

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>02/21/2020</u>	FOR NAIC USE ONLY
	Agenda Item # <u>2020-22BWG 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 [X] Adopted Date <u>08/27/2020</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 checked="" 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 checked="" type="checkbox"/> Protected Cell | <input type="checkbox"/> Other _____ |
| <input checked="" type="checkbox"/> Health | <input type="checkbox"/> Health (Life Supplement) | |

Anticipated Effective Date: Annual 2021

IDENTIFICATION OF ITEM(S) TO CHANGE

Modify the instructions and illustration for Note 3A and a new Note 3E with instructions and illustrations to be data captured. Modify the blank and instructions for Schedule D, Part 6, Sections 1 and 2.

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

The purpose of this proposal is to make changes to the disclosures in the Notes to Financial Statement and Schedule D, Part 6 to reflect changes being adopted for *SSAP No. 68—Business Combinations and Goodwill* and *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* by Statutory Accounting Principles (E) Working Group (SAPWG).

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

Proposal is being exposed concurrently with SSAP changes being considered by SAPWG.

** This section must be completed on all forms.

NOTES TO FINANCIAL STATEMENTS

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3. Business Combinations and Goodwill

Instruction:

A. Statutory Purchase Method

For business combinations accounted for under the statutory purchase method, disclose the following for as long as unamortized goodwill is reported as a component of the investment:

- The name and brief description of the acquired entity.
- That the method of accounting is the statutory purchase method.
- Acquisition date, cost of the acquired entity, the original amount of goodwill and the original amount of admitted goodwill.
- ~~The~~ Each SCA's book value, the amount of amortization amortized of goodwill recorded for the period, ~~and the SCA's~~ admitted goodwill as of the reporting date and
- Total admitted goodwill as of the reporting date
- ~~admitted~~ Admitted goodwill as a percentage of the SCA's book adjusted carrying value (gross of admitted goodwill). (Admitted goodwill as of the reporting date divided by book value of the SCA.

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D. Impairment Loss

If an impairment loss was recognized, disclose the following in the period of the impairment write-down:

- (1) A description of the impaired assets and the facts and circumstances leading to the impairment, and
- (2) The amount of the impairment charged to realized capital gains and losses and how fair value was determined.

E. Subcomponents and Calculation of Adjusted Surplus and Total Admitted Goodwill

A reporting shall disclose the subcomponents and calculation of adjusted surplus and total admitted goodwill as a percentage of adjusted surplus.

Illustration:

A. Statutory Purchase Method

The Company purchased 100% interest of XYZ Insurance Company on 6/30/____. XYZ Insurance Company is licensed in 49 states and sells workers' compensation products exclusively.

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 THESE ILLUSTRATIONS.

The transaction was accounted for as a statutory purchase and reflects the following:

1 Purchased entity	2 Acquisition date	3 Cost of acquired entity	4 Original amount of admitted goodwill	5 Admitted goodwill as of the reporting date	6 Amount of goodwill amortized during the reporting period	7 Admitted goodwill as a % of SCA BACV, gross of admitted goodwill
.....	\$	\$	\$	\$%
.....	\$	\$	\$	\$%
.....	\$	\$	\$	\$%
.....	\$	\$	\$	\$%
.....	\$	\$	\$	\$%

1 Purchased entity	2 Acquisition date	3 Cost of acquired entity	4 Original amount of goodwill	5 Original amount of admitted goodwill
.....	\$	\$	\$
.....	\$	\$	\$
.....	\$	\$	\$
Total	XXX	\$	\$	\$

1 Purchased entity	6 Admitted goodwill as of the reporting date	7 Amount of goodwill amortized during the reporting period	8 Book Value of SCA	9 Admitted goodwill as a % of SCA BACV, gross of admitted goodwill Col. 6/Col. 8
.....	\$	\$	\$%
.....	\$	\$	\$%
.....	\$	\$	\$%
Total	\$	\$	\$	XXX%


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D. Impairment Loss

The Company did not recognize an impairment loss on the transactions described above.

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 THESE ILLUSTRATIONS.

E. Subcomponents and Calculation of Adjusted Surplus and Total Admitted Goodwill

	<u>Calculation of Limitation Using Prior Quarter Numbers</u>	<u>Current Reporting Period</u>
(1) Capital & Surplus	.....	XXX
Less:		
(2) Admitted Positive Goodwill	.....	XXX
(3) Admitted EDP Equipment & Operating System Software	.....	XXX
(4) Admitted Net Deferred Taxes	.....	XXX
(5) Adjusted Capital and Surplus (Line 1-2-3-4)	.....	XXX
(6) Limitation on amount of goodwill (adjusted capital and surplus times 10% goodwill limitation [Line 5*10%])	.....	XXX
(7) Current period reported Admitted Goodwill	XXX	.....
(8) Current Period Admitted Goodwill as a % of prior period Adjusted Capital and Surplus (Line 7/Line 5)	XXX %



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SCHEDULE D – PART 6 – SECTION 1

VALUATION OF SHARES OF SUBSIDIARY, CONTROLLED OR AFFILIATED COMPANIES

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Column 7 — Do Insurer’s Assets Include Intangible Assets Connected with Holding of Such Company’s Stock?

State whether the assets shown by the reporting entity in this statement include, through the carrying value of stock of the SCA company valued under the *SSAP No. 97—Subsidiary, Controlled and Affiliated Entities*, intangible assets arising out of the purchase of such stock by the reporting entity or the purchase by the SCA Company of the stock of a lower tier company controlled by the SCA Company. For purposes of this question, intangible assets at purchase shall be defined as the excess of the purchase price over the tangible net worth (total assets less intangible assets and total liabilities) represented by such shares as recorded, immediately prior to the date of purchase, on the books of the company whose stock was purchased.

Column 8 — Total Amount of Such Intangible Assets Goodwill

If the answer in Column 7 is “Yes,” give the total amount of intangible assets involved whether admitted or nonadmitted. The intangible assets goodwill shown for the SCA Company should include any intangible assets that are included in the SCA Company’s carrying value of the stock of one or more lower-tier companies controlled by the SCA Company. In all cases, the current intangible assets goodwill equals the intangible assets goodwill calculated at purchase, as defined in *SSAP No. 68—Business Combinations and Goodwill* above, minus any write-off thereof between the date of purchase and the statement date. If any portion of the total amount of intangible assets goodwill is required to be nonadmitted for all SCA companies combined in accordance with *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* and *SSAP No. 68—Business Combinations and Goodwill* state the total amount nonadmitted in the footnote at the bottom of the this section of the schedule.

Column 409 — Nonadmitted Amount

Provide the amount nonadmitted, if any, included in Column 2 of the Asset page.

Column 410 — Stock of Such Company Owned by Insurer on Statement Date Number of Shares and
Column 421 — Stock of Such Company Owned by Insurer on Statement Date % of Outstanding

}

State the number of shares of stock of the SCA Company owned by the reporting entity on the statement date and the percent owned of the outstanding shares of the same class.

**** Column 43-12 through 46-15 will be electronic only. ****

Column 4312 — Legal Entity Identifier (LEI)

Provide the 20-character Legal Entity Identifier (LEI) for any issuer as assigned by a designated Local Operating Unit. If no LEI number has been assigned, leave blank.

Column ~~4~~13 – Issuer

Issuer Definition:

The name of the legal entity that develops, registers and sells securities for the purpose of financing its operations and may be domestic or foreign governments, corporations or investment trusts. The issuer is legally responsible for the obligations of the issue and for reporting financial conditions, material developments and any other operational activities as required by the regulations of their jurisdictions

Do not report ticker symbols, either internal or otherwise.

The issuer information should be the same as provided for Schedule D, Part 2, Sections 1 and 2.

Column ~~5~~14 – Issue

Issue information provides detailed data as to the type of security being reported.

Do not report ticker symbols, either internal or otherwise.

The issue information should be the same as provided for Schedule D, Part 2, Sections 1 and 2.

Column ~~6~~15 – ISIN Identification

The International Securities Identification Numbering (ISIN) system is an international standard set up by the International Organization for Standardization (ISO). It is used for numbering specific securities, such as stocks, bonds, options and futures. ISIN numbers are administered by a National Numbering Agency (NNA) in each of their respective countries, and they work just like serial numbers for those securities. Record the ISIN number only if no valid CUSIP, CINS or PPN exists to report in Column 1.

SCHEDULE D – PART 6 – SECTION 2

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Column 4 – Total Amount of ~~Intangible Assets~~Goodwill Included in Amount Shown in Column 8, Section 1

As explained in the instructions for Section 1, this amount is based on the ~~intangible assets~~goodwill at purchase of the stock of the lower-tier company, reduced by any subsequent impairment/write-off. The reporting entity also bases the amount shown on the proportionate ownership of the lower-tier company.

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