

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

CONTACT PERSON: _____ TELEPHONE: _____ EMAIL ADDRESS: _____ ON BEHALF OF: _____ NAME: <u>Dale Bruggeman</u> TITLE: <u>Chair SAPWG</u> AFFILIATION: <u>Ohio Department of Insurance</u> ADDRESS: <u>50W. Town St., 3rd Fl., Ste. 300</u> <u>Columbus, OH 43215</u>	DATE: <u>01/14/2020</u>	FOR NAIC USE ONLY
	Agenda Item # <u>2020-02BWG MOD</u> Year <u>2020</u> Changes to Existing Reporting [X] New Reporting Requirement []	REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT
	No Impact [X] Modifies Required Disclosure []	DISPOSITION
	[] Rejected For Public Comment [] Referred To Another NAIC Group [] Received For Public Comment [] Adopted Date _____ [] Rejected Date _____ [X] Deferred Date <u>08/27/2020</u> [] Other (Specify) _____	

BLANK(S) TO WHICH PROPOSAL APPLIES

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

Anticipated Effective Date: Annual 2021

IDENTIFICATION OF ITEM(S) TO CHANGE

Modify the instruction and illustration for Note 10L. The illustration will not be data captured.

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

The purpose of this proposal is to reflect the disclosure changes for *SSAP No. 97—Investments in Subsidiary, Controlled, and Affiliated Entities* being adopted by the Statutory Accounting Principles (E) Working Group.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

Proposal is being exposed concurrently with the changes being considered by the Statutory Accounting Principles (E) Working Group

** This section must be completed on all forms.

NOTES TO FINANCIAL STATEMENTS



10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

Instruction:



L. If a reporting entity holds an investment in a downstream noninsurance holding company, the reporting entity may look-through the downstream noninsurance holding company to the value of (i) SCA entities having audited financial statements and/or (ii) joint ventures, partnerships, and/or limited liability companies having audited financial statements in which the downstream noninsurance holding company has a minor ownership interest or otherwise lacks control, i.e., ownership interest is less than 10% in lieu of obtaining an audit of the financial statements of the downstream noninsurance holding company (provided the limited exception to the audited financial statements requirement contained in *SSAP No. 97—Investments in Subsidiary, Controlled, and Affiliated Entities* applies).

If a reporting entity utilizes the look-through approach for the valuation of the downstream noninsurance holding company instead of obtaining audited financial statements of the downstream noninsurance holding company, the financial statements of the reporting entity shall include the following disclosures for each noninsurance holding company in which the look-through approach is utilized:

- Information that details ~~The~~ the name of the downstream noninsurance holding company (including whether the reporting entity has looked-through more-than-one holding companies) along with details on the carrying value, goodwill and admitted value of the holding company.
- ~~The carrying value of the investment in the downstream non insurance holding company.~~
- The fact that the financial statements of the downstream noninsurance company are not audited.
- The fact that the reporting entity has limited the value of its investment in the downstream noninsurance holding company to the value contained in the audited financial statements, including adjustments required by this statement, of SCA entities and/or non-SCA SSAP No. 48 entities owned by the downstream noninsurance holding company and valued in accordance with *SSAP No. 97—Investments in Subsidiary, Controlled, and Affiliated Entities*.
- The fact that all liabilities, commitments, contingencies, guarantees or obligations of the downstream noninsurance holding company, which are required to be recorded as liabilities, commitments, contingencies, guarantees or obligations under applicable accounting guidance, are reflected in the reporting entity’s determination of the carrying value of the investment in the downstream noninsurance holding company, if not already recorded in the financial statements of the downstream noninsurance holding company.



Illustration:

Detail Eliminated to Conserve Space

L. ~~XYZ Company utilizes the look-through approach in valuing its investment in ABC Company at \$ _____. ABC Company's financial statements are not audited and XYZ Company has limited the value of its investment in ABC Company to the value contained in the audited financial statements, including adjustments required by SSAP No. 97, of SCA entities and/or non-SCA SSAP No. 48 entities owned by the ABC Company and valued in accordance with paragraphs SSAP No. 97. All liabilities, commitments, contingencies, guarantees or obligations of the ABC Company, which are required to be recorded as liabilities, commitments, contingencies, guarantees or obligations under applicable accounting guidance, are reflected in XYZ Company's determination of the carrying value of the investment in ABC Company, if not already recorded in the financial statements of ABC Company. For the year-end 2018 financial statements, the reporting entity reported the value of a downstream holding company using the look-through approach permitted in SSAP No. 97 as the downstream holding company was not supported by audited financial statements. Pursuant to the provisions in SSAP No. 97, the look-through approach is only permitted when the downstream noninsurance entity is an 8.b.iii entity, and the downstream holding company does not own any other assets which are material to the downstream holding company other than the audited/non-audited entities held by the downstream holding company. Additionally, the downstream noninsurance holding company is not subject to liabilities, commitments, contingencies, guarantees or obligations which are materials to the downstream holding company.~~

In accordance with the provisions of SSAP No. 97, the investment of the downstream holding company has been limited to the value contained in the audited financial statements, including adjustments required by SSAP No. 97, of the SCA entities (and SSAP No. 48 entities) owned by the downstream noninsurance holding company pursuant to the valuation requirements detailed in SSAP No. 97, paragraphs 22-25. Detail of how the reported investment of the downstream holding company was determined using the look-through approach is shown below:

Downstream Holding Company Look-Through

Downstream Holding Company:	Carrying Value	Goodwill	Total Admitted Value	SSAP No. 97 Adjustments	Total Nonadmitted
ABC Downstream**	\$3,000,000	\$250,000	\$2,712,500	\$0	\$287,500

Downstream Holding Company:	Carrying Value	Goodwill	Total (Carrying Value + Goodwill)	Total Admitted Value	Total Nonadmitted
ABC Downstream**	\$3,000,000	\$250,000	\$3,250,000	\$2,712,500	\$287,500

Name of Look-Through Entity	Audited F/S (Yes/No)	Carrying Value	Assigned Goodwill %*	Assigned Goodwill	SSAP No. 97 Adjustments	Admitted Value
XYZ Entity	Yes	2,500,000	85%	\$212,500	\$0	\$2,712,500
QRS Entity	No	400,000	10%	\$25,000	\$0	\$0
MNO Entity	No	100,000	5%	\$12,500	\$0	\$0
Total		\$3,000,000	100%	\$250,000	\$0	2,712,500

* Goodwill assignment occurred at original acquisition of the downstream holding company on the basis of the percentage of the carrying value of each look-through entity to the total carrying value.

** ABC Downstream holding company is owned by DEF nonaudited downstream holding company. The reporting entity has conducted a "more-than-one" holding company look-through as both downstream companies qualify for look-through under SSAP No. 97 as they are 8.b.iii entities holding no materials assets or liabilities in accordance with SSAP No. 97, paragraphs 26-27.

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