

2019 NAIC ANNUAL STATEMENT INSTRUCTIONS – HEALTH

OCT 2019 REVISIONS

PAGE 162:

Notes to Financial Statement

Revision: Modify crosscheck in the Illustration for Note 8 (Line 8B(2)b

Reason: References the wrong column

PAGE 346:

Schedule DB, Part A – Verification Between Years

Revision: Modify line number reference in crosscheck for Lines 7,8and 9

Reason: Referencing prior year line number

PAGE 386:

Schedule BA, Part 1

Revision: Add additional Administrative Symbols

Reason: New symbols add by SVO

PAGE 405:

Schedule D, Part 1

Revision: Add additional Administrative Symbols

Reason: New symbols add by SVO

PAGE 420:

Schedule D, Part 2, Section 1

Revision: Add additional Administrative Symbols

Reason: New symbols add by SVO

EDITOR'S NOTE:

The above changes are highlighted within the attached instructions that follow this page.

Recent Blanks Working Group Agenda Items (Exposure Drafts) may be viewed in detail at the following web site:

www.naic.org/cmt_e_app_blanks.htm.

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Illustration:

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLES BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.

A. Derivatives under SSAP No. 86—*Derivatives*

(8)

a.

<u>Fiscal Year</u>	<u>Derivative Premium Payments Due</u>
1. 2020	\$
2. 2021
3. 2022
4. 2023
5. Thereafter
6. Total Future Settled Premiums	<u>\$</u>

b.

	<u>Undiscounted Future Premium Commitments</u>	<u>Derivative Fair Value with Premium Commitments (Reported on DB)</u>	<u>Derivative Fair Value Excluding Impact of Future Settled Premiums</u>
1. Prior Year	\$	\$	\$
2. Current Year	\$	\$	\$

B. Derivatives under SSAP No. 108—*Derivative Hedging Variable Annuity Guarantees*

(1) Discussion of hedged item / hedging instruments and hedging strategy:

CDHS #1 - Rider Claims Less Rider Fees in VA Contracts - 50% Rho - 10 Year SL Amortization:

The hedged obligation consists of guaranteed benefits on variable annuity contracts and resembles a long dated put option where claim payment is made whenever account value is less than a guaranteed amount, adjusted for applicable fees. Changes in interest rates impact the present value of future product cash flows (discount rate) as well as the value of investments comprising the account value to be assessed against the guarantee. Under this VM-21 compliant clearly defined hedging strategy (CDHS), interest rate risk may be hedged by a duration matched portfolio of interest sensitive derivatives such as treasury bond forwards, treasury futures, interest rate swaps, interest rate swaptions or treasury future options. The hedging strategy is unchanged from the prior reporting period, and the total return on the designated portfolio of derivatives has been highly effective in covering the established target of 50% of the interest rate risk (rho) of the hedged obligation. Hedge effectiveness is measured in accordance with the requirements outlined under SSAP No. 108 and entails assessment of the total return on the designated portfolio of derivatives against changes in the fair value of the hedged obligation due to interest rate movements on a cumulative basis.

(2) Recognition of gains/losses and deferred assets and liabilities

a. Scheduled Amortization

Amortization Year	Deferred Assets	Deferred Liabilities
1. 2020
2. 2021
3. 2022
4. 2023
5. 2024
6. 2025
7. 2026
8. 2027
9. 2028
10. 2029
11. Total

b. Total Deferred Balance *

* Should agree to Column 19 of Schedule DB, Part E

c. Reconciliation of Amortization:

1. Prior Year Total Deferred Balance	\$
2. Current Year Amortization	\$
3. Current Year Deferred Recognition	\$
4. Ending Deferred Balance [1-(2+3)]	\$

d. Open Derivative Removed from SSAP No. 108 and Captured in Scope of SSAP No. 86

1. Total Derivative Fair Value Change	\$
2. Change in Fair Value Reflected as a Natural Offset to VM21 Liability under SSAP No. 108	\$
3. Change in Fair Value Reflected as a Deferred Asset / Liability Under SSAP No. 108	\$
4. Other Changes	\$
5. Unrealized Gain / Loss Recognized for Derivative Under SSAP No. 86 [1-(sum of 2 through 4)]	\$

e. Open Derivative Removed from SSAP No. 86 and Captured in Scope of SSAP No. 108

1. Total Derivative Fair Value Change	\$
2. Unrealized Gain / Loss Recognized Prior to the Reclassification to SSAP No. 108	\$
3. Other Changes	\$
4. Fair Value Change Available for Application under SSAP No. 108 [1-(2+3)]	\$

- Line 10 – Book/Adjusted Carrying Value, Current Year
- Column 1 equals Schedule DA, Part 1, Column 7, Total.
- Line 11 – Deduct Total Nonadmitted Amounts
- In Column 1, report the adjustment for nonadmitted amounts as of the end of the current period.
- Include: The amount of the portfolio that is in excess of any investment limitation.
- Line 12 – Statement Value at End of Current Period
- In Column 1, report the statement value of as of the end of the current period. This amount should tie to the Assets Page, Line 5, inset for short-term investments.

SCHEDULE DB – PART A VERIFICATION BETWEEN YEARS

OPTIONS, CAPS, FLOORS, COLLARS, SWAPS and FORWARDS

The purpose of this schedule is to roll the information reported on Schedule DB, Part A, Sections 1 and 2 from the prior year to the end of the current reporting year.

- Line 1 – Book/Adjusted Carrying Value, December 31 of Prior Year
- Line 2 – Cost Paid/(Consideration Received) on Additions
 - Line 2.1 – Current Year Paid/(Consideration Received) at Time of Acquisition, Still Open, Section 1 Column 12
 - Line 2.2 – Current Year Paid/(Consideration Received) at Time of Acquisition, Terminated, Section 2 Column 14
- Line 3 – Unrealized Valuation Increase/(Decrease)
 - Line 3.1 – Section 1, Column 17
 - Line 3.2 – Section 2, Column 19
- Line 4 – SSAP No. 108 Adjustments
- Line 5 – Total Gain (Loss) on Termination Recognized, Section 2, Column 22
- Line 6 – Considerations Received/(Paid) on Terminations, Section 2, Column 15
- Line 7 – Amortization
 - Line 7.1 – Section 1, Column 19
 - Line 7.2 – Section 2, Column 21
- Line 8 – Adjustment to Book/Adjusted Carrying Value of Hedged Item
 - Line 8.1 – Section 1, Column 20
 - Line 8.2 – Section 2, Column 23
- Line 9 – Total Foreign Exchange Change in Book/Adjusted Carrying Value
 - Line 9.1 – Section 1, Column 18
 - Line 9.2 – Section 2, Column 20
- Line 10 – Book/Adjusted Carrying Value at End of Current Period (1 + 2 + 3 + 4 + 5 - 6 + 7 + 8 + 9)
- Line 11 – Deduct Nonadmitted Assets
- Line 12 – Statement Value at End of Current Period (10 - 11)

SCHEDULE BA – PART 1

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

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

Column 1 – CUSIP Identification

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

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

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

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

Column 2 – Name or Description

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

Column 3 – Code

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

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

Separate Account Filing Only:

If the asset is a bifurcated asset between the insulated separate account filing and the non-insulated separate account filing, the “^” should appear first, immediately followed by the appropriate code (**identified in the Investment Schedules General Instructions**).

Column 4 – City

For real estate partnerships or joint ventures located in the United States, list city. If the city is unknown, indicate the county. If the investment is outside the U.S., indicate city or province. For other BA asset types, use the city of incorporation. If no city of incorporation, use the city of administrative office.

Column 5 – State

If the investment is inside U.S. states, territories and possessions report the two-character U.S. postal abbreviation for the U.S. states, territories and possessions. If the investment is outside the U.S. states, territories and possessions, report the three-character (ISO Alpha 3) country abbreviations available in the listing in the appendix of these instructions.

Column 6 – Name of Vendor or General Partner

Provide the name of the entity from which the property was acquired, or the name of the General Partner of the fund. For internal transfers, indicate “internal transfer” in lieu of a vendor name.

Column 7 – NAIC Designation and Administrative Symbol

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

For Schedule BA investments with the underlying characteristics of a bond or a preferred stock instrument, insert the appropriate combination of the NAIC designation (1 through 6) and administrative symbol. The List of valid administrative symbols is shown below.

The listing of valid NAIC designation and administrative symbol can be found on the NAIC's website for the Securities Valuation Office (www.naic.org/svo.htm).

Following are valid administrative symbols for bonds and preferred stock. Refer to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for the application of these symbols.

S	Additional or other non-payment risk
SYE	Additional or other non-payment risk - Year-end carry over
YE	Year-end carry over
FE	Filing Exempt
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
F	Sub-paragraph D Company – insurer self-designated

The NAIC designation and administrative symbol field should be left blank for those Schedule BA investments which have not been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*.

Column 8 – Date Originally Acquired

State the date the investment was originally acquired.

Column 9 – Type and Strategy

Enter the number which best describes the investment (applies to investments such as limited partnerships and hedge funds. If none applies, leave blank):

1. Private equity: Venture capital
2. Private equity: Mezzanine financing
3. Private equity: LBOs
4. Hedge fund: Global macro
5. Hedge fund: Long/short equity
6. Hedge fund: Merger arbitrage
7. Hedge fund: Fixed income arbitrage
8. Hedge fund: Convertible arbitrage
9. Hedge fund: Futures/Options/foreign exchange arbitrage
10. Hedge fund: Sector investing
11. Hedge fund: Distressed securities
12. Hedge fund: Emerging markets
13. Hedge fund: Multi-strategy

5. Variable coupon bonds where the interest payments vary during the life of the transaction, but NOT as is typical based on a fixed spread over a well-established interest rate index (such as LIBOR, prime rate or a government bond yield). (This includes coupons that vary based on the performance of indices that are not interest rate related, such as equity indices, commodity prices or foreign exchange rates. This also includes coupons where the spread to the index is not fixed for the entire life of the transaction. This excludes basic floating rate and adjustable rate notes with fixed spread over an interest rate index. This characteristic code is strictly limited to variable interest payments.)
6. Terms that may result in principal (or initial investment) not being repaid in full for reasons other than a payment default by the issuer or defaults within a pool of assets underlying a loan-backed or structured security. (This intends to capture to Mortgage Reference Securities reported in scope of SSAP No. 43R. Other structured notes (securities structured as debt instruments when the contractual amount of the instrument to be paid at maturity is at risk for other than the failure of the borrower to pay the contractual amount due) and whether derivatives shall not be reported on Schedule D, Part 1. These structures are captured in scope of SSAP No. 86—*Derivatives* and shall be reported on Schedule DB.)
7. Bonds where the issuer's obligation to make payments is determined by the performance of a different credit other than that of the issuer, which could be either affiliated or unaffiliated. (These securities are often referred to as credit-linked notes. This does not include loan-backed or structured securities.)
8. Mandatory convertible bonds. Bonds that are mandatorily convertible into equity, or, at the option of issuer, convertible into equity, or whose terms provide for payment in the form of equity instead of cash.
9. Other types of options solely at the discretion of the issuer that could affect the timing or amount of payments of principal or interest, not otherwise reported in 1-8.

Column 6 – NAIC Designation and Administrative Symbol

Provide the appropriate NAIC designation (1 through 6) and administrative symbol combination for each security. The list of valid administrative symbols is shown below.

The listing of valid NAIC designation and administrative symbol combinations can be found on the NAIC's website for the Securities Valuation Office (www.naic.org/svo.htm).

For Bond Mutual Funds – as Identified by the SVO, enter 1.

Following are valid 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
Z	Insurer self-designated
GI	General Interrogatory
F	Sub-paragraph D Company – insurer self-designated
*	Limited to NAIC Designations 6

Column 7 – 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 Funds (Bond Mutual Funds and 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 8 – Rate Used to Obtain Fair Value

Report rate used for determining fair value.

For SVO Identified Funds (Bond Mutual Funds and Exchange Traded Funds), enter the per share fair value or net asset value as of the reporting date.

For U.S. Treasury Inflation-Indexed Securities enter the VOS rate (provided in the *Valuation of Securities*) multiplied by the inflation ratio.

Column 9 – Fair Value

The fair value should be the price which, when multiplied by the notional amount (Column 10, Par Value) results in the dollar amount that would be received (excluding accrued interest) if the security was sold at fair value.

The fair value included in this column (calculated from the Rate Used to Obtain Fair Value column) should be the amount used in any comparison of fair value to another valuation method (e.g., book value or amortized cost) that is prescribed by the accounting/valuation rules.

For loan-backed securities, the prospective or retrospective methods are used in determining amortized value.

Exclude: Accrued interest.

For SVO Identified Funds (Bond Mutual Funds and Exchange Traded Funds), enter the amount representing the number of shares owned at year-end times the rate specified in Column 8.

For U.S. Treasury Inflation-Indexed Securities, Fair Value should utilize the VOS rate multiplied by the inflation ratio.

Column 15 – 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);

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)) or

The increase/(decrease) for a specific investment in a Subsidiary, Controlled or Affiliated (SCA) company that results from the reporting entity's share of undistributed earnings and losses.

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 (Page 4).

Column 16 – 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.

Column 17 – Current Year's Other-Than-Temporary Impairment Recognized

If the security has suffered an "other-than-temporary impairment," this column should contain 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 18 – Total Change in Book/Adjusted Carrying Value

This column should equal the net of:

Unrealized Valuation Increase/(Decrease)	plus
Current Year's (Amortization)/Accretion	minus
Current Year's Other-Than-Temporary Impairment Recognized.	

This amount, plus any foreign exchange adjustment related to these amounts (reported in the Total Foreign Exchange Change in Book/Adjusted Carrying Value column), should represent the difference between the current reporting year's Book/Adjusted Carrying Value and the prior year's Book/Adjusted Carrying Value (excluding changes due to amounts reported in Schedule D, Parts 3, 4 and 5).

Column 19 – 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 current 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 20 – NAIC Designation and Administrative Symbol

Provide the appropriate combination of NAIC designation (1 through 6) and administrative symbol for each security. The list of valid administrative symbols is shown below.

The listing of valid NAIC designation and administrative symbol combinations can be found on the NAIC's website for the Securities Valuation Office (www.naic.org/svo.htm).

Exchange Traded Funds should be reported as perpetual securities.

Following are valid administrative symbols for preferred stock. Refer to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for the application of these symbols.

S	Additional or other non-payment risk assigned by the SVO or SSG
SYE	Additional or other non-payment risk - Year-end carry over
FE	Filing Exempt assigned by the SVO
YE	Year-end carry over assigned by the SVO
IF	Initial filing - insurer reported designation with Admin Symbol assigned by the SVO
PL	Private Letter Rating assigned by the SVO
PLGI	Private Letter Rating – insurer assigned and reported on General Interrogatory
RT	Regulatory Transaction
RTS	Regulatory Transaction - SVO Reviewed
RTIF	Regulatory Transaction - Initial Filing Submitted to SVO
RTSYE	Regulatory Transaction - SVO Reviewed - Year-end carry over
Z	Insurer assigned and reported subject to limitation
GI	Insurer assigned and reported on General Interrogatory
F	Sub-paragraph D Company – insurer self-designated
*	Limited to NAIC Designations 6 – insurer assigned

Column 21 – Date Acquired

For public placements use trade date, not settlement date. For private placements, use funding date. Each issue of stocks acquired at public offerings on more than one date may be totaled on one line and the date of last acquisition inserted.

For Exchange Traded Funds, enter date of last purchase.

**** Columns 22 through 27 will be electronic only. ****

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

Whenever possible, fair value should represent the price at which the security could be sold, based on market information. Fair value should only be determined analytically when the market-based value cannot be obtained.

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

- “1” for Level 1
- “2” for Level 2
- “3” for Level 3