

**NAIC BLANKS (E) WORKING GROUP**

**Blanks Agenda Item Submission Form**

<p align="right">DATE: <u>02/21/2020</u></p> <p>CONTACT PERSON: <u>Jane Barr</u></p> <p>TELEPHONE: _____</p> <p>EMAIL ADDRESS: _____</p> <p>ON BEHALF OF: <u>Capital Adequacy Task Force</u></p> <p>NAME: <u>Tom Botsko</u></p> <p>TITLE: _____</p> <p>AFFILIATION: _____</p> <p>ADDRESS: _____</p>	<p align="center"><b>FOR NAIC USE ONLY</b></p> <p>Agenda Item # <u>2020-17BWG</u></p> <p>Year <u>2020</u></p> <p>Changes to Existing Reporting [ X ]</p> <p>New Reporting Requirement [ ]</p> <hr/> <p align="center"><b>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</b></p> <p>No Impact [ X ]</p> <p>Modifies Required Disclosure [ ]</p> <hr/> <p align="center"><b>DISPOSITION</b></p> <p>[ ] Rejected For Public Comment</p> <p>[ ] Referred To Another NAIC Group</p> <p>[ X ] Received For Public Comment</p> <p>[ ] Adopted Date _____</p> <p>[ ] Rejected Date _____</p> <p>[ ] Deferred Date _____</p> <p>[ ] Other (Specify) _____</p>
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**BLANK(S) TO WHICH PROPOSAL APPLIES**

- |   |   |   |
|---|---|---|
| <input checked="" type="checkbox"/> ANNUAL STATEMENT                  | <input type="checkbox"/> INSTRUCTIONS                 | <input checked="" type="checkbox"/> CROSSCHECKS |
| <input type="checkbox"/> QUARTERLY STATEMENT                          | <input checked="" type="checkbox"/> BLANK             |   |
| <input checked="" type="checkbox"/> Life, Accident & Health/Fraternal | <input checked="" 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**

Adjust the AVR presentation to include separate lines for each of the expanded bond designation categories.

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

The Blanks Working Group and the Security Valuation Office have adopted the 20 bond designations for 2020 reporting. The reported designations will flow into the RBC but will not include factors. The current factor for designations 1-6 will remain in the RBC until an impact analysis can be done to confirm the new factors for the 20 designations. This proposal applies the same expanded presentation to the AVR as it is used to populate the life RBC formula.

**NAIC STAFF COMMENTS**

Comment on Effective Reporting Date: \_\_\_\_\_

Other Comments:

\*\* This section must be completed on all forms.

ANNUAL STATEMENT BLANK – LIFE/FRATERNAL AND SEPARATE ACCOUNTS

ASSET VALUATION RESERVE  
 BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS  
 DEFAULT COMPONENT

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	Basic Contribution		Reserve Objective		Maximum Reserve	
							5 Factor	6 Amount (Cols. 4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols. 4x9)
		LONG-TERM BONDS										
1		Exempt Obligations .....		XXX	XXX		0.0000		0.0000		0.0000	
2.1	1	NAIC Designation Category 1.A Highest Quality .....		XXX	XXX		0.0005		0.0016		0.0033	
2.2	1	NAIC Designation Category 1.B .....		XXX	XXX		0.0005		0.0016		0.0033	
2.3	1	NAIC Designation Category 1.C .....		XXX	XXX		0.0005		0.0016		0.0033	
2.4	1	NAIC Designation Category 1.D .....		XXX	XXX		0.0005		0.0016		0.0033	
2.5	1	NAIC Designation Category 1.E .....		XXX	XXX		0.0005		0.0016		0.0033	
2.6	1	NAIC Designation Category 1.F .....		XXX	XXX		0.0005		0.0016		0.0033	
2.7	1	NAIC Designation Category 1.G .....		XXX	XXX		0.0005		0.0016		0.0033	
2.8		Subtotal NAIC 1 (2.1+2.2+2.3+2.4+2.5+2.6+2.7) .....		XXX	XXX		XXX		XXX		XXX	
3.1	2	NAIC Designation Category 2.A High Quality .....		XXX	XXX		0.0021		0.0064		0.0106	
3.2	2	NAIC Designation Category 2.B .....		XXX	XXX		0.0021		0.0064		0.0106	
3.3	2	NAIC Designation Category 2.C .....		XXX	XXX		0.0021		0.0064		0.0106	
3.4		Subtotal NAIC 2 (3.1+3.2+3.3) .....		XXX	XXX		XXX		XXX		XXX	
4.1	3	NAIC Designation Category 3.A Medium Quality .....		XXX	XXX		0.0099		0.0263		0.0376	
4.2	3	NAIC Designation Category 3.B .....		XXX	XXX		0.0099		0.0263		0.0376	
4.3	3	NAIC Designation Category 3.C .....		XXX	XXX		0.0099		0.0263		0.0376	
4.4		Subtotal NAIC 3 (4.1+4.2+4.3) .....		XXX	XXX		XXX		XXX		XXX	
5.1	4	NAIC Designation Category 4.A Low Quality .....		XXX	XXX		0.0245		0.0572		0.0817	
5.2	4	NAIC Designation Category 4.B .....		XXX	XXX		0.0245		0.0572		0.0817	
5.3	4	NAIC Designation Category 4.C .....		XXX	XXX		0.0245		0.0572		0.0817	
5.4		Subtotal NAIC 4 (5.1+5.2+5.3) .....		XXX	XXX		XXX		XXX		XXX	
6.1	5	NAIC Designation Category 5.A Lower Quality .....		XXX	XXX		0.0630		0.1128		0.1880	
6.2	5	NAIC Designation Category 5.B .....		XXX	XXX		0.0630		0.1128		0.1880	
6.3	5	NAIC Designation Category 5.C .....		XXX	XXX		0.0630		0.1128		0.1880	
6.4		Subtotal NAIC 5 (6.1+6.2+6.3) .....		XXX	XXX		XXX		XXX		XXX	
7	6	In or Near Default NAIC 6 .....		XXX	XXX		0.0000		0.2370		0.2370	
8		Total Unrated Multi-Class Securities Acquired by Conversion .....		XXX	XXX		XXX		XXX		XXX	
9		Total Long-Term Bonds (Sum of Lines 1 through 8) .....		XXX	XXX		XXX		XXX		XXX	
		PREFERRED STOCKS										
10	1	Highest Quality .....		XXX	XXX		0.0005		0.0016		0.0033	
11	2	High Quality .....		XXX	XXX		0.0021		0.0064		0.0106	
12	3	Medium Quality .....		XXX	XXX		0.0099		0.0263		0.0376	
13	4	Low Quality .....		XXX	XXX		0.0245		0.0572		0.0817	
14	5	Lower Quality .....		XXX	XXX		0.0630		0.1128		0.1880	
15	6	In or Near Default .....		XXX	XXX		0.0000		0.2370		0.2370	
16		Affiliated Life with AVR .....		XXX	XXX		0.0000		0.0000		0.0000	
17		Total Preferred Stocks (Sum of Lines 10 through 16) .....		XXX	XXX		XXX		XXX		XXX	

**ASSET VALUATION RESERVE (Continued)**  
**BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS**  
**DEFAULT COMPONENT**

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	Basic Contribution		Reserve Objective		Maximum Reserve	
							5 Factor	6 Amount (Cols. 4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols. 4x9)
SHORT-TERM BONDS												
18		Exempt Obligations .....		XXX	XXX		0.0000		0.0000		0.0000	
19.1	1	NAIC Designation Category 1.A Highest Quality .....		XXX	XXX		0.0005		0.0016		0.0033	
19.2	1	NAIC Designation Category 1.B .....		XXX	XXX		0.0005		0.0016		0.0033	
19.3	1	NAIC Designation Category 1.C .....		XXX	XXX		0.0005		0.0016		0.0033	
19.4	1	NAIC Designation Category 1.D .....		XXX	XXX		0.0005		0.0016		0.0033	
19.5	1	NAIC Designation Category 1.E .....		XXX	XXX		0.0005		0.0016		0.0033	
19.6	1	NAIC Designation Category 1.F .....		XXX	XXX		0.0005		0.0016		0.0033	
19.7	1	NAIC Designation Category 1.G .....		XXX	XXX		0.0005		0.0016		0.0033	
19.8		Subtotal NAIC 1 (19.1+19.2+19.3+19.4+19.5+19.6+19.7) .....		XXX	XXX		XXX		XXX		XXX	
20.1	2	NAIC Designation Category 2.A High Quality .....		XXX	XXX		0.0021		0.0064		0.0106	
20.2	2	NAIC Designation Category 2.B .....		XXX	XXX		0.0021		0.0064		0.0106	
20.3	2	NAIC Designation Category 2.C .....		XXX	XXX		0.0021		0.0064		0.0106	
20.4		Subtotal NAIC 2 (20.1+20.2+20.3) .....		XXX	XXX		XXX		XXX		XXX	
21.1	3	NAIC Designation Category 3.A Medium Quality .....		XXX	XXX		0.0099		0.0263		0.0376	
21.2	3	NAIC Designation Category 3.B .....		XXX	XXX		0.0099		0.0263		0.0376	
21.3	3	NAIC Designation Category 3.C .....		XXX	XXX		0.0099		0.0263		0.0376	
21.4		Subtotal NAIC 3 (21.1+21.2+21.3) .....		XXX	XXX		XXX		XXX		XXX	
22.1	4	NAIC Designation Category 4.A Low Quality .....		XXX	XXX		0.0245		0.0572		0.0817	
22.2	4	NAIC Designation Category 4.B .....		XXX	XXX		0.0245		0.0572		0.0817	
22.3	4	NAIC Designation Category 4.C .....		XXX	XXX		0.0245		0.0572		0.0817	
22.4		Subtotal NAIC 4 (22.1+22.2+22.3) .....		XXX	XXX		XXX		XXX		XXX	
23.1	5	NAIC Designation Category 5.A Lower Quality .....		XXX	XXX		0.0630		0.1128		0.1880	
23.2	5	NAIC Designation Category 5.B .....		XXX	XXX		0.0630		0.1128		0.1880	
23.3	5	NAIC Designation Category 5.C .....		XXX	XXX		0.0630		0.1128		0.1880	
23.4		Subtotal NAIC 5 (23.1+23.2+23.3) .....		XXX	XXX		XXX		XXX		XXX	
24	6	In or Near Default NAIC 6 .....		XXX	XXX		0.0000		0.2370		0.2370	
25		Total Short-Term Bonds (Sum of Lines 18 through 24) 18+19.8+20.4+21.4+22.4+23.4+24)		XXX	XXX		XXX		XXX		XXX	
DERIVATIVE INSTRUMENTS												
26		Exchange Traded.....		XXX	XXX		0.0005		0.0016		0.0033	
27	1	Highest Quality .....		XXX	XXX		0.0005		0.0016		0.0033	
28	2	High Quality.....		XXX	XXX		0.0021		0.0064		0.0106	
29	3	Medium Quality .....		XXX	XXX		0.0099		0.0263		0.0376	
30	4	Low Quality .....		XXX	XXX		0.0245		0.0572		0.0817	
31	5	Lower Quality .....		XXX	XXX		0.0630		0.1128		0.1880	
32	6	In or Near Default .....		XXX	XXX		0.0000		0.2370		0.2370	
33		Total Derivative Instruments .....		XXX	XXX		XXX		XXX		XXX	
34		Total (Lines 9+ 17+ 25+ 33)		XXX	XXX		XXX		XXX		XXX	

**ASSET VALUATION RESERVE (Continued)**  
**BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS**  
**DEFAULT COMPONENT**

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	Basic Contribution		Reserve Objective		Maximum Reserve	
							5 Factor	6 Amount (Cols. 4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols. 4x9)
MORTGAGE LOANS												
In Good Standing:												
35		Farm Mortgages – CM1 – Highest Quality .....			XXX		0.0011		0.0057		0.0074	
36		Farm Mortgages – CM2 – High Quality .....			XXX		0.0040		0.0114		0.0149	
37		Farm Mortgages – CM3 – Medium Quality .....			XXX		0.0069		0.0200		0.0257	
38		Farm Mortgages – CM4 – Low Medium Quality .....			XXX		0.0120		0.0343		0.0428	
39		Farm Mortgages – CM5 – Low Quality .....			XXX		0.0183		0.0486		0.0628	
40		Residential Mortgages – Insured or Guaranteed .....			XXX		0.0003		0.0007		0.0011	
41		Residential Mortgages – All Other .....			XXX		0.0015		0.0034		0.0046	
42		Commercial Mortgages – Insured or Guaranteed .....			XXX		0.0003		0.0007		0.0011	
43		Commercial Mortgages – All Other – CM1 – Highest Quality .....			XXX		0.0011		0.0057		0.0074	
44		Commercial Mortgages – All Other – CM2 – High Quality .....			XXX		0.0040		0.0114		0.0149	
45		Commercial Mortgages – All Other – CM3 – Medium Quality .....			XXX		0.0069		0.0200		0.0257	
46		Commercial Mortgages – All Other – CM4 – Low Medium Quality .....			XXX		0.0120		0.0343		0.0428	
47		Commercial Mortgages – All Other – CM5 – Low Quality .....			XXX		0.0183		0.0486		0.0628	
Overdue, Not in Process:												
48		Farm Mortgages .....			XXX		0.0480		0.0868		0.1371	
49		Residential Mortgages – Insured or Guaranteed .....			XXX		0.0006		0.0014		0.0023	
50		Residential Mortgages - All Other .....			XXX		0.0029		0.0066		0.0103	
51		Commercial Mortgages - Insured or Guaranteed .....			XXX		0.0006		0.0014		0.0023	
52		Commercial Mortgages - All Other .....			XXX		0.0480		0.0868		0.1371	
In Process of Foreclosure:												
53		Farm Mortgages .....			XXX		0.0000		0.1942		0.1942	
54		Residential Mortgages - Insured or Guaranteed .....			XXX		0.0000		0.0046		0.0046	
55		Residential Mortgages - All Other .....			XXX		0.0000		0.0149		0.0149	
56		Commercial Mortgages - Insured or Guaranteed .....			XXX		0.0000		0.0046		0.0046	
57		Commercial Mortgages - All Other .....			XXX		0.0000		0.1942		0.1942	
58		Total Schedule B Mortgages (Sum of Lines 35 through 57)			XXX		XXX		XXX		XXX	
59		Schedule DA Mortgages			XXX		0.0034		0.0114		0.0149	
60		Total Mortgage Loans on Real Estate (Lines 58 + 59)			XXX		XXX		XXX		XXX	

W:\QA\BlanksProposals\2020-17BWG.doc