

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>2020-05BWG 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 _____ [] 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 type="checkbox"/> Title |
| <input type="checkbox"/> Property/Casualty | <input type="checkbox"/> Protected Cell | <input type="checkbox"/> Other _____ |
| <input 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 Note 2 – Accounting Changes and Correction of Errors.

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

The purpose of this proposal is to reflect the disclosure addition for *SSAP No. 3—Accounting Changes and Corrections of Errors* and *SSAP No. 51R—Life Contracts* 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



Detail Eliminated to Conserve Space



2. Accounting Changes and Corrections of Errors

Instruction:

Describe material changes in accounting principles and/or correction of errors. Include:

- A brief description of the change, encompassing a general disclosure of the reason and justification for the change or correction.
- The impact of the change or correction on net income, surplus, total assets and total liabilities for the two years presented in the financial statements (i.e., the balance sheet and statement of income).
- The effect on net income of the current period for a change in estimate that affects several future periods, such as a change in the service lives of depreciable assets or actual assumptions affecting pension costs. Disclosure of the effect on those income statement amounts is not necessary for estimates made each period in the ordinary course of accounts for items such as uncollectible accounts. However, disclosure is recommended if the effect of a change in the estimate is material.
- Changes in accounting that are changes in reserve valuation basis as described in SSAP No. 51R—Life Contracts which have elected ~~grade~~phase-in provided for in the Valuation Manual section VM-21 or other optional application features, shall also include in the change in accounting disclosures information regarding the application of any ~~phase~~grade-in as provided for in SSAP No. 51R.

Reporting entities shall provide disclosure of the following:

- ❖ The ~~phase~~grade-in period being applied, and the remaining time period of the grade in.
- ❖ Any adjustments to the ~~phase~~grade-in period.
- ❖ Amount of change in valuation basis ~~phase~~grade-in, which has been recognized in unassigned funds.
- ❖ The remaining amount to be ~~phase~~graded-in. (reflected in special surplus if the ungraded-in amount represents an increase in reserving)
- When subsequent financial statements are issued containing comparative restated results as a result of the filing of an amended financial statement, the reporting entity shall disclose that the prior period has been restated and the nature and amount of such restatement.

Illustration:

During the current year’s financial statement preparation, the Company discovered an error in the compiling and reporting of investment income from an affiliate for the prior year. In the prior year, common stocks (Assets Page, Line _____) and investment income earned from affiliates (included in Summary of Operation, Line _____) were understated by \$_____. Line _____ on the Assets Page and Line _____ on the Gains and Losses section of the Summary of Operations have been adjusted in the current year to correct for this error.

In 2020, the Company elected a ~~phasegrade-in~~ period of three years of a change in reserve valuation basis as described in SSAP No. 51R—Life Contracts for its variable annuity reserves. This change in valuation basis, which impacts annuities reserves written from 1981 to 2019 is permitted under the revisions to the Commissioners Annuity Reserve Valuation Method (CARVM) adopted in Valuation Manual Requirements for Principle-Based Reserves for Variable Annuities (VM-21), and Actuarial Guideline 43 CARVM for variable annuities (AG 43). There have been no adjustments to the ~~phasegrade-in~~ period. The amount of grade-in, which has been recognized in unassigned funds is \$ _____, ~~and the remaining amount to be graded-in reflected in special surplus is \$ _____.~~

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