiliated & Affiliated)**
- Total Affiliated Issuer Credit Obligations.....**

Financial Asset-Backed Securities – Self-Liquidating

- Agency Residential Mortgage-Backed Securities - Guaranteed.....
- Agency Commercial Mortgage-Backed Securities - Guaranteed.....
- Agency Residential Mortgage-Backed Securities – Not Guaranteed.....
- Agency Commercial Mortgage-Backed Securities – Not Guaranteed.....
- Non-Agency Residential Mortgage-Backed Securities (Unaffiliated / Affiliated).....
- Non-Agency Commercial Mortgage-Backed Securities (Unaffiliated / Affiliated).....
- Non-Agency – CLOs / CBOs / CDOs (Unaffiliated / Affiliated).....
- Other Financial Asset-Backed Securities - Self-Liquidating (Unaffiliated / Affiliated).....

Total Financial Asset-Backed Securities - Self-Liquidating (Unaffiliated / Affiliated).....

Financial Asset-Backed Securities – Not Self-Liquidating

- Equity Backed Securities (Unaffiliated / Affiliated).....
- Other Financial Asset Backed Securities – Not Self-Liquidating (Unaffiliated / Affiliated).....

Total Financial Asset-Backed Securities – Not Self Liquidating (Unaffiliated / Affiliated).....

Non-Financial Asset Backed Securities - Practical Expedient.....

- Lease-Backed Securities – Practical Expedient (Unaffiliated / Affiliated).....
- Other Non-Financial Asset-Backed Securities – Practical Expedient (Unaffiliated / Affiliated).....

Total Non-Financial Asset-Backed Securities – Practical Expedient (Unaffiliated / Affiliated).....

Non-Financial Asset-Backed – Full Analysis.....

- Lease-Backed Securities – Full Analysis (Unaffiliated / Affiliated).....
- Other Non-Financial Asset-Backed Securities – Full Analysis (Unaffiliated / Affiliated).....

Total Non-Financial Asset-Backed Securities – Full Analysis (Unaffiliated / Affiliated).....

Total Asset-Backed Securities.....

Total Affiliated Asset-Backed Securities.....

Total Long-Term Bonds (Issuer Credit Obligations & Asset Backed Securities).....

Total Affiliated Long-Term Bonds (Issuer Credit Obligations & Asset Backed Securities)

INVESTMENT SCHEDULES GENERAL INSTRUCTIONS
(Applies to all investment schedules)

The following definitions apply to the investment schedules.

SAP Book Value (Defined in Glossary of *Accounting Practices and Procedures Manual*):

Original Cost, including capitalized acquisition costs and accumulated depreciation, unamortized premium and discount, deferred origination and commitment fees, direct write-downs, and increase/decrease by adjustment.

SAP Carrying Value (Defined in Glossary of *Accounting Practices and Procedures Manual*):

The SAP Book Value plus accrued interest and reduced by any valuation allowance (IF APPLICABLE) and any nonadmitted adjustment applied to the individual investment. Carrying Value is used in the determination of impairment.

Adjusted Carrying Value:

Carrying Value amount adjusted to remove any accrued interest and to add back any of the following amounts: individual nonadmitted amounts, individual valuation allowances (IF APPLICABLE), and aggregate valuation allowance (IF APPLICABLE). In effect, this is equivalent to the definition of SAP Book Value (not to be confused with the old “Book Value” reported in the annual statement blanks for data years 2000 and prior).

Recorded Investment:

The SAP Book Value (Adjusted Carrying Value) plus accrued interest.

[IP Comments: We believe the above definitions need to be reviewed for possible redundancy and additional clarity is needed to determine how they're used within the AP&P manual and the annual statement. For example, are 'SAP Book Value' and 'Adjusted Carrying Value' identical?](#)

The information included in the investment schedules shall be broken down to the level of detail as required when all columns and rows are considered together unless otherwise addressed in specific instructions. For example, on Schedule D Part 4, a reporting entity is required to list the CUSIP book/adjusted carrying value, among other things. The reporting entity would only be required to break this information down to a lower level of detail if the information was inaccurate if reported in the aggregate. Thus, the reporting entity would not be required to break the information down by lot (information for each individual purchase) and could utilize the information for book/adjusted carrying value using an average cost basis, or some other method, provided the underlying data reported in that cell was calculated in accordance with the *Accounting Practices and Procedures Manual*. However, reporting entities are not precluded from reporting the information at a more detailed level (by lot) if not opposed by their domiciliary commissioner.

“To Be Announced” securities (commonly referred to as TBAs) are to be reported in Schedule D unless the structure of the security more closely resembles a derivative, as defined within *SSAP No. 86—Derivatives*, in which case the security should be reported on Schedule DB. The exact placement of TBAs in the investment schedules depends upon how a company uses TBA. (For example, if a reporting entity was to acquire a TBA with the intent to take possession of a Schedule D, Part 1 qualifying mortgage-backed security, the TBA shall be reported on Schedule D, Part 1 at acquisition. If a reporting entity was to ~~an~~ acquire a TBA, with the intent to roll the TBA, this acquisition is more characteristic of a forward derivative and shall be captured on Schedule DB.)

For Rabbi Trusts, refer to *SSAP No. 104R—Share-Based Payments* for accounting guidance.

For the Foreign Code columns in Schedules D and DA, the following codes should be used:

- “A” For Canadian securities issued in Canada and denominated in U.S. dollars.
- “B” For those securities that meet the definition of foreign provided in the Supplement Investment Risk Interrogatories and pay in a currency OTHER THAN U.S. dollars.

- “C” For foreign securities issued in the U.S. and denominated in U.S. dollars.
- “D” For those securities that meet the definition of a foreign as provided in the Supplement Investment Risk Interrogatories and denominated in U.S. dollars (e.g., Yankee Bonds or Eurodollar bonds).

Leave blank for those securities that do not meet the criteria for the use of “A”, “B”, “C” or “D.”

Derivatives (Schedule DB); repurchase and reverse repurchase agreements (Schedule DA); and securities borrowing and securities lending transactions (Schedule DL) shall be shown gross when reported in the investment schedules. If these transactions are permitted to be reported net in accordance with *SSAP No. 64—Offsetting and Netting of Assets and Liabilities*, the investment schedule shall continue to provide detail of all transactions (gross), with the net amount from the valid right to offset reflected in the financial statements (pages 2 and 3 of the statutory financial statements). Disclosures for items reported net when a valid right to offset exists including the gross amount, the amount offset and the net amount reported in the financial statements are required per *SSAP No. 64—Offsetting and Netting of Assets and Liabilities*.

For the columns that disclose information regarding investments that are not under the exclusive control of the reporting entity, and also including assets loaned to others, the following ~~codes~~ [Restricted Asset Codes](#) should be used:

- LS – Loaned or leased to others
- RA – Subject to repurchase agreement
- RR – Subject to reverse repurchase agreement
- DR – Subject to dollar repurchase agreement
- DRR – Subject to dollar reverse repurchase agreement
- C – Pledged as collateral – excluding collateral pledged to FHLB
- CF – Pledged as collateral to FHLB (including assets backing funding agreements)
- DB – Pledged under an option agreement
- DBP – Pledged under an option agreement involving “asset transfers with put options”
- R – Letter stock or otherwise restricted as to sale – excluding FHLB capital stock
(Note: Private placements are not to be included unless specific restrictions as to sale are included as part of the security agreement.)
- RF – FHLB capital stock
- SD – Pledged on deposit with state or other regulatory body
- M – Not under the exclusive control of the reporting entity for multiple reasons
- SS – Short sale of a security
- O – Other

The following is the description of the detailed lines for bonds and stocks.

Classifications Schedule D, Part 1 Only:

All investments shall qualify for reporting on Schedule D, Part 1. Investments that may fit within the classifications below are not permitted on Schedule D, Part 1 if they do not qualify under the bond definition detailed within *SSAP No. 26R—Bonds* and *SSAP No. 43R—Asset-Backed Securities* or are otherwise named in scope within those statements.

(Note: Schedule D-1 references will be updated to reflect D-1-1 ([RSECICO](#)) and D-1-2 (ABS) if that approach is supported.)

Refer to *SSAP No. 26R—Bonds*, *SSAP No. 43R—Asset-Backed Securities* and *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* for additional guidance.

Issuer Credit Obligations – Investments that qualify for reporting on Schedule D, Part 1, [Section 1](#) in scope of SSAP No. 26R:

U.S. Government Obligations:

U.S. Government Obligations, as defined per the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*, includes direct claims (including securities, loans and leases) on, and the portions of claims that are directly and unconditionally issued, guaranteed or insured by the U.S. Government or its agencies. U.S. Government obligations captured within this category include obligations issued by U.S. Government agencies that are fully guaranteed or insured as to the timely payment of principal and interest by the full faith and credit of the U.S. Government.

Note: Although not planned as part of the A/S instructions, pursuant to the ~~2022~~- P&P Manual, investments from the following agencies would be included in this reporting line:

- Army and Air Force Exchange Service (AAFES)
- Commodity Credit Corporation (CCC)
- Export-Import Bank of the United States (EXIM Bank)
- Farmers Home Administration (FmHA) – Certificates of Beneficial Ownership
- Federal Deposit Insurance Corporation (FDIC)
- Federal Housing Administration (FHA)
- General Services Administration (GSA)
- Government National Mortgage Association (GNMA)
- National Credit Union Administration (NCUA)
- Overseas Private Investment Corp (OPIC)
- Small Business Administration (SBA)
- U.S. Agency for International Development (USAID)
- U.S. Department of Agriculture (USDA)
- U.S. Department of Health and Human Services (HHS)
- U.S. Department of Housing and Urban Development (HUD)
- U.S. Department of the Treasury
- U.S. Department of Veterans Affairs (VA)
- U.S. International Development Finance Corporation (DFC)
- U.S. Maritime Administration (MARAD)
- Washington Metropolitan Area Transit Authority

Other U.S. Government Securities:

Securities issued by U.S. Government agencies or government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government.

This category includes securities issued from agencies that are not backed by the full faith and credit of the U.S. Government but have a filing exemption detailed in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* based on analytical judgement.

Note: Although not planned as part of the A/S instructions, pursuant to the 2022 P&P Manual, investments from the following agencies would be included in this reporting line:

- Federal Agricultural Mortgage Corporation (Farmer Mac)
- Federal Farm Credit Banks (FFCB)
- Federal Financing Bank (FFB)
- Federal Home Loan Banks (FHLB)
- Federal Home Loan Mortgage Corporation (Freddie Mac)
- Federal National Mortgage Association (Fannie Mae)
- Financing Corporation (FICO)
- Resolution Funding Corporation (REFCorp)
- Tennessee Valley Authority (TVA)

Non-U.S. Sovereign Jurisdiction Securities

This includes investments issued by non-U.S. sovereign governments, including bonds of political subdivisions and special revenue. This also includes bonds issued by utilities owned by non-U.S. governments and bonds fully guaranteed by non-U.S. governments.

Municipal Bonds – General Obligation (Direct and Guaranteed):

Include securities issued by states, cities, counties and other governmental entities to fund day-to-day obligations and to finance capital projects that are not secured by specific assets, but are backed by the “full faith and credit” (taxing power) of the issuer.

Municipal Bonds – Special Revenue

Include securities issued by states, cities, counties, and other governmental entities to finance projects not backed by the taxing power of the issuer, but by revenues from the specific project or source (e.g., highway tolls). Also include other municipal securities that do not qualify as general obligation (e.g., pre-refunded bonds and insured bonds).

Project Finance Bonds Issued by Operating Entities

Include non-municipal securities issued by an operating entity as defined in SSAP No. 26R, that finances a single asset or operation (such as a toll road or power generation facility). For these investments, the asset or operation collateralizes the issuance and the cash flows produced satisfy the debt payments. The use of a bankruptcy remote entity (e.g., Special Purpose Vehicle) does not preclude reporting in this category when the entity is determined to represent an operating entity and the primary purpose of the debt issuance is to finance a specific operating project for the operating entity.

Corporate Bonds:

Issuer credit obligation issued by a company to raise capital and support company operations. [Include convertible bonds, but not mandatory convertible bonds which are included in a separate category.](#)

Mandatory Convertible Bonds

A type of convertible bond that has a required conversion or redemption feature. Either on or before a contractual conversion date, the holder must convert the mandatory convertible into underlying common stock.

Single-Entity Backed Obligations

Investments for which repayment is fully supported by an underlying contractual obligation of a single operating entity. This does not include corporate bonds or project finance structures. Examples of structures that could qualify for reporting within this category, if payment is fully supported by a single operating entity, include but are not limited to, equipment trust certificates, enhanced equipment trust certificates, single-tenant lease-backed securities and funding agreement backed notes. Repayment is considered fully supported by the underlying operating entity if the structure in place at origination provides cash flows to satisfy all interest and at least 95% of the principal of the security. (For example, a 5-year lease-backed security that has all cash flows for interest and principal repayment generated from one existing tenant who is under a matching 5-year lease term on the building qualifies for reporting as a single-entity backed obligation.)

SVO Identified Funds – Fair Value:

Include SVO-Identified Bond Exchange Traded Funds included on the “List of Exchange Traded Funds Eligible for Reporting as a Schedule D Bond (the ETF Bond List)” as found on the Securities Valuation Office Web page (<https://www.naic.org/svo.htm>) that do not qualify for, or for which the reporting entity has elected not to report, at systematic value.

SVO Identified Funds – Systematic Value:

Include SVO-Identified Bond Exchange Traded Funds included on the “List of Exchange Traded Funds Eligible for Reporting as a Schedule D Bond (the ETF Bond List)” as found on the Securities Valuation Office Web page (<https://www.naic.org/svo.htm>) that qualify for, and that the reporting entity has elected to report, at systematic value. Use of systematic value is an irrevocable election as long as the qualifying investment is held by the reporting entity and qualifies for systematic value within the parameters of SSAP No. 26R.

Bonds Issued From SEC-Registered Business Development Corps, Closed-End Funds & REITs

Bonds issued by SEC-registered business development corporates, closed-end funds or similar operating entities registered under the 1940 Act.

Bank Loans – Issued

Fixed-income instruments, representing indebtedness of a borrower, made by a financial institution. Bank loans in this category shall be obligations of operating entities acquired directly at issuance by a reporting entity.

Bank Loans - Acquired

Fixed-income instruments, representing indebtedness of a borrower, made by a financial institution. Bank loans in this category shall be obligations of operating entities acquired through an assignment, participation or syndication.

Mortgage Loans that Qualify as SVO-Identified Credit Tenant Loans

Mortgage loans, in scope of *SSAP No. 37—Mortgage Loans*, that have been filed with the SVO and included on the SVO Identified Credit-Tenant Loan listing. Investments in the form of security structures shall not be captured on this reporting line. Security structures supported by a credit tenant lease shall be reported as single-entity back obligations (if qualifying) or captured in the appropriate reporting line for Asset-Backed Securities.

Certificates of Deposit

Certificates of deposit that have a fixed schedule of payments and a maturity date in excess of one year from the date of acquisition.

Other Issuer Credit Obligations

Report investment structures that qualify as issuer credit obligations pursuant to SSAP No. 26R that do not fit within a specific reporting line. (Specific reporting lines shall be utilized when applicable.) Debt instruments in a CAPCO permitted under SSAP No. 26R shall also be captured within this category.

Affiliated Reporting Lines:

Each reporting category, other than those specific to Government Jurisdictions, SVO-Identified Bond ETFs, and Certificates of Deposit, ~~other than those specific to government jurisdictions~~ shall have affiliated investments separately reported within the affiliate reporting line. The definition of affiliates is pursuant to *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*.

Asset-Backed Securities – Investments that qualify for Schedule D, Part 1, Section 2 pursuant to SSAP No. 43R:

Financial Asset-Backed Securities - Self-Liquidating – A self-liquidating security is a design where the terms of the underlying collateral has contractual principal and interest that results with a conversion into cash over a period of time (e.g., receivables or other such assets). (For example, a mortgage loan backing a mortgage-backed security, where the loan balance is reduced as payments are made and is ultimately fully paid off by the borrower, or a collateralized loan obligation (CLO) backed by bank loans that ~~reduces~~ is reduced as the loan is paid off.) A financial asset is defined within SSAP No. 103R as cash, evidence of an ownership interest in an entity, or a contract that conveys to one entity a right (a) to receive cash or another financial instrument from a second entity or (b) to exchange other financial instruments on

potentially favorable terms with the second entity. As a point of clarity, for the purposes of the bond definition and reporting on Schedule D, Part 1, financial assets do not include assets for which the realization of the benefits conveyed by the above rights depends on the completion of a performance obligation (e.g., leases, mortgage servicing rights, royalty rights, etc.). These assets represent non-financial assets, or a means through which non-financial assets produce cash flows, until the performance obligation has been satisfied.

Agency Residential Mortgage-Backed Securities - Guaranteed

Include 'agency' residential mortgage-backed securities where the mortgages or bonds are guaranteed as to principal and interest by federal and federally sponsored agencies such as the Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC). Also include loans guaranteed by the U.S. Department of Veteran Affairs or the U.S. Department of Agriculture's Rural Development Housing and Community Facilities Programs. Government Sponsored Mortgage Reference Securities shall not be captured within this category.

Agency Commercial Mortgage-Backed Securities - Guaranteed

Include 'agency' commercial mortgage-backed securities where the mortgages or bonds are guaranteed as to principal and interest by federal and federally sponsored agencies such as the Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC). Also include loans guaranteed by the U.S. Department of Veteran Affairs or the U.S. Department of Agriculture's Rural Development Housing and Community Facilities Programs. Government Sponsored Mortgage Reference Securities shall not be captured within this category.

Agency Residential Mortgage-Backed Securities – Not Guaranteed

Include residential mortgage-backed securities issued by an agency that is not guaranteed by federal or federally sponsored agencies. This category shall include mortgage-referenced securities issued by a government-sponsored enterprise (e.g., Fannie Mae or Freddie Mac) in the form of a credit-risk-transfer in which the security is tied to a pool of residential mortgages. These items reflect instruments in which the payments received are linked to the credit and principal payment risk of the underlying mortgage loan borrowers captured in the referenced pool of mortgages. For these instruments, the holder may not receive a return of their full principal as repayment is contingent on repayment by the mortgage loan borrowers in the referenced pool of mortgages.

Agency Commercial Mortgage-Backed Securities – Not Guaranteed

Include commercial mortgage-backed securities issued by an agency that is not guaranteed by federal or federally sponsored agencies. This category shall include mortgage-referenced securities issued by a government-sponsored enterprise (e.g., Fannie Mae or Freddie Mac) in the form of a credit-risk-transfer in which the security is tied to a pool of commercial mortgages. These items reflect instruments in which the payments received are linked to the credit and principal payment risk of the underlying mortgage loan borrowers captured in the referenced pool of mortgages. For these instruments, the holder may not receive a return of their full principal as repayment is contingent on repayment by the mortgage loan borrowers in the referenced pool of mortgages.

Non-Agency Residential Mortgage-Backed Securities

Include residential mortgage-backed securities not issued by a government agency.

Non-Agency Commercial Mortgage-Backed Securities

Include commercial mortgage-backed securities not issued by a government agency.

Non-Agency - CLOs/ CBOs /CDOs

Include self-liquidating collateralized loan obligations, collateralized bond obligations and collateralized debt obligations. In general, this category includes pools of assets whose cash flows are divided into 2 or more tranches. This also includes any other significant leverage inside the deal, for example, in the form of off-

market swaps or repo. The underlying collateral in this category consists of corporate or structured credit, cash or synthetic. This category does not include single name underlying collateral. Lastly, the repayment of the securities issued by CLOs/ CBOs /CDOs depend primarily on the default and recovery of the underlying collateral and not on their market value.

~~The above definition includes comments from the Capital Markets Bureau to define CLOs for inclusion.~~

Other Financial ~~Asset-Asset~~-Backed Securities - Self-Liquidating

Include self-liquidating financial asset-backed securities not issued by a government agency that are not backed by commercial or residential mortgage loans and that are not considered CLOs / CBOs / CDOs.

~~Affiliated Reporting Lines:~~

~~Each reporting category other than those specific to government (agency) issuances shall have affiliated investments separately reported within the affiliate reporting line. The definition of affiliates is pursuant to SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities.~~

Financial Asset-Backed Securities – Not Self-Liquidating – Include all financial ~~asset-asset~~-backed securities where the structure does not represent a design where the terms of the underlying collateral has contractual principal and interest that results with a conversion into cash over a period of time (e.g., receivables or other such assets) ~~where the underlying collateral converts into cash over a period of time.~~

Equity-Backed Securities

Include structures where the financial assets backing the structure reflect equity. These securities must overcome the rebuttable presumption that equity-like structures do not inherently possess the characteristics to be reported on Schedule D, Part 1 and have appropriate reporting entity documentation supporting a conclusion that the underlying equity interests lend themselves to the production of predictable cash flows and the underlying equity risks have been sufficiently redistributed through the capital structure of the issuer. This category should include securitized collateralized fund obligations (CFOs) and other such structures, that qualify within Schedule D, Part 1. (Securitized equity-backed structures, including CFO structures, that do not qualify for Schedule D, Part 1 reporting shall be captured on Schedule BA.)

Other Financial ~~Asset-Asset~~-Backed Securities – Not Self-Liquidating

Include non-self-liquidating financial asset-backed securities that are not backed by equity.

Non-Financial ~~Asset-Asset~~-Backed Securities (Practical Expedient) – A non-financial ABS is defined as a bond backed by assets that are expected to generate a meaningful level of cash flows toward repayment of the bond through use, licensing, leasing, servicing or management fees, or other similar cash flow generation. For the avoidance of doubt, there must be a meaningful level of cash flows to service the debt, other than through the sale or refinancing of the assets. Pursuant to SSAP No. 43R—Asset-Backed Securities, As a practical expedient may be utilized, which is defined as if less than 50% of the original principal relies on the sale or refinancing of the underlying assets, the meaningful criteria is considered to be met. In applying this practical expedient, only contractual cash flows of the non-financial asset may be considered.

Lease-Backed Transactions (Practical Expedient)

Include structures where the generation of cash flows to use towards repayment of the asset-backed security are predominantly driven from underlying lease transactions.

Other Non-Financial ~~Asset-Asset~~-Backed Securities (Practical Expedient)

Include structures where the generation of cash flows to use towards repayment of the asset-backed security are predominantly driven from underlying cash-flow streams that do not predominantly reflect lease arrangements.

Non-Financial Asset-Backed Securities (Full Analysis) – Include non-financial ~~asset-asset~~-backed securities that qualify for reporting on Schedule D, Part 1, Section 2 pursuant to SSAP No. 43R—Asset-Backed Securities, but that do not qualify within the practical expedient for meaningful cash flows.

Lease-Backed Transactions (Full Analysis)

Include structures where the generation of cash flows to use towards repayment of the asset-backed security are predominantly driven from underlying lease transactions.

Other Non-Financial Asset Backed Securities (Full Analysis)

Include structures where the generation of cash flows to use towards repayment of the asset-backed security are predominantly driven from underlying cash-flow streams that do not predominantly reflect lease arrangements.

[Affiliated Reporting Lines:](#)

[Each reporting category, other than those specific to government agency issuances, shall have affiliated investments separately reported within the affiliate reporting line. The definition of affiliates is pursuant to SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities.](#)

Reporting Proposal
Schedule D-1-1 & Schedule D-1-2
Comment Summary

1. Page 3 - Comments propose to reorder certain electronic columns. They have also recommended that the numbering begin again for electronic columns. (So, 1-22 for pdf, and then E1-E20 for electronic.)
2. Page 5 - Comments identify the need to provide guidance in *SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments* to exclude asset-backed securities and to ensure consistency between the accounting and reporting for investments that will no longer be captured on Schedule DA – Part 12 (Short-Term Investments) and Schedule E – Part 2 (Cash Equivalents).
3. Page 6 - Comments request that the redesign of the “code” column, which is proposed to have a column for “restricted asset codes” and another electronic only code for other elements be duplicated on other schedules.
4. Page 11 - Comments request the inclusion of example references to the retrospective and prospective methods instead of defining the two approaches in the instructions.
5. Page 11 - Comments recommend revisions to data-capture information on interest income due and accrued as a separate project.
6. Page 11 – Comments propose to rearrange the description of ‘Interest Received During Year’ to move the statement that the column should reflect the combined total of all interest (cash and PIK) received for each reported investment during the year to the start of the paragraph. (This is a placement change.)
7. Page 12- Comments propose to change the description of “Acquisition Balloon Payment” to “Origination Balloon Payment” with a comment that the description indicates that it reflects the original outstanding principal amount.
8. Page 13 - Comments recommend deleting investment characteristic #8 that identifies whether an asset is bifurcated between an insulated and non-insulated separate account as it is used by a very small number of investments.
9. Page 14 - Comments recommend retaining the fair value hierarchy code that identifies that the amount reported was determined by the unit price published in the NAIC Valuation of Securities.
10. Page 17 - Comments recommend deleting the new proposed column for “Current Overcollateralization Percentage” applicable to ABS. The comments indicate that the assessment of substantive credit enhancements is completed at acquisition, therefore question why this is needed. They also note that it would be operationally challenging for reporting entities to update the info for all ABS every reporting period. Lastly, they identify that ABS securities (such as guaranteed mortgage pass-throughs) would only have credit enhancement in the form of a guarantee and would not have anything to populate in the column.
11. Page 18 - Comments recommend revising “Acquisition Overcollateralization Percentage” to reflect the “Origination Overcollateralization Percentage” noting that it would be consistent with the instructions that the original collateralization ratio shall be based on supporting investment documentation.
12. Page 18 – Comments recommend that the description of PIK Interest Due and Accrued be revised to reflect the cumulative amount of PIK interest included in the current principal balance.
13. Various Edits – Industry proposed a variety of small edits / formatting changes.

REPORTING PROPOSAL
Issuer Credit Obligations and Asset Backed Securities
Exposed July 18, 2022 – With Interested Parties Tracked Changes

Under this reporting option, there are two separate schedules, with Schedule D, ~~Part 1, +~~ Section 1 detailing issuer credit obligation (items captured in scope of SSAP No. 26R) and with Schedule D, ~~Part 1, +~~ Section 2 detailing asset-backed securities (items captured in scope of SSAP No. 43R). With this approach, separate columns and instructions can be considered for the different broad investment classifications. A variety of schedule and instruction changes are proposed for each schedule.

For Schedule D-1-1 – Issuer Credit Obligations, proposed reporting lines:

(Note: Lines for which affiliated investments are proposed to be captured are identified as “unaffiliated / affiliated.” Comments are requested on these lines for affiliate reporting.)

Issuer Credit Obligations:

- U.S. Government Obligations
- Other U.S. Government Securities
- Non-U.S. Sovereign Jurisdiction Securities
- Municipal Bonds – General Obligations
- Municipal Bonds – Special Revenue.....
- Project Finance Bonds Issued by Operating Entities (Unaffiliated / Affiliated)
- Corporate Bonds (Unaffiliated / Affiliated)
- Mandatory Convertible Bonds (Unaffiliated / Affiliated)
- Single Entity Backed Obligations (Unaffiliated / Affiliated)
- SVO-Identified Bond Exchange Traded Funds – Fair Value
- SVO-Identified Bond Exchange Traded Funds – Systematic Value
- Bonds Issued from SEC-Registered Business Development Corps, Closed End Funds & REITS (Unaffiliated / Affiliated).
- Bank Loans – Issued (Unaffiliated / Affiliated)
- Bank Loans – Acquired (Unaffiliated / Affiliated).....
- Mortgages Loans that Qualify as SVO-Identified Credit Tenant Loans (Unaffiliated / Affiliated)
- Certificates of Deposit.....
- Other Issuer Credit Obligations (Unaffiliated / Affiliated)
- Total Issuer Credit Obligations (Unaffiliated & Affiliated)**
- Total Affiliated Issuer Credit Obligations.....**

For Schedule D-1-2 – ~~Asset~~ Asset-Backed Securities, proposed reporting lines:

Financial Asset-Backed Securities – Self-Liquidating

- Agency Residential Mortgage-Backed Securities - Guaranteed.....
- Agency Commercial Mortgage-Backed Securities - Guaranteed.....
- Agency Residential Mortgage-Backed Securities – Not Guaranteed.....
- Agency Commercial Mortgage-Backed Securities – Not Guaranteed.....
- Non-Agency Residential Mortgage-Backed Securities (Unaffiliated / Affiliated).....
- Non-Agency Commercial Mortgage-Backed Securities (Unaffiliated / Affiliated).....
- Non-Agency – CLOs / CBOs / CDOs (Unaffiliated / Affiliated).....
- Other Financial Asset-Backed Securities - Self-Liquidating (Unaffiliated / Affiliated).....

Total Financial Asset-Backed Securities - Self-Liquidating (Unaffiliated / Affiliated).....

Financial Asset-Backed Securities – Not Self-Liquidating

- Equity Backed Securities (Unaffiliated / Affiliated).....
- Other Financial Asset Backed Securities – Not Self-Liquidating (Unaffiliated / Affiliated).....

Total Financial Asset-Backed Securities – Not Self Liquidating (Unaffiliated / Affiliated).....

Non-Financial Asset Backed Securities - Practical Expedient.....

- Lease-Backed Securities – Practical Expedient (Unaffiliated / Affiliated).....
- Other Non-Financial Asset-Backed Securities – Practical Expedient (Unaffiliated / Affiliated).....

Total Non-Financial Asset-Backed Securities – Practical Expedient (Unaffiliated / Affiliated).....

Non-Financial Asset-Backed – Full Analysis.....

- Lease-Backed Securities – Full Analysis (Unaffiliated / Affiliated).....
- Other Non-Financial Asset-Backed Securities – Full Analysis (Unaffiliated / Affiliated).....

Total Non-Financial Asset-Backed Securities – Full Analysis (Unaffiliated / Affiliated).....

Total Asset-Backed Securities.....

Total Affiliated Asset-Backed Securities.....

Total Long-Term Bonds (Issuer Credit Obligations & Asset Backed Securities).....

Total Affiliated Long-Term Bonds (Issuer Credit Obligations & Asset Backed Securities)

Schedule D-1 Proposed Columns:

For both proposed schedules, the foreign code and the characteristic code are proposed to move to electronic only. The ‘code’ column is proposed to be ‘restricted asset code.’ The column for ‘rate used to obtain fair value’ is proposed to be deleted. Also, par value and fair value are proposed to switch locations for easier comparisons of fair value and BACV. LEI is proposed to be deleted, but regulator discussion is requested. Lastly, various changes to instructions are suggested. (Call date, call price and effective date of maturity are in blue to identify them limited to issuer credit obligations.)

For ABS, new columns on the pdf reflect payment due at maturity and balloon payment percentage determined at acquisition. New electronic only columns include original & current overcollateralization, current expected payoff date, aggregate deferred interest, PIK interest due and accrued and payoff date determined at acquisition. Information on call dates / prices are proposed to be deleted for ABS.

	Issuer Credit Obligations		Asset-Backed Securities
	<i>PDF Columns</i>		<i>PDF Columns</i>
1	CUSIP Identification	11	CUSIP Identification
2	Description	22	Description
3	Restricted Asset Code	33	Restricted Asset Code
4	NAIC Designation, Modifier and Symbol	44	NAIC Designation, Modifier and Symbol
5	Actual Cost	55	Actual Cost
6	Par Value	66	Par Value
7	Fair Value (Moved after par value)	77	Fair Value (Moved after par value)
8	Book / Adjusted Carrying Value	88	Book / Adjusted Carrying Value
9	Unrealized Valuation Increase / (Decrease)	99	Unrealized Valuation Increase / (Decrease)
10	Current Year’s (Amortization) / Accretion	1010	Current Year’s (Amortization) / Accretion
11	Current Year Realized OTTI	1111	Current Year Realized OTTI
12	Total Foreign Exchange in BACV	1212	Total Foreign Exchange in BACV
13	Stated Rate of Interest	1313	Stated Rate of Interest
14	Effective Rate of Interest	1414	Effective Rate of Interest
15	When Interest is Paid	1515	When Interest is Paid
16	Interest Due & Accrued	1616	Interest Due & Accrued
17	Interest Received During Year	1717	Interest Received During Year
18	Date Acquired	1818	Date Acquired
19	Stated Contractual Maturity Date	1919	Stated Contractual Maturity Date
20	Payment Due at Maturity	2020	Payment Due at Maturity
		21	Acquisition Balloon Payment %
	<i>Electronic-Only Columns</i>		<i>Electronic-Only Columns</i>
<u>E1</u>	Investment Involves Related Party	<u>E1</u>	Investment Involves Related Party
<u>E2</u>	Investment Characteristic Code (Moved to Electronic)	<u>E2</u>	Investment Characteristic Code (Moved to Electronic)
<u>E3</u>	Foreign Code (Moved to Electronic)	<u>E3</u>	Foreign Code (Moved to Electronic)
<u>E4</u>	Agency, Sovereign Jurisdiction or State Abbreviation	<u>E4</u>	Agency, Sovereign Jurisdiction or State Abbreviation
<u>E5</u>	Fair Value Hierarchy and Method to Obtain Fair Value	<u>E5</u>	Fair Value Hierarchy and Method to Obtain
<u>E6</u>	Source Used to Obtain Fair Value	<u>E6</u>	Source Used to Obtain Fair Value
<u>E7</u>	Collateral Type	<u>E7</u>	Collateral Type
<u>E8</u>	Issuer	<u>E8</u>	Issuer
<u>E9</u>	Issue	<u>E9</u>	Issue
<u>E10</u>	ISIN Identification	<u>E10</u>	ISIN Identification
<u>E11</u>	Capital Structure Code	<u>E11</u>	Capital Structure Code
<u>E12</u>	Aggregate Deferred Interest	<u>E12</u>	Aggregate Deferred Interest
<u>E13</u>	PIK Interest Due and Accrued	<u>E13</u>	PIK Interest Due and Accrued
<u>E14</u>	Call Date	<u>E14</u>	xxx
<u>E15</u>	Call Price Call Date	<u>E15</u>	xxx Current Overcollateralization
<u>E16</u>	Effective Date of Maturity Call Price	<u>E16</u>	xxx Current Expected Payoff Date
<u>E17</u>	xxx Effective Date of Maturity	<u>E17</u>	Current Overcollateralization Acquisition
	xxx Aggregate Deferred Interest	<u>E19</u>	Acquisition Expected Payoff Date

	xxx PIK Interest Due and Accrued	E20	Aggregate Deferred Interest
<u>E18</u>	<u>xxx</u>	<u>E18</u>	<u>Current Expected Payoff Date</u> PIK Interest Due and Accrued
<u>E19</u>	<u>xxx</u>	<u>E19</u>	<u>Origination Overcollateralization</u>
<u>E20</u>	<u>xxx</u>	<u>E20</u>	<u>Origination Expected Payoff Date</u>
	Issuer		<u>Issuer</u>
	Issue		<u>Issue</u> Issuer
	ISIN Identification		<u>ISIN Identification</u> Issue
	Capital Structure Code		<u>Capital Structure Code</u> ISIN Identification
			Capital Structure Code

Only investments that qualify in scope of SSAP No. 26R (or SSAP No. 43R for D-1-2) are permitted to be reported on this schedule. Bonds are to be grouped as listed below and each category arranged alphabetically.

Refer to *SSAP No. 23—Foreign Currency Transactions and Translations* for accounting guidance related to foreign currency transactions and translations.

Short Sales:

Selling a security short is an action by a reporting entity that results with the reporting entity recognizing proceeds from the sale and an obligation to deliver the sold security. For statutory accounting purposes, obligations to deliver securities resulting from short sales shall be reported as contra-assets (negative assets) in the investment schedule, with an investment code in the code column detailing the item as a short sale. The obligation (negative asset) shall be initially reflected at fair value, with changes in fair value recognized as unrealized gains and losses. These unrealized gains and losses shall be realized upon settlement of the short sale obligation. Interest on short sale positions shall be accrued periodically and reported as interest expense.

If a reporting entity has any detail lines reported for any of the following required **categories or subcategories described in the Investment Schedules General Instructions**, it shall report the subtotal amount of the corresponding category or subcategory, with the specified subtotal line number appearing in the same manner and location as the pre-printed total or grand total line and number:

NOTE: See the Investment Schedules General Instructions for the following:

- **Category definitions for bonds and stocks.**
- **Foreign column code list.**
- **Code column list of codes and definitions for securities not under the exclusive control of the reporting entity.**
- **List of stock exchange names and abbreviations.**

List all securities in scope of SSAP No. 26R in Schedule D, Part 1, Section 1 owned December 31, of current year, except securities in scope of SSAP No. 26R that qualify as cash equivalents or short-term investments pursuant to *SSAP No. 2R—Cash, Cash Equivalents, Drafts, and Short-Term Investments*.

For Schedule D-1-2: List all asset-backed securities in scope of SSAP No. 43R in Schedule D, Part 1, Section 2 owned December 31, of current year. Securities in scope of SSAP No. 43R are not permitted to be reported as cash equivalents or short-term investments.

[IP Comments: We believe there needs to be changes considered to SSAP No. 2R to ensure consistency between the accounting and reporting if ABS investments will no longer be allowed to be reported on Schedule DA – Part 1 \(Short-Term Investments\) and Schedule E – Part 2 \(Cash Equivalents\).](#)

The security identifier reported (Column 1 for CUSIP, CINS, PPN or Column 33 for ISIN) must be the same as the identifier used when filing securities with the NAIC pursuant to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* instructions.

Column 1 – CUSIP Identification

CUSIP numbers for all purchased publicly issued securities are available from the broker's confirmation or the certificate. For private placement securities, the NAIC has created a special number called a PPN to be assigned by the Standard & Poor's CUSIP Bureau. For foreign securities, use a CINS that is assigned by the Standard & Poor's CUSIP Bureau: www.cusip.com/cusip/index.htm.

If no valid CUSIP, CINS or PPN number exists, then the CUSIP field should be zero-filled and a valid ISIN security number should be reported in Column 33.

Column 2 – Description

Give a description of all investments owned. As appropriate, the reporting entity is encouraged to include data consistent with that reported in Column 31, Issuer and Column 32, Issue. This does not preclude the company from including additional detail to provide a complete and accurate description. Abbreviations may be used as needed.

For SVO-Identified Bond Exchange Traded Funds, enter the name of the fund as it appears on the NAIC SVO-Identified Bonds ETF listing as of Dec. 31 of the current year. ETFs not included on the NAIC list as of Dec. 31 of the current year are required to be reported on Schedule D-2, Part 2, [Section 2](#).

For Certificate of Deposit Account Registry Service (CDARs) or other similar services that have a maturity of greater than one year, individually list the various banking institutions that are financially responsible for honoring certificates of deposit. As appropriate, the name of the banking institutions should follow from the registry of the Federal Financial Institutions Examination Council (FFIEC) (www.ffiec.gov/nicpubweb/nicweb/SearchForm.aspx).

For ABS reported as CLOs (Collateralized Loan Obligations), CDOs (Collateralized Debt Obligations) or CBOs (Collateralized Bond Obligations), indicate what the CLO/CDO/CBO collateral is, such as high-yield bonds, corporate loans, etc. If the collateral is of mixed type, indicate “Mix,” in addition to the largest type of collateral in the mix. If the collateral is derived synthetically, indicate “synthetic.”

Column 3 – Restricted Asset Code

If bonds are not under the exclusive control of the company as shown in the General Interrogatories, they are to be identified by placing one of the codes **identified in the Investment Schedules General Instructions** in this column.

[IP Comments: We believe that this “Code” column should be consistent among investment schedules that utilize a restricted asset code and be renamed “Restricted Asset Code” with corresponding adjustments to the instructions. For example, Schedule A \(Column 2\), Schedule B \(Column 2\), Schedule DL \(Column 3\), Schedule E \(Column 2\).](#)

Column 4 – NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol

Provide the appropriate NAIC Designation (1 through 6), NAIC Designation Modifier (A through G) and SVO Administrative Symbol combination for each security. 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”).

NAIC Designation Modifier:

The NAIC Designation Modifier should only be used for bonds eligible to receive one, as defined in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual), otherwise, the field should be left blank.

As defined in the P&P Manual, there is not an NAIC Designation Modifier for investments reporting an NAIC Designation 6, therefore, the NAIC Designation Modifier field should be left blank.

Refer to the P&P Manual for the application of these modifiers.

SVO Administrative Symbol:

Following are valid SVO Administrative Symbols for bonds. Refer to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for the application of these symbols.

S	Additional or other non-payment risk
SYE	Additional or other non-payment risk - Year-end carry over
FE	Filing Exempt
FM	Financially Modeled RMBS/CMBS subject to SSAP 43R
YE	Year-end carry over
IF	Initial filing
PL	Private Letter Rating
PLGI	Private Letter Rating – reported on General Interrogatory
RT	Regulatory Transaction
RTS	Regulatory Transaction - SVO Reviewed
RTIF	Regulatory Transaction - Initial Filing Submitted to SVO
RTSYE	Regulatory Transaction - SVO Reviewed - Year-end carry over
GI	General Interrogatory
F	Sub-paragraph D Company – insurer self-designated
Z	Insurer self-designated
*	Limited to NAIC Designation 6
Z*	Regulatory review initiated by either the SVO Director, Financial Condition (E) Committee, Executive (EX) Committee or VOSTF.
ND*	Regulatory review for an assessment of regulatory policy for the investment or regulatory reporting instructions to implement applicable policy.

The NAIC Designation Category is the combination of NAIC Designation and NAIC Designation Modifier. Valid combinations of NAIC Designation and NAIC Designation Modifier for NAIC Designation Category are shown below:

NAIC Designation	NAIC Designation Modifier	NAIC Designation Category
1	A	1A
	B	1B
	C	1C
	D	1D
	E	1E
	F	1F
	G	1G
2	A	2A
	B	2B
	C	2C
3	A	3A
	B	3B
	C	3C
4	A	4A
	B	4B
	C	4C
5	A	5A

	B	5B
	C	5C
6		6

Column 5 – Actual Cost

This column should contain the actual consideration paid to purchase the security. The Actual Cost column amount should be adjusted for: pay downs and partial sales (both reported in Schedule D, Part 4) and subsequent acquisitions of the same issue (reported in Schedule D, Part 3). Actual cost will need to be adjusted due to “other-than-temporary impairments” recognized, for use when determining realized gain/(loss) at disposition.

Include: Brokerage and other related fees, to the extent they do not exceed the fair value at the date of acquisition.

Cost of acquiring the bond or stock including broker’s commission and incidental expenses of effecting delivery, transaction fees on re-pooling of securities, and reductions for origination fees intended to compensate the reporting entity for interest rate risks (i.e., points).

Exclude: Accrued interest.

All other costs, including internal costs or costs paid to an affiliated reporting entity related to origination, purchase or commitment to purchase bonds, are charged to expense when incurred.

For SVO Identified Bond Exchange Traded Funds), enter the original cost of the shares purchased, including brokerage and other related fees.

For a bond received as a property dividend or capital contribution, enter the initial recognized value. See *SSAP No. 26R—Bonds* for guidance.

Column 6 – Par Value

Enter the par value of the issuer credit obligations owned adjusted for repayment of principal.

For asset-backed securities, enter the par amount of principal to which the reporting entity has a claim.

For interest only investments without a principal amount on which the reporting entity has a claim, use a zero value.

For SVO Identified Bond Exchange Traded Funds), enter Zero (0).

Column 7 – Fair Value

Fair value shall be determined pursuant to *SSAP No. 100R—Fair Value*.

Column 8 – Book/Adjusted Carrying Value

Securities excluding SVO Identified Bond Exchange Traded Funds and mandatory convertible bonds:

This should be the amortized value or the lower of amortized value or fair value, depending upon the NAIC designation of the bond (and adjusted for any other-than-temporary impairment), as of the end of the current reporting year.

Include: The original cost of acquiring the bond, including brokerage and other related fees.

Amortization of premium or accrual of discount, but not including any accrued interest paid thereon.

Amortization of deferred origination and commitment fees.

For asset-backed securities, a reporting entity’s use of the retrospective method to reflect changes in expected cash flows adjusts the amortized cost basis.

Deduct: A direct write-down for a decline in the fair value of an investment that is other-than-temporary or to reflect fair value when the investment is reported at lower of amortized cost or fair value.

Exclude: All other costs, including internal costs or costs paid to an affiliated reporting entity related to origination, purchase or commitment to purchase bonds, are charged to expense when incurred. Cost should also be reduced by payments attributed to the recovery of cost.

Accrued interest.

The amount reported in this column should equal:

	Book/Adjusted Carrying Value reported in the Prior Year statement (or Actual Cost for newly acquired securities)
plus	“Current Year’s (Amortization)/Accretion”
plus	“Unrealized Valuation Increase/(Decrease)Total in Book/Adjusted Carrying Value”
minus	“Current Year’s Other-Than-Temporary Impairment Recognized”
plus	“Total Foreign Exchange Change in Book/Adjusted Carrying Value”
plus	–Changes due to amounts reported in Schedule D, Parts 3, 4 and 5

Refer to *SSAP No. 26R—Bonds* and *SSAP No. 43R—Asset-Backed Securities*.

For reporting entities maintaining an AVR:

NAIC Designation 1 – 5	Enter amortized cost
NAIC Designation 6	Enter the lower of fair value or amortized cost

For reporting entities not maintaining an AVR:

NAIC Designations 1 – 2	Enter amortized cost
NAIC Designations 3 – 6	Enter the lower of fair value or amortized cost

NOTE: An exception exists for Treasury Inflation Adjusted Securities where the book/adjusted carrying value may include an unrealized gain. See *INT 01-25, Accounting for U.S. Treasury Inflation-Indexed Securities*, for accounting guidance.

Mandatory Convertible Bonds:

The amount should be the lower of amortized cost or fair value during the period prior to conversion.

SVO Identified Funds:

The amount should be fair value unless the reporting entity has designated a qualifying security for systematic value. The election of using systematic value is irrevocable. Guidance in *SSAP No. 26R—Bonds* details the requirements for use of systematic value.

Column 9 – Unrealized Valuation Increase/(Decrease)

The total unrealized valuation increase/(decrease) for a specific security will be the change in Book/Adjusted Carrying Value that is due to carrying or having carried (in the previous year) the security at Fair Value. Thus, this amount could be:

The difference due to changing from Amortized Cost in the previous year to Fair Value in the current year's Book/Adjusted Carrying Value column (calculated as **current year** Fair Value minus **current year** Amortized Value);

The difference of moving from Fair Value in the previous year to Amortized Cost in the current year's Book/Adjusted Carrying Value column (calculate as **prior year** Amortized Value minus **prior year** Fair Value); or

The difference between the Fair Value in the previous year and the Fair Value in the current year's Book/Adjusted Carrying Value column (calculate as **current year** Fair Value minus **prior year** Fair Value minus **current year** Accrual of Discount/(Amortization of Premium)).

Include: For SVO-identified Bond Exchange Traded Funds, the change from the prior reported BACV to fair value/net asset value. If an SVO-identified Bond Exchange Traded Fund no longer qualifies for systematic value, the difference from systematic value in prior year to fair value/net asset value in current year.

These amounts are to be reported as unrealized capital gains or (losses) in the Exhibit of Capital Gains/(Losses) and in the Capital and Surplus Account (Page 4).

- Column 10 – Current Year's (Amortization)/Accretion
 This amount should equal the current reporting year's amortization of premium or accrual of discount (regardless of whether or not the security is currently carried at Amortized Cost). The accrual of discount amounts in this column are to be reported as increases to investment income in the Exhibit of Net Investment Income, while the amortization of premium amounts are to be reported as decreases to investment income. (For investments reported at the lower of amortized cost or fair value, the amortization/accretion occurs first, and then any unrealized valuation change necessary to reflect the lower fair value is reflected. This results with recognition of both investment income and an unrealized capital loss.)
- Include: The (Amortization)/Accretion of SVO Identified Bond Exchange Traded Funds designated for reporting at systematic value.
- Column 11 – Current Year's Other-Than-Temporary Impairment Recognized
 If the security has been identified with an "other-than-temporary impairment," report the amount of the direct write-down recognized. The amounts in this column are to be reported as realized capital losses in the Exhibit of Capital Gains/(Losses) and in the calculation of Net Income.
- Column 12 – Total Foreign Exchange Change in Book/Adjusted Carrying Value
 This is a positive or negative amount that is defined as the portion of the total change in Book/Adjusted Carrying Value for the year that is attributable to foreign exchange differences for a particular security. The amounts reported in this column should be included as net unrealized foreign exchange capital gain/(loss) in the Capital and Surplus Account (Page 4).
- Column 13 – Stated Rate of Interest
 Show rate of interest as stated on the face of the bond. Where the original stated rate has been renegotiated, show the latest modified rate. For bonds and asset-backed securities with a variable rate of interest, use the last rate of interest. All information reported in this field must be a numeric value.
- For SVO Identified Bond Exchange Traded Funds), Principal STRIP Bonds or other zero-coupon bonds, enter numeric zero (0).

Column 14 – Effective Rate of Interest

For issuer credit obligations, include the effective rate at which the purchase was made.

For asset-backed securities, report the effective yield as of Dec. 31 of the current year. The Effective Yield calculation should be updated pursuant to SSAP No. 43R [\(e.g., utilize either the Prospective Method or Retrospective Method, accordingly\)](#).:

- ~~Prospective Method: Updated expectations of cash flows that are not attributable to an other than temporary impairment, results in a recalculation of the effective yield used to accrue income in future periods. The recalculated effective yield equates the carrying amount of the investment to the present value of the anticipated future cash flows.~~
- ~~Retrospective Method: Updated expectations of cash flows results in a recalculation of both the effective yield and the amortized cost basis so that expected future cash flows produce a return equal to the return now expected over the life of the investment as measured from the date of acquisition. The recalculated effective yield will equate the present value of the actual and anticipated cash flows with the original cost of the investment. Use of the retrospective method is limited to NAIC 1 securities.~~

For SVO Identified Bond Exchange Traded Funds), enter Zero (0).

Column 15 – Interest – When Paid

For securities that pay interest annually, provide the first 3 letters of the month in which the interest is paid (e.g., JUN for June). For securities that pay interest semi-annually or quarterly, provide the first letter of each month in which interest is received (e.g., JD for June and December, and MJSD for March, June, September and December). For securities that pay interest on a monthly basis, include “MON” for monthly. Finally, for securities that pay interest at maturity, include “MAT” for maturity.

For SVO Identified Bond Exchange Traded Funds) and Principal STRIP Bonds or other zero-coupon bonds, enter N/A.

Column 16 – Interest Income Due and Accrued

Report interest income earned and legally due to be paid to the reporting entity as of the reporting date (interest due) plus interest income earned as of the reporting date but not legally due to be paid to the reporting entity until subsequent to the reporting date (interest accrued). Refer to *SSAP No. 34—Investment Income Due and Accrued*. The amount reported in this column should be the collectible amount of the interest income due and accrued regardless of admitted/nonadmitted determination. Items probable of collection, but nonadmitted pursuant to SSAP No. 34, shall be captured in this reporting column, with the nonadmittance shown in column 2 of the balance sheet and detailed in the notes to the financial statements.

[\[Note: With revisions to the reporting schedule, consideration could be given to the disclosure in **Note SSAP No. 34**. That disclosure is not currently data captured.\]](#)

[IP Comments: We believe that consideration could be given to data capturing the gross, nonadmitted and admitted amounts for interest income due and accrued. We recommend that this issue be placed on a list to discuss at a later date as this could impact other investment types.](#)

Column 17 – Interest Received During Year

[Amount reported should reflect the combined total of all interest \(cash and PIK\) received for each reported investment during the year.](#) Report actual amount of cash interest received. For paid-in-kind (PIK) interest received, report the fair value of the asset at the time the asset was received. ~~Amount~~

~~reported should reflect the combined total of all interest (cash and PIK) received for each reported investment during the year.~~

For SVO Identified Bond Exchange Traded Funds) enter the amount of distributions received in cash or reinvested in additional shares.

Include: The proportionate share of interest directly related to the securities reported in this schedule.

Report amounts net of foreign withholding tax.

Column 18 – Acquired Date

For public placements use trade date, not settlement date. For private placements, use funding date. Each issue of issuer credit obligations acquired at public offerings on more than one date may be totaled on one line and the date of last acquisition inserted. All asset-backed securities shall be separately reported (no aggregation of separate acquisitions).

For SVO Identified Bond Exchange Traded Funds), enter date of last purchase.

Column 19 – Stated Contractual Maturity Date

For SVO Identified Bonds Exchange Traded Funds), leave blank.

For perpetual bonds, enter 01/01/9999.

For mandatory convertible bonds use the conversion date.

Column 20 – Payment Due at Maturity

Report payment due at maturity. Include the final principal payment (including balloon payments) as well as interest to be paid at maturity.

Column 21 – Acquisition Balloon Payment % [\(ABS Only\)](#)

For ABS, include the percentage of balloon payment due at maturity based on the original outstanding principal amount. For example, if the original security had principal repayment of \$100 and \$80 is scheduled to be paid at maturity, the balloon payment percentage at acquisition is 80%. The balloon percentage shall not be adjusted subsequent to acquisition regardless of principal reduction or payments in advance of maturity that reduce the outstanding balloon.

[IP Comments: IPs suggest changing the descriptor of the Balloon Payment from ‘Acquisition’ to ‘Origination’ because it would be consistent with the instructions that “the original outstanding principal amount” is being used.](#)

**** Columns 23 through 34 will be electronic only. ****

(Note – All Columns will be Renumbered Accordingly. Prior references have been retained. Column numbers will be different between ICO and ABS)

Column 4 – Foreign

Insert the appropriate code in the column based on the list provided in the Investment Schedules General Instructions.

Column 5 – Investment Characteristics ~~(Note –Proposed to be substantially different from current info.)~~

If an investment has one or more of the following characteristics, then list the appropriate number(s) separated by commas. If none of the characteristics apply, then leave the column blank.

1. Investment terms permit interest to be received in a form other than cash.
2. Investment terms permit payment of interest to be deferred without being considered past due.
3. Interest due and accrued has been written off as uncollectible and/or nonadmitted.
4. Investment has a current year or prior year recognized other than temporary impairment.
5. Investment is an interest-only strip
6. Investment is a principal-only strip
7. Investment reflects a To-Be-Announced (TBA) security that will qualify as an issuer credit obligation or ~~ABS~~-asset-backed security at the time the reporting entity takes possession of the issued security.

Separate Account Filing Only:

8. The asset is a bifurcated asset between the insulated separate account filing and the non-insulated separate account filing. (Note – This has been a long-standing element. Discuss with industry.)

IP Comments: IPs suggest removing the ‘Investment Characteristic’ #8 for bifurcated assets in the separate account filings as it is used by a very small amount of investments.

Column 23 – Agency, Sovereign Jurisdiction or State Abbreviation

Applies to:

Issuer Credit Obligations:

- U.S. Government Obligations
- Other U.S. Government Securities
- Non-U.S. Sovereign Jurisdiction Securities
- Municipal Bonds – General Obligations
- Municipal Bonds – Special Revenue.....

For items captured as U.S. government or Other U.S. government, report “US” for treasury-issued items and for non-treasury items, report the abbreviation for the agency issuer captured within these categories. (Agency abbreviations are detailed in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* in the listing of agencies approved for these categories.)

For Non-US, report the country abbreviation detailed in the Annual Statement Instructions Appendix.

For Municipal bonds, ~~include~~-include the abbreviation for the state where the security is issued (e.g., “MO” for Missouri). For federal issuances, report the abbreviation for the agency issuer.

Asset-Backed Securities:

- Agency Residential Mortgage-Backed Securities - Guaranteed
- Agency Commercial Mortgage-Backed Securities - Guaranteed.....
- Agency Residential Mortgage-Backed Securities – Not Guaranteed.....
- Agency Commercial Mortgage-Backed Securities – Not Guaranteed

For agency ABS, report the abbreviation for the agency issuing the ABS.

Column 24 – 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 (quoted prices in active market), followed by level 2 (other observable inputs that do not qualify as level 1), and then level 3 (unobservable inputs). In all situations fair value shall be determined in accordance with *SSAP No. 100R—Fair Value*.

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 for bonds 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.

“d” for securities where the rate is determined 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*.

[IP Comments: IPs suggest leaving code “e” as a significant number of investments continue to use it. Further research is warranted to determine if it should be removed.](#)

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 25 – 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.

IP Comments: IPs suggest leaving this code as a significant number of investments continue to use it. Further research is warranted to determine if it should be removed.

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 26 – Collateral Type -(Discuss applicable lines and desired categories)

Use only for securities included in the following subtotal lines.

Issuer Credit Obligations:

Single Entity Backed Obligations [\(Unaffiliated / Affiliated\)](#).....
~~Affiliated Single Entity Backed Obligations.....~~

Asset-Backed Securities:

Other Financial Asset-Backed Securities - Self-Liquidating [\(Unaffiliated / Affiliated\)](#).....
~~Affiliated Other Financial Asset Backed Securities - Self Liquidating~~

Other Financial Asset Backed Securities – Not Self-Liquidating [\(Unaffiliated / Affiliated\)](#).....
~~Affiliated Other Financial Asset Backed Securities – Not Self Liquidating.....~~

Lease-Backed Transactions – Practical Expedient [\(Unaffiliated / Affiliated\)](#)

~~Affiliated Lease-Backed Transactions – Practical Expedient~~

Other Non-Financial Asset-Backed Securities – Practical Expedient [\(Unaffiliated / Affiliated\)](#)

~~Affiliated Other Non Financial ABS – Practical Expedient~~

Lease-Backed Transactions – Full Analysis [\(Unaffiliated / Affiliated\)](#)

~~Affiliated Lease-Backed Transactions – Full Analysis~~

Other Non-Financial ABS – Full Analysis [\(Unaffiliated / Affiliated\)](#)

~~Affiliated Other Non Financial ABS – Full Analysis~~

For issuer credit obligations reported as single entity backed obligations, report one of the following codes that most appropriately reflects the structure:

- ETC – Equipment Trust Certificate
- EETC – Enhanced Equipment Trust Certificate
- GLF – Ground Lease Financing
- CTL – Credit Tenant Loan (security structure)
- FABN – Funding Agreement Backed Note
- Other – Other Single Entity Backed

For asset-backed securities on the noted reporting lines, enter one of the following codes to indicate collateral type. Pick exactly one collateral type for each reported security. For securities that fit in more than one type, pick the predominant one.

1. Non-Standard Home Loan Equity

Include all home equity loans and/or home equity lines of credit as collateral. These are not first liens and are deemed loans to individuals. Asset-backed securities that are collateralized by home equity loans/lines of credit are considered asset-backed securities (ABS) rather than RMBS. This also includes manufactured housing loans and mobile home loans as collateral. These are not typical residential mortgage loans, and when they are securitized, they are considered ABS rather than RMBS.

- 2 Individual Obligations – Credit Card, Auto, Personal Loans, Student Loans and Recreational Vehicles, ~~ete~~[etc.](#)

Include asset-backed securities collateralized by individual obligations. Do not include individual obligations that reflect a security interest in real estate-.

- 3 Corporate/Industrial Obligations – Tax Receivables, Utility Receivables, Trade Receivables, Small Business Loans, Commercial Paper, ~~ete~~[etc.](#)

Include asset-backed securities collateralized by corporate or industrial obligations (sometimes referred to as commercial obligations). This category shall only be used for ABS that meet the definition of financial assets where there is no further performance obligation. ABS that are collateralized by rights to future revenue streams shall be captured as “cash flows rights” detailed in code 6.

-

- 4. Real Estate Leases

Include all lease structures backed by real estate, including investments that resemble credit tenant loans, ground lease finance, and project finance real estate structures that do not represent issuer credit obligations.

- 5. Other Leases

Include all lease-backed structures not backed by real estate that do not represent issuer credit obligations. This includes auto, aircraft, equipment, etc.

- 6. Cash Flow Rights

Include all ABS structures that securitize rights to future cash flows. Examples of collateral to include in this category includes royalties, licensing fees, servicing rights, mineral rights, other revenue rights such as those common in whole business securitizations.

- 7 Other

Include other collateral types that do not fit into the above categories.

Column 27 – Call Date (ICO)

Report the next call date. If there is no call date, leave blank.

If the item is subject to a make whole call provision and it is not known that the issuer is expected to invoke the provision enter “MW”. If information is known that the issuer expects to invoke the make whole provision, then the expected call date of the make whole call provision shall be reported.

Column 28 – Call Price (ICO)

Report the call price used to calculate the Effective Date of Maturity. If call price does not affect the Effective Date of Maturity field but exists, report the next call price. If there is no call price, leave blank.

If the item is subject to a make whole call provisions and it is known that the issuer expects to ~~involve~~invoke the provision, enter the expected call price. Otherwise, for make whole call provisions, leave blank.

Column 29 – Effective Date of Maturity

On bonds purchased at a premium, the maturity date producing the lowest amortized value should be used. See *SSAP No. 26R—Bonds*. For loaned-backed and structured securities, include the effective date of maturity that results from the estimated cash flows, incorporating appropriate prepayment assumptions. If call data does not affect the Effective Date of Maturity field, leave blank. For ABS, include the date determined at security acquisition that the reporting entity expected to receive final payment of all amounts due, including both principal and interest.

Column XX – Current Overcollateralization Percentage (ABS)

For ABS, report the overcollateralization ratio that reflects the value of the assets backing the debt issuance in comparison to the tranche held and all tranches senior as of the reporting date.

The ratio shall reflect the total unimpaired assets backing the debt issuance over the specific tranche held and all the tranches senior to the held tranche. For example, if the assets / expected cash flows supporting the debt issuance has declined to \$88, and there is still \$75 in issued senior debt and \$15 in issued mezzanine debt, a reporting entity holding senior tranche would report 117% (88/75) and a reporting entity holding the mezzanine debt shall report 98% (88/90).

The original overcollateralization ratio shall be based on supporting investment documentation.

[IP Comments: IPs recommend removing this field as we have a concern regarding the proposed “Current Overcollateralization Percentage” field. It is industry’s understanding that the assessment of whether the reporting entity benefits from substantive credit enhancement through subordination and/or overcollateralization is done at the date of acquisition of the investment based on the characteristics of the investment at origination. It would be very operationally challenging for insurers to continue to update the credit enhancement on all asset-backed securities every reporting period for reporting purposes. Therefore, we question whether current overcollateralization is really needed since the assessment for purposes of determining whether a debt instrument meets the bond definition is only done at acquisition based on the characteristics of the investment at origination. Also, we note that instruments such as guaranteed mortgage-pass throughs have credit enhancement that is usually only in the form of the guarantee. For those investments, there would not be anything to populate in the column.](#)

Column XX – Current Expected Payoff Date (ABS)

For ABS, report the current expected pay-off date resulting from estimated cash flows and prepayment assumptions.

Column XX – Acquisition Overcollateralization Percentage (ABS)

For ABS, report the overcollateralization ratio that reflects the value of the assets backing the debt issuance in comparison to the tranche held and all tranches senior at the time of acquisition.

The ratio shall reflect the total unimpaired assets backing the debt issuance over the specific tranche held and all the tranches senior to the held tranche. For example, with \$100 in assets backing the debt issuance and \$75 in issued senior debt, \$15 in issued mezzanine debt, and \$10 in residual assets, a reporting entity holding senior tranche would report 133% (100/75) and a reporting entity holding the mezzanine debt shall report 111% (100/90).

The original overcollateralization ratio shall be based on supporting investment documentation.

IP Comments: IPs suggest changing the descriptor of the Overcollateralization Percentage from ‘Acquisition’ to ‘Origination’ because it would be consistent with the instructions that the “original overcollateralization ratio shall be based on supporting investment documentation.”

Column XX – Acquisition Expected Payoff Date (ABS)

For ABS, report the expected pay-off date at the time of original acquisition. (This field should remain unchanged for as long as the security is held.)

Column XX – Aggregate Deferred Interest

Some investments allow for interest payments to be deferred past the originally scheduled payment date without being considered past due under the agreement terms. Include the amount of interest reported as due and accrued for which the reporting entity has not received within 90 days of the originally scheduled payment date, that has not been nonadmitted under SSAP No. 34. For the avoidance of doubt, this should also include all accrued interest for investments that pay interest in full less frequently than annually per the agreement terms.

Column XX – PIK Interest Due and Accrued

Include the amount of reported interest due and accrued in which the terms of the investment permit payment “in kind” instead of cash.

The amount captured shall include the total amount of non-cash interest that can be provided to satisfy reported interest due and accrued.

IP Comments: IPs recommend that this data element be changed to reflect the cumulative amount of PIK interest included in the current principal balance.

[NOTE: From data obtained, only a limited number of investments captured on Schedule D-1 have LEIs. Capturing LEI for other investments (e.g., derivatives) may still be appropriate.]

Column 31 – Issuer

Issuer Definition:

The name of the legal entity that develops, registers and sells securities for the purpose of financing its operations and may be domestic or foreign governments, corporations or investment trusts. The issuer is legally responsible for the obligations of the issue and for reporting financial conditions, material developments and any other operational activities as required by the regulations of their jurisdictions.

The reporting entity is encouraged to use the following sources:

- Bloomberg
- Interactive Data Corporation (IDC)
- Thomson Reuters
- S&P/CUSIP
- Name used in either the relevant SEC filing or legal documentation for the transaction. Issuer is the name of the legal entity that can be found on documents such as SEC Form 424B2, Note Agreements, Prospectuses and Indentures, as appropriate. The name used should be as complete and detailed as possible to enable others to differentiate the legal entity issuing the security from another legal entity with a similar name.

Do not report ticker symbols, either internal or otherwise.

Column 32 – Issue

Issue information provides detailed data as to the type of security being reported (e.g., coupon, description of security, etc.). Below are examples of what could be provided, but additional information should be provided as appropriate for the security.

6% Senior 2018
7% Subordinated Debenture 03/15/2022
3% NY Housing Authority Debenture 2035

The reporting entity is encouraged to use the following sources:

- Bloomberg
- Interactive Data Corporation (IDC)
- Thomson Reuters
- S&P/CUSIP
- Descriptions used in either the relevant SEC filing or legal documentation for the transaction.

Do not report ticker symbols, either internal or otherwise. Include tranche information.

Column 33 – ISIN Identification

The International Securities Identification Numbering (ISIN) system is an international standard set up by the International Organization for Standardization (ISO). It is used for numbering specific securities, such as stocks, bonds, options and futures. ISIN numbers are administered by a National Numbering Agency (NNA) in each of their respective countries, and they work just like serial numbers for those securities. Record the ISIN number only if no valid CUSIP, CINS or PPN exists to report in Column 1.

Column 34 – Capital Structure Code

Please identify the capital structure of the security using the following codes consistent with the SVO Notching Guidelines in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*:

Capital structure is sometimes referred to as rank or payment priority and can be found in feeds from the sources listed in the Issue and Issuer column.

As a general rule, a security is senior unsecured debt unless legal terms of the security indicate another position in the capital structure. Securities are senior or subordinated and are secured or unsecured. Municipal bonds, Federal National Mortgage Association securities (FNMA or Fannie Mae) and Federal Home Loan Mortgage Corporation securities (FHLMC or Freddie Mac) generally are senior debt, though there are examples of subordinated debt issued by Fannie and Freddie. 1st Lien is a type of security interest and not capital structure but could be used to determine which capital structure designation the security should be reported under. The capital structure of “Other” should rarely be used.

Capital structure includes securities subject to *SSAP No. 26R—Bonds* and *SSAP No. 43R—Loan-Backed and Structured Securities*.

1. Senior Secured Debt

Senior secured is paid first in the event of a default and also has a priority above other senior debt with respect to pledged assets.

2. Senior Unsecured Debt

Senior unsecured securities have priority ahead of subordinated debt for payment in the event of default.

3. Subordinated Debt

Subordinated is secondary in its rights to receive its principal and interest payments from the borrower to the rights of the holders of senior debt (e.g., for loan-backed and structured securities, this would include mezzanine tranches).

(Subordinated means noting or designating a debt obligation whose holder is placed in precedence below secured and general unsecured creditors e.g., another debtholder could block payments to that holder or prevent that holder of that subordinated debt from taking any action.)

4. Not Applicable

Securities where the capital structure 1 through 3 above do not apply (e.g., Line 6099999 Exchange Traded Funds – as Identified by the SVO).

NAIC Designation Category Footnote:

Provide the total book/adjusted carrying value amount by NAIC Designation Category that represents the amount reported in Column 11.

The sum of the amounts reported for each NAIC Designation Category in the footnote should equal Line 8399999.