

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

<p style="text-align: right;">DATE: <u>01/14/2020</u></p> <p>CONTACT PERSON: _____</p> <p>TELEPHONE: _____</p> <p>EMAIL ADDRESS: _____</p> <p>ON BEHALF OF: _____</p> <p>NAME: <u>Dale Bruggeman</u></p> <p>TITLE: <u>Chair SAPWG</u></p> <p>AFFILIATION: <u>Ohio Department of Insurance</u></p> <p>ADDRESS: <u>50W. Town St., 3rd Fl., Ste. 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;"><u>FOR NAIC USE ONLY</u></p> <p>Agenda Item # <u>2020-03BWG</u></p> <p>Year <u>2020</u></p> <p>Changes to Existing Reporting <input checked="" type="checkbox"/> [X]</p> <p>New Reporting Requirement <input type="checkbox"/> []</p> <hr/> <p style="text-align: center;"><u>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</u></p> <p>No Impact <input checked="" type="checkbox"/> [X]</p> <p>Modifies Required Disclosure <input type="checkbox"/> []</p> <hr/> <p style="text-align: center;"><u>DISPOSITION</u></p> <p><input type="checkbox"/> [] Rejected For Public Comment</p> <p><input type="checkbox"/> [] Referred To Another NAIC Group</p> <p><input checked="" type="checkbox"/> [X] Received For Public Comment</p> <p><input type="checkbox"/> [] Adopted Date _____</p> <p><input type="checkbox"/> [] Rejected Date _____</p> <p><input type="checkbox"/> [] Deferred Date _____</p> <p><input type="checkbox"/> [] Other (Specify) _____</p>
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BLANK(S) TO WHICH PROPOSAL APPLIES

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

Anticipated Effective Date: Annual 2020

IDENTIFICATION OF ITEM(S) TO CHANGE

Modify the instruction and illustration for 13(11) to the Notes to Financial Statement. Change the numbering from 1 through 11 to A through M.

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

The purpose of this proposal is to reflect the disclosure addition for *SSAP No. 41R—Surplus Notes* being adopted by the Statutory Accounting Principles (E) Working Group and correct the instruction.

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.**

Revised 7/18/2018

NOTES TO FINANCIAL STATEMENTS

Detail Eliminated to Conserve Space

13. Capital and Surplus, Dividend Restrictions and Quasi-ReorganizationsInstruction:

Disclose the following information related to capital and surplus, shareholder's dividend restrictions and quasi-reorganizations.

- ~~(1)~~A. The number of shares of each class of capital stock authorized, issued and outstanding as of the balance sheet date and the par value or stated value of each class.
- ~~(2)~~B. The dividend rate, liquidation value and redemption schedule (including prices and dates) of any preferred stock issues.
- ~~(3)~~C. Dividend restrictions, if any, and an indication if the dividends are cumulative.
- ~~(4)~~D. The dates and amounts of dividends paid. Note for each payment whether the dividend was ordinary or extraordinary.
- ~~(5)~~E. The portion of the reporting entity's profits that may be paid as ordinary dividends to stockholders.
- ~~(6)~~F. A description of any restrictions placed on the unassigned funds (surplus), including for whom the surplus is being held.
- ~~(7)~~G. For mutual reciprocals, and similarly organized entities, the total amount of advances to surplus not repaid, if any.
- ~~(8)~~H. The total amount of stock held by the reporting entity, including stock of affiliated entities, for special purposes such as:
 - a. Conversion of preferred stock
 - b. Employee stock options
 - c. Stock purchase warrants
- ~~(9)~~I. A description of the reasons for changes in the balances of any special surplus funds from the prior period.
- ~~(10)~~J. The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses.

~~(11)~~K Surplus Notes

For each surplus debenture or similar obligation, except those surplus notes required or those that are a prerequisite for purchasing an insurance policy and are held by the policyholder, furnish the following information:

- ~~a.~~—Date issued
- ~~b.~~—Description and fair value of the assets received
- ~~e.~~—Holder of the note or, if public, the names of the underwriter and trustee with identification on whether the holder of the surplus note is a related party per SSAP No. 25
- Original issue amount of note
 - ~~d.~~—Par Value (Face Amount of Note)
- ~~e.~~—Carrying value of note
- ~~f.~~—The rate at which interest accrues
- ~~g.~~—Maturity dates or repayment schedules, if stated
- ~~h.~~—Unapproved interest and/or principal
 - ~~i.~~—Interest and/or principal paid in the current year
 - ~~j.~~—Total interest and/or principal paid on surplus notes
- Current year:
 - ❖ Approved interest and/or principal recognized as “paid”
 - ❖ Amount of approved interest and/or principal remitted to the holder of the surplus note (actual transfer of cash / assets) and
 - ❖ The amount of approved interest and/or principal not remitted to the holder of the surplus note (no transfer of cash / assets).
- Life-to-date:
 - ❖ Amount of approved interest and/or principal remitted to the holder of the surplus note (actual transfer of cash / assets)
- Information regarding a 3rd party liquidity source including:
 - ❖ Name
 - ❖ Identification if a related party
 - ❖ Cost of the liquidity guarantee and
 - ❖ Maximum amount available should a triggering event occur.
- ~~k.~~—Subordination terms
- ~~l.~~—Liquidation preference to the reporting entity’s common and preferred shareholders
- ~~m.~~—The repayment conditions and restrictions
- ~~n.~~—In addition to the above, a reporting entity shall identify all affiliates that hold any portion of a surplus debenture or similar obligation (including an offering registered under the Securities Act of 1933 or distributed pursuant to Rule 144A under the Securities Act of 1933), and any holder of 10% or more of the outstanding amount of any surplus note registered under the Securities Act of 1933 or distributed pursuant to Rule 144A under the Securities Act of 1933.

NOTE: For the table illustrated for the disclosures above provide an “Item Number” to identify each surplus note being disclosed.

- ~~(12)~~L The impact of the restatement in a quasi-reorganization as long as financial statements for the period of the reorganization are presented.
- ~~(13)~~M The effective date of a quasi-reorganization for a period of ten years following the reorganization.

Illustration:

- ~~(1)~~A The Company has _____ shares authorized, _____ shares issued and _____ shares outstanding. All shares are Class A shares.
- ~~(2)~~B The Company has no preferred stock outstanding.
- ~~(3)~~C Without prior approval of its domiciliary commissioner, dividends to shareholders are limited by the laws of the Company's state of incorporation, _____, to \$_____, an amount that is based on restrictions relating to statutory surplus.
- ~~(4)~~D An ordinary dividend in the amount of \$ _____ on _____ was paid by the Company.
- ~~(5)~~E Within the limitations of (3) above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.
- ~~(6)~~F There were no restrictions placed on the Company's surplus, including for whom the surplus is being held.
- ~~(7)~~G The total amount of advances to surplus not repaid is \$_____.
- ~~(8)~~H The amounts of stock held by the Company, including stock of affiliated companies, for special purposes are:
- a. For conversion of preferred stock: _____ shares
 - b. For employee stock options: _____ shares
 - c. For stock purchase warrants: _____ shares
- ~~(9)~~I Changes in balances of special surplus funds from the prior year are due to: _____
- ~~(10)~~J The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses is \$ _____

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

(NOTE: THIS DOES NOT INCLUDE THE ENDING NARRATIVE.)

(14)K The Company issued the following surplus debentures or similar obligations:

1 Item Number	2 Date Issued	3 Date of Maturity	4 Interest Rate	5 Type of Assets Received Upon Issuance	6 Original Issue Amount of Note	7 Fair Value of Assets Received Upon Issuance
00001	.....	.....	.....	.....	\$ .....	\$ .....
.....
.....
Total	XXX	XXX	XXX	XXX	\$	\$

1 Item Number	8 Carrying Value of Note Prior Year	9 Carrying Value of Note Current Year *	10 Unapproved Interest And / Or Principal	11 Approved Interest Recognized Current Year	12 Life-To-Date Interest Remitted (Actual Transfer of Cash/Assets)	13 Life-To-Date Principal (Actual Transfer of Cash/Assets) Remitted
00001	\$	\$	\$	\$	\$	\$
.....
.....
Total	\$	\$	\$	\$	\$	\$

* Total should agree with Page 3, Line 32.

1 Item Number	14 Current Year Approved Interest Remitted (Actual Transfer of Cash/Assets)	15 Current Year Approved Principal Remitted (Actual Transfer of Cash/Assets)	16 Current Year Approved Interest Not Remitted Since Issuance (No Transfer of Cash/Assets) *	17 Current Year Approved Principal Not Remitted Since Issuance (No Transfer of Cash/Assets) *	18 Is Non-Remitted Interest or Principal Offset with Amounts Owed from Surplus Note Holder? (Yes/No)	19 Does Remitted Interest or Principal Payments Result with Acquisition of a Source of Liquidity Through the Surplus Note Holder? (Yes/No)	20 Is Surplus Note Holder a Related Party (Yes/No)
00001	\$	\$	\$	\$
.....
.....
Total	\$	\$	\$	\$	XXX	XXX	XXX

1 Item Number	21 Name of 3 rd Party Liquidity Source Acquired	22 Is Liquidity Source a Related Party to the Surplus Note Issuer?	23 Current Year Total Cost of Liquidity Source	24 Current Year Cost of Liquidity Source Reported as Surplus Note Interest
00001	.....	.....	\$ .....	\$ .....
.....
.....
Total	XXX	XXX	\$	\$

1 Item Number	25 Total Cost of Liquidity Source Since Acquisition	26 Total Cost of Liquidity Source Reported as Surplus Note Interest Since Acquisition	27 Maximum Amount Surplus Note Issuer Can Receive from Liquidity Source
00001	\$	\$	\$
.....
.....
Total	\$	\$	\$

Date Issued	Interest Rate	Par Value (Face Amount of Notes)	Carrying Value of Note	Interest And/Or Principal Paid Current Year	Total Interest And/Or Principal Paid	Unapproved Interest And/Or Principal	Date of Maturity
.....
.....
.....
1311999	Total	.....	*	.....	.....	.....	XXX

* Total should agree with Page 3, Line 32.

The surplus note in the amount of \$_____, listed as item _____ in the above table, was issued to _____ (parent) in exchange for _____.

The surplus note, in the amount of \$_____, listed as item _____ in the above table, was issued pursuant to Rule 144A under the Securities Act of 1933, underwritten by _____, and is administered by _____ as trustee.

The surplus note has the following repayment conditions and restrictions: (e.g., Each payment of interest on and principal of the surplus notes may be made only with the prior approval of the Commissioner of Insurance of the State and only to the extent the Company has sufficient surplus earnings to make such payment).

The surplus note has the following subordination terms: (e.g., The Notes will rank *pari passu* with any other future surplus notes of the Parent and with all other similarly subordinated claims).

The liquidation preference to the insurer's common and preferred shareholders are as follows: (e.g., In the event that the Parent is subject to such a proceeding, holders of Indebtedness, Policy Claims and Prior Claims would be afforded a greater priority under the Liquidation Act and the terms of the Notes and, accordingly, would have the right to be paid in full before any payments of interest or principal are made to Note holders).

The surplus debenture in the amount of \$_____, listed as item _____ in above table, is held by _____ (an affiliate).

The surplus debenture in the amount of \$_____, listed as item _____ in above table, was issued pursuant to Rule 144A under the Securities Act of 1933, and is held by _____ in the following ownership percentage _____ (10% or more).

The _____ (an affiliate) holds \$ _____ or _____% of the surplus debenture listed as item _____ in the above table.

The Company has outstanding \$_____ of _____% debentures due in 20____ issued on ____/____/20____. The carrying amount of the debt is \$_____ with an effective rate of ____%. The debentures are not redeemable prior to 20____. The Company is required to make annual sinking fund payments of \$_____ that will provide sufficient funds for the retirement of debentures at maturity. Interest paid during 20____ was \$_____.

The Company has an outstanding liability for borrowed money in the amount of \$_____ due to _____ on ____/____/20____. The principal amount is due 20____. At the option of the Company, early repayment may be made. Interest at ____% is required to be paid annually. Interest paid during 20____ was \$_____. The Company is required to maintain a collateral security deposit with the lender. Assets in such security deposit are required to be maintained in a fair value amount at least equal to the outstanding principal. At December 31, 20____, assets having an admitted value of \$_____ and a fair value of \$_____ were on deposit with the lender.

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

(12)L The impact of any restatement due to prior quasi-reorganizations is as follows:

	Change in Year Surplus	Change in Gross Paid-in and Contributed Surplus
2008	\$ _____	\$ _____
2007	\$ _____	\$ _____
2006	\$ _____	\$ _____
<i>etc.</i>		

(13)M The effective date(s) of all quasi-reorganizations in the prior 10 years is/are _____.

Detail Eliminated to Conserve Space

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