

**NAIC BLANKS (E) WORKING GROUP**

**Blanks Agenda Item Submission Form**

<b>CONTACT PERSON:</b> _____ <b>TELEPHONE:</b> _____ <b>EMAIL ADDRESS:</b> _____ <b>ON BEHALF OF:</b> _____ <b>NAME:</b> <u>Dale Bruggeman</u> <b>TITLE:</b> <u>Chair SAPWG</u> <b>AFFILIATION:</b> <u>Ohio Department of Insurance</u> <b>ADDRESS:</b> <u>50W. Town St., 3<sup>rd</sup> Fl., Ste. 300</u> <u>Columbus, OH 43215</u>	<b>DATE:</b> <u>01/14/2020</u>	<b>FOR NAIC USE ONLY</b>
	Agenda Item # <u>2020-03BWG MOD</u> Year <u>2020</u> Changes to Existing Reporting [ X ] New Reporting Requirement [ ]	<b>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</b>
	No Impact [ X ] Modifies Required Disclosure [ ]	<b>DISPOSITION</b>
	[ ] Rejected For Public Comment [ ] Referred To Another NAIC Group [ ] Received For Public Comment [ X ] Adopted Date <u>05/28/2020</u> [ ] Rejected Date _____ [ ] Deferred Date _____ [ ] 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 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 **13** 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.

NOTES TO FINANCIAL STATEMENTS

**Detail Eliminated to Conserve Space**

**13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations**

Instruction:

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 (current year and prior year)
- 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
- Approved interest recognized and principal paid Current year and life-to-date:
  - 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 3<sup>rd</sup> party liquidity source including:
    - Name
    - Identification if a related party
    - Cost of the liquidity guarantee and
    - Maximum amount available should a triggering event occur.
- Percentage of offset—interest payments offset through administrative offsetting (not inclusive of amounts paid to a 3<sup>rd</sup> party liquidity provider). I.E. if \$100 in interest was recognized through the year, \$10 of which was remitted to a 3<sup>rd</sup> party liquidity provider and the remainder \$90 was offset, the reporting entity shall report 100% as offset.
- Disclosure of whether the surplus note was issued as part of a transaction with any of the following attributes:
  - ❖ Do surplus note/associated asset terms negate or reduce cash flow exchanges, and/or are amounts payable under surplus note and amounts receivable under other agreements contractually linked (For example, the asset provides interest payments only when the surplus note provides interest payments).
  - ❖ Are any amounts due under surplus notes and associated assets netted or offset (partially or in full) thus eliminating or reducing the exchange of cash or assets that would normally occur throughout the duration, or at maturity, of the agreement (This may be referred to as administrative offsetting.)
  - ❖ Were the proceeds from the issuance of a surplus note used to purchase an asset directly or indirectly from the holder of the surplus note.

~~If a reporting entity has ceded business to a surplus note issuer that is a related party as part of a reinsurance transaction in which the surplus note meets any of the criteria above, the ceding entity shall provide a description of the transaction, including whether the criteria above were met with respect to the surplus note issuance, as long as the reinsurance agreement remains in force.~~

~~The ceding entity should provide a description of the risks reinsured, the related party reinsurer, any guarantees or support agreements and the amount of notes outstanding.~~

~~If the proceeds from the issuance of a surplus note used to purchase an asset directly or indirectly from the holder of the surplus note, the following information shall be disclosed regarding the assets received:~~

~~Identification of asset, including the investment schedule where the asset is reported and reported NAIC designation;~~

~~Book/ adjusted carrying value of asset as of the current reporting date.~~

~~A description of terms under which liquidity would be provided should a triggering event occur.~~

- ~~Principal amount value of assets received upon Surplus Note issuance, if applicable.~~
- ~~k.—Subordination terms~~
- ~~l.—Liquidation preference to the reporting entity’s common and preferred shareholders~~
- ~~m.—The repayment conditions and restrictions~~
- ~~Information about any guarantees, support agreements, or related party transactions associated with the surplus note issuance, and whether payments have been made under such agreements.~~

~~If a reporting entity has ceded business to a surplus note issuer that is a related party as part of a reinsurance transaction in which the surplus note meets any of the criteria above, the ceding entity shall provide a description of the transaction, including whether the criteria above were met with respect to the surplus note issuance, as long as the reinsurance agreement remains in force.~~

~~The ceding entity should provide a description of the risks reinsured, the related party reinsurer, any guarantees or support agreements and the amount of notes outstanding.~~

- ~~If the proceeds from the issuance of a surplus note used to purchase an asset directly or indirectly from the holder of the surplus note, the following information shall be disclosed regarding the assets received:
  - ❖ ~~Identification of asset, including the investment schedule where the asset is reported and reported NAIC designation;~~
  - ❖ ~~Book/ adjusted carrying value of asset as of the current reporting date.~~
  - ❖ ~~A description of terms under which liquidity would be provided should a triggering event occur.~~~~
- ~~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” (4 digits) to identify each surplus note being disclosed and should remain the same between year.**

(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.)**

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

1	2	3	4	5	6	7	8
Item Number	Date Issued	Interest Rate	Original Issue Amount of Note	Is Surplus Note Holder a Related Party (Y/N)	Carrying Value of Note Prior Year	Carrying Value of Note Current Year *	Unapproved Interest And/Or Principal
90001	.....	.....	\$ .....	.....	\$ .....	\$ .....	\$ .....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
Total	XXX	XXX	\$ .....	XXX	\$ .....	\$ .....	\$ .....

\* Total should agree with Page 3, Line 32.

1	9	10	11	12	13	14
Item Number	Current Year Interest Expense Recognized	Life-To-Date Interest Expense Recognized	Current Year Interest Offset Percentage (not including amounts paid to a 3 <sup>rd</sup> party liquidity provider).	Current Year Principal Paid	Life-To-Date Principal Paid	Date of Maturity
90001	\$ 999,999,999,999	\$ 999,999,999,999	100.0.....	\$ 999,999,999,999	\$ 999,999,999,999	XX/XX/XXXX
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
Total	\$ .....	\$ .....	XXX	\$ .....	\$ .....	XXX

1	15	16	17	18	19
Item Number	Are Surplus Note payments contractually linked? (Y/N)	Surplus Note payments subject to administrative offsetting provisions? (Y/N)	Were Surplus Note proceeds used to purchase an asset directly from the holder of the surplus note? (Y/N)	Is Asset Issuer a Related Party (Y/N)	Type of Assets Received Upon Issuance
90001	.....	.....	.....	.....	.....
Total	XXX	XXX	XXX	XXX	XXX

1	20	21	22
Item Number	Principal Amount of Assets Received Upon Issuance	Book/Adjusted Carry Value of Assets	Is Liquidity Source a Related Party to the Surplus Note Issuer? (Y/N)
90001	\$ .....	\$ .....	.....
Total	\$	\$	XXX

1	2	3	4	5	6	7
Item Number	Date Issued	Date of Maturity	Interest Rate	Type of Assets Received Upon Issuance	Original Issue Amount of Note	Fair Value of Assets Received Upon Issuance
90001	.....	.....	.....	.....	\$ .....	\$ .....
Total	XXX	XXX	XXX	XXX	\$	\$

1	8	9	10	11	12	13
Item Number	Carrying Value of Note Prior Year	Carrying Value of Note Current Year*	Unapproved Interest And / Or Principal	Approved Interest Recognized Current Year	Life To Date Interest Remitted (Actual Transfer of Cash/Assets)	Life To Date Principal (Actual Transfer of Cash/Assets) Remitted
90001	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
Total	\$	\$	\$	\$	\$	\$

\* Total should agree with Page 3, Line 32.

1	14	15	16	17	18	19	20
Item Number	Current Year Approved Interest Remitted (Actual Transfer of Cash/Assets)	Current Year Approved Principal Remitted (Actual Transfer of Cash/Assets)	Current Year Approved Interest Not Remitted Since Issuance (No Transfer of Cash/Assets)*	Current Year Approved Principal Not Remitted Since Issuance (No Transfer of Cash/Assets)*	Is Non-Remitted Interest or Principal Offset with Amounts Owed from Surplus Note Holder? (Yes/No)	Does Remitted Interest or Principal Payments Result with Acquisition of a Source of Liquidity Through the Surplus Note Holder? (Yes/No)	Is Surplus Note Holder a Related Party (Yes/No)
90001	\$ .....	\$ .....	\$ .....	\$ .....	.....	.....	.....
Total	\$	\$	\$	\$	XXX	XXX	XXX

1	21	22	23	24
Item Number	Name of 3 <sup>rd</sup> Party Liquidity Source Acquired	Is Liquidity Source a Related Party to the Surplus Note Issuer?	Current Year Total Cost of Liquidity Source	Current Year Cost of Liquidity Source Reported as Surplus Note Interest
90001	.....	.....	\$ .....	\$ .....
Total	XXX	XXX	\$	\$

24	25	26	27
Item Number	Total Cost of Liquidity Source Since Acquisition	Total Cost of Liquidity Source Reported as Surplus Note Interest Since Acquisition	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			*				XXX
Total							

\* 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**

