

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

<p align="right">DATE: <u>02/21/2020</u></p> <p>CONTACT PERSON: <u>Charles Therriault</u></p> <p>TELEPHONE: <u>212 386-1920</u></p> <p>EMAIL ADDRESS: <u>CTherriault@naic.org</u></p> <p>ON BEHALF OF: _____</p> <p>NAME: <u>Kevin Fry</u></p> <p>TITLE: <u>Chair, VOS Task Force</u></p> <p>AFFILIATION: _____</p> <p>ADDRESS: _____</p>	<p align="center">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2020-18BWG MOD</u></p> <p>Year <u>2020</u></p> <p>Changes to Existing Reporting [X]</p> <p>New Reporting Requirement []</p> <hr/> <p align="center">REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</p> <p>No Impact [X]</p> <p>Modifies Required Disclosure []</p> <hr/> <p align="center">DISPOSITION</p> <p>[] Rejected For Public Comment</p> <p>[] Referred To Another NAIC Group</p> <p>[] Received For Public Comment</p> <p>[X] Adopted Date <u>05/28/2020</u></p> <p>[] Rejected Date _____</p> <p>[] Deferred Date _____</p> <p>[] Other (Specify) _____</p>
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BLANK(S) TO WHICH PROPOSAL APPLIES

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| <input checked="" type="checkbox"/> ANNUAL STATEMENT | <input checked="" type="checkbox"/> INSTRUCTIONS | <input type="checkbox"/> CROSSCHECKS |
| <input checked="" 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

See next page for details.

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

The purpose of this proposal is to clarify where to find the list of funds that must have NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol provided on Schedule D, Part 2, Section 2 (annual filing) and Schedules D, Parts 3 and 4 (quarterly filing). Modify the reference to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* found in other investment instructions due to changes in the manual.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

** This section must be completed on all forms.

IDENTIFICATION OF ITEM(S) TO CHANGE

Clarify the instructions for what funds reported on Schedule D, Part 2, Section 2 (annual filing) and Schedules D, Part 3 and 4 (quarterly filing) must have NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol.

Modify the reference to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* found in the following investment instructions.

Annual Statement:

- Investment Schedules General Instructions
- Summary Investment Schedule
- Schedule D, Part 1, ~~Section 1~~
- Schedule D, Part 2, Section 2
- Schedule E, Part 2
- Supplemental Investment Interrogatories

Quarterly Statement:

- Investment Schedules General Instructions
- Schedule E, Part 2

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

SCHEDULE D – PART 2 – SECTION 2

COMMON STOCKS OWNED DECEMBER 31 OF CURRENT YEAR



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Column 18 – NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol

For securities reported on Line 9499999 (Mutual Funds), Line 9599999 (Unit Investment Trusts) and Line 9699999 (Closed-End Funds), provide the appropriate NAIC Designation (1 through 6), NAIC Designation Modifier (A through G) and SVO Administrative Symbol combination as assigned by the Securities Valuation Office and published in AVS+ per the instructions in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office on the Compilation and Publication of the SVO List of Investment Securities*. A list of these funds can be found on the Securities Valuation Office Web page (<https://www.naic.org/svo.htm>).

NAIC Designation and NAIC Designation Modifier should not be provided for securities reported on these lines that have not been assigned one by the Securities Valuation Office. For all other common stock line categories, the NAIC Designation and NAIC Designation Modifier ~~field~~ should not be left blank provided.



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NAIC Designation Modifier:

The NAIC Designation Modifier should only be used for securities reported on Line 9499999 (Mutual Funds), Line 9599999 (Unit Investment Trusts) and Line 9699999 (Closed-End Funds) if eligible to receive one, as defined in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual), otherwise, ~~the field~~ should not be left blank provided.

The Designation Modifier should not be left blank provided for securities reported on lines below.

- Industrial and Miscellaneous (Unaffiliated) Publicly Traded Line 9099999
- Industrial and Miscellaneous (Unaffiliated) Other Line 9199999
- Parent, Subsidiaries and Affiliates Publicly Traded Line 9299999
- Parent, Subsidiaries and Affiliates Other Line 9399999
- ~~Unit Investment Trusts~~ Line 9599999
- ~~Closed End Funds~~ Line 9699999

As defined in the P&P Manual, there is not an NAIC Designation Modifier for investments reporting an NAIC Designation 6, therefore, the NAIC Designation Modifier ~~field~~ should not be left blank provided.

Refer to the P&P Manual for the application of these modifiers.



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SCHEDULE D – PART 1

LONG-TERM BONDS OWNED DECEMBER 31 OF CURRENT YEAR

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Column 34 – Capital Structure Code

Please identify the capital structure of the security using the following codes consistent with the SVO Notching Guidelines in ~~Part One, Section 3~~ of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*:

Capital structure is sometimes referred to as rank or payment priority and can be found in feeds from the sources listed in the Issue and Issuer column.

As a general rule, a security is senior unsecured debt unless legal terms of the security indicate another position in the capital structure. Securities are senior or subordinated and are secured or unsecured. Municipal bonds, Federal National Mortgage Association securities (FNMA or Fannie Mae) and Federal Home Loan Mortgage Corporation securities (FHLMC or Freddie Mac) generally are senior debt, though there are examples of subordinated debt issued by Fannie and Freddie. 1st Lien is a type of security interest and not capital structure but could be used to determine which capital structure designation the security should be reported under. The capital structure of “Other” should rarely be used.

Capital structure includes securities subject to *SSAP No. 26R—Bonds* and *SSAP No. 43R—Loan-Backed and Structured Securities*.

1. Senior Secured Debt

Senior secured is paid first in the event of a default and also has a priority above other senior debt with respect to pledged assets.

2. Senior Unsecured Debt

Senior unsecured securities have priority ahead of subordinated debt for payment in the event of default.

3. Subordinated Debt

Subordinated is secondary in its rights to receive its principal and interest payments from the borrower to the rights of the holders of senior debt (e.g., for loan-backed and structured securities, this would include mezzanine tranches).

(Subordinated means noting or designating a debt obligation whose holder is placed in precedence below secured and general unsecured creditors e.g., another debtholder could block payments to that holder or prevent that holder of that subordinated debt from taking any action.)

4. Not Applicable

Securities where the capital structure 1 through 3 above do not apply (e.g., Line 5899999 Exchange Traded Funds – as Identified by the SVO and Line 5999999 Bond Mutual Funds – as Identified by the SVO).

SUMMARY INVESTMENT SCHEDULE



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Line 1.01 – U.S. Governments

Include: The value of all U.S. Government securities defined as U.S. Government Obligations as defined per the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* ~~Part Two, Section 4.~~

Column 1 should equal the Schedule D, Part 1, Line 0599999.



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Line 1.05 – U.S. Special Revenue & Special Assessment Obligations, etc. Non-Guaranteed

Include: The value of those U.S. government issues not listed as “Securities That Are Considered “Exempt Obligations” For Purposes of Determining The Asset Valuation Reserve And The Risk-Based Capital Calculation” in ~~Part Six, Section 2(e)~~ of the *Purposes and Procedures manual of the NAIC Investment Analysis Office*, yet included as “Filing Exemptions for Other U.S. Government Obligations” in ~~Part Two, Section 4(e)(ii)~~. This category also includes bonds that are issued by states, territories, possessions and other political subdivisions that are issued for a specific financing project rather than as general obligation bonds.

Column 1 should equal the Schedule D, Part 1, Line 3199999.



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Line 1.09 – SVO Identified Funds

Include: The value of all Bond Mutual Funds included on the “NAIC Bond Mutual Fund List” ~~as listed in Part Six, Section 2(h) of~~ as defined in the Purposes and Procedures Manual of the NAIC Investment Analysis Office and Exchange Traded Funds (ETF) included on the “SVO-Identified Bond ETF List” as published on the Securities Valuation Office Web page (<https://www.naic.org/svo.htm>) that the SVO has determined are in scope of SSAP No. 26R - Bonds and can be reported on Schedule D, Part 1 and the SVO assigned a NAIC Designation, NAIC Designation Category and SVO Administrative Symbol published in the NAIC’s AVS+ system per the instructions in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* on the Compilation and Publication of the SVO List of Investment Securities ~~listed in Part Six, Section 2(i) of the Purposes and Procedures Manual of the NAIC Investment Analysis Office.~~

Column 1 should equal the Schedule D, Part 1, Line 6099999.



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SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

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Line 2 – Report the single 10 largest exposures to a single issuer/borrower/investment.

Determine the ten largest exposures by first, aggregating investments from all investment categories (except the excluded categories) by issuer. The first six digits of the CUSIP number can be used as a starting point; however, please note that the same issuer may have more than one unique series of the first six digits of the CUSIP. For example, the reporting entity owns bonds issued by the XYZ Company of \$500,000 and common stock of the XYZ Company of \$600,000. In addition the reporting entity has a mortgage loan to the XYZ Company of \$300,000. The total exposure to Issuer XYZ Company is \$1.4 million (\$500,000+\$600,000+\$300,000).

For funds that are not diversified within the meaning of the Investment Company Act of 1940, insurance reporting entities are required to identify actual exposures and aggregate those exposures with directly held investments to determine the 10 largest exposures. For example, if a reporting entity directly holds a significant number of investments in Exxon Mobil and holds a non-diversified closed-end fund with a high concentration of Exxon Mobil, the reporting entity shall aggregate the direct investments with the investments in the closed-end funds to determine the aggregate investment risk to Exxon Mobil.

SEC registered investment funds are required by law to disclose holdings within 60 days following the fund’s fiscal quarter end. Insurers who own funds classified as “non-diversified” are to use the last publicly available fund holding disclosure to account for holdings that should be included in their Top 10 holdings.

Exclude: U.S. ~~government~~Government and U. S. Government Agency securities listed as “Securities That Are Considered “Exempt Obligations” For Purposes of Determining The Asset Valuation Reserve And The Risk-Based Capital Calculation” (Part Six, Section 2(e)), U. S. ~~government agency securities (Part Six, Section 2(e))~~.

Those U.S. Government money market funds (~~Part Six, Section 2(f))~~ listed on “NAIC U.S. Direct Obligations/Full Faith and Credit Exemption List Money Market Fund List” found on the Securities Valuation Office Web page (<https://www.naic.org/svo.htm>) in the Purposes and Procedures Manual of the NAIC Investment Analysis Office as exempt;

Property occupied by the company;

Policy loans

All SEC and foreign registered funds (open-end, closed-end, UIT and ETFs) and common trust funds that are diversified within the meaning of the Investment Company Act of 1940 [Section 5(b) (1)].

In Column 2, list the categories of securities that are included in the total for each issuer (e.g., bonds, mortgage loans, etc.)

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Line 13.02
through 13.11 –

Report the amounts and percentages of admitted assets held in the ten largest equity interests (including investments in the shares of mutual funds, preferred stocks, publicly traded equity securities, and other equity securities (including Schedule BA equity interests), and excluding money market included on the “NAIC U.S. Direct Obligations/Full Faith and Credit Exemption Money Market Fund List”, exchange traded funds included on the “SVO-Identified Bond ETF List” and bond mutual funds included on the “NAIC Bond Mutual Fund List” as found on the Securities Valuation Office Web page (<https://www.naic.org/svo.htm>) ~~listed in Part Six, Sections 2(f) and (g) of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*~~ as exempt or NAIC 1).

Determine the ten largest equity interests by first aggregating investments included in this line by issuer. For example, the reporting entity owns preferred stock of the XYZ Company of \$600,000 and common stock of the XYZ Company of \$300,000. The total is \$900,000 (\$600,000+\$300,000). The reporting entity also owns bonds issued by the XYZ Company of \$500,000 that are excluded from this calculation because bonds are debt instruments. Other equity securities include partnerships and Limited Liability Companies (LLC) and any other investments reported in Schedule BA classified as equity.

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QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

SCHEDULE D – PART 3

LONG-TERM BONDS AND STOCKS ACQUIRED DURING THE CURRENT QUARTER



Detail Eliminated to Conserve Space

Column 10 – NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol

Provide the appropriate combination of NAIC Designation (1 through 6), NAIC Designation Modifier (A through G) and SVO Administrative Symbol (see below) at the end of the quarter for each security shown. The list of valid SVO Administrative Symbols is shown below.



Detail Eliminated to Conserve Space

NAIC Designation Modifier:

The NAIC Designation Modifier should only be used for securities reported on the lines below if eligible to receive one, as defined in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual), otherwise, ~~the field should not be left blank~~ provided.

- Bonds Lines 0199999 through 8299999
- Preferred Stocks Line 8499999 and 8599999
- Common Stocks Lines 9499999 through 9699999

As defined in the P&P Manual, there is not an NAIC Designation Modifier for investments reporting an NAIC Designation 6, therefore, the NAIC Designation Modifier ~~field should not be left blank~~ provided.

For securities reported on Line 9499999 (Mutual Funds), Line 9599999 (Unit Investment Trusts) and Line 9699999 (Closed-End Funds) provide the appropriate NAIC Designation and NAIC Modifier as assigned by the Securities Valuation Office. NAIC Designation and NAIC Designation Modifier should not be provided for securities reported on these lines that have not been assigned one by the Securities Valuation Office and published in AVS+ per the instructions in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* on the Compilation and Publication of the SVO List of Investment Securities. For all other common stock line categories, the NAIC designation and NAIC Modifier a should not be provided.

Refer to the P&P Manual for the application of these modifiers.

SVO Administrative Symbol:



Detail Eliminated to Conserve Space

Common Stock:

~~For securities reported on Line 9499999 (Mutual Funds) provide the appropriate NAIC Designation (1 through 6) and NAIC Modifier as assigned by the Securities Valuation Office. For all other common stock the NAIC designation, NAIC Modifier and SVO Administrative Symbol field should be left blank.~~

Following are valid SVO Administrative Symbols for common stock. Refer to the P&P Manual for the application of these symbols.

YE Year-end carry over



SCHEDULE D – PART 4

LONG-TERM BONDS AND STOCKS SOLD, REDEEMED OR OTHERWISE
DISPOSED OF DURING THE CURRENT QUARTER



Column 22 – NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol

Provide the appropriate combination of the NAIC Designation (1 through 6), NAIC Designation Modifier (A through G) and SVO Administrative Symbol (see below) at date of disposal for each security shown. The list of valid SVO Administrative Symbols is shown below.



NAIC Designation Modifier:

The NAIC Designation Modifier should only be used for securities reported on the lines below if eligible to receive one, as defined in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual), otherwise, ~~the field should not be left blank~~ provided.

- Bonds Lines 0199999 through 8299999
- Preferred Stocks Line 8499999 and 8599999
- Common Stocks Lines 9499999 through 9699999

As defined in the P&P Manual, there is not an NAIC Designation Modifier for investments reporting an NAIC Designation 6, therefore, the NAIC Designation Modifier field should not be left blank provided.

For securities reported on Line 9499999 (Mutual Funds), Line 9599999 (Unit Investment Trusts) and Line 9699999 (Closed-End Funds) provide the appropriate NAIC Designation and NAIC Modifier as assigned by the Securities Valuation Office. NAIC Designation and NAIC Designation Modifier should not be provided for securities reported on these lines that have not been assigned one by the Securities Valuation Office and published in AVS+ per the instructions in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* on the Compilation and Publication of the SVO List of Investment Securities. For all other common stock line categories, the NAIC designation and NAIC Modifier a should not be provided.

Refer to the P&P Manual for the application of these modifiers.

SVO Administrative Symbol:

↓ **====** **Detail Eliminated to Conserve Space** **====** ↓

Common Stock:

~~For securities reported on Line 9499999 (Mutual Funds) provide the appropriate NAIC Designation (1 through 6) and NAIC Modifier as assigned by the Securities Valuation Office. For all other common stock the NAIC designation, NAIC Modifier and SVO Administrative Symbol field should be left blank.~~

Following are valid SVO Administrative Symbols for common stock. Refer to the P&P Manual for the application of these symbols.

YE Year-end carry over

↓ **====** **Detail Eliminated to Conserve Space** **====** ↓

SCHEDULE E – PART 2 – CASH EQUIVALENTS



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A money market fund shall be reported in this schedule as an Exempt Money Market Mutual Fund if such money market fund is identified by the SVO as meeting the required conditions found in ~~Part Six, Section 2(b)(i)~~ of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*. A “NAIC U.S. Direct Obligations/Full Faith and Credit Exemption Money Market Fund List” can be found on the Securities Valuation Office Web page (<https://www.naic.org/svo.htm>). All money market mutual funds that are not identified by the SVO on the U.S. Direct Obligations/Full Faith and Credit Exempt List shall be reported in this schedule as an “all other money market mutual fund.”

Column 1 – CUSIP Identification

~~All CUSIP numbers entered in this column must conform to those as published in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*, Part Six, Sections 2(f) and (g).~~

CUSIP identification is **required and valid only** for Exempt Money Market Mutual Funds – as Identified by SVO (Line 8599999) and All Other Money Market Mutual Funds (Line 8699999).



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INVESTMENT SCHEDULES GENERAL INSTRUCTIONS

(Applies to all investment schedules)

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General Classifications Bonds Only:

Refer to *SSAP No. 26R—Bonds*, *SSAP No. 43R—Loan-Backed and Structured Securities* and *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* for additional guidance.

U.S. Government:

U.S. Government shall be defined as U.S. Government Obligations as defined per the *Purposes and Procedures Manual of the NAIC Investment Analysis Office, Part Two, Section 4:*

(i) ~~Filing Exemption for Direct Claims on, or Backed Full Faith and Credit of the United States~~

~~“U.S. Government Obligations” means all direct claims (including securities, loans, and leases) on, and the portions of claims that are directly and unconditionally guaranteed by the United States Government or its agencies.~~

~~“U.S. Government agency” means an instrumentality of the U.S. Government the debt obligations of which are fully guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. Government. This category includes in addition to direct claims on, and the portions of claims that are directly and unconditionally guaranteed by, the United States Government agencies listed below, claims collateralized by securities issued or guaranteed by the U.S. government agencies listed below for which a positive margin of collateral is maintained on a daily basis, fully taking into account any change in the insurance company's exposure to the obligor or counterparty under a claim in relation to the market value of the collateral held in support of that claim.~~

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U.S. Special Revenue and Special Assessment Obligations and All Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions:

Those U.S. government issues not listed as “Securities That Are Considered “Exempt Obligations” For Purposes of Determining The Asset Valuation Reserve And The Risk-Based Capital Calculation” in ~~Part Six, Section 2(c)~~ of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*, yet included as “Filing Exemptions for Other U.S. Government Obligations” in ~~Part Two, Section 4(c)(ii)~~. This category also includes bonds that are issued by states, territories, possessions and other political subdivisions that are issued for a specific financing project rather than as general obligation bonds. Also include mortgage reference securities that are within the scope of *SSAP No. 43R—Loan-Backed and Structured Securities*.

Industrial and Miscellaneous (Unaffiliated):

This category includes all non-governmental issues that do not qualify for some other category in Schedule D, Part 1, including privatized (non-government ownership) utility companies. Include Public Utilities.

SVO Identified Funds:

This category includes all Bond Mutual Funds included on the “List of Bond Mutual Funds Filed with the SVO (Bond Fund List)” as listed in Part Six, Section 2(h) of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* and Exchange Traded Funds included on the “List of Exchange Traded Funds Eligible for Reporting as a Schedule D Bond (the ETF Bond List)” as found on the Securities Valuation Office Web page (<https://www.naic.org/svo.htm>) listed in Part Six, Section 2(i) of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*.



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General Classifications Preferred Stock Only:

Refer to SSAP No. 32—*Preferred Stock* and SSAP No. 97—*Investments in Subsidiary, Controlled and Affiliated Entities*.

Industrial and Miscellaneous (Unaffiliated):

All unaffiliated preferred stocks. Include Public Utilities, Banks, Trusts and Insurance Companies. This category includes Exchange Traded Funds included on the “List of Exchange Traded Funds Eligible for Reporting as a Schedule D Preferred Stock” as found on the Securities Valuation Office Web page (<https://www.naic.org/svo.htm>) listed in Part Six, Section 2 of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*.



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