

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

<p align="right">DATE: <u>11/24/2020</u></p> <p>CONTACT PERSON: _____</p> <p>TELEPHONE: _____</p> <p>EMAIL ADDRESS: _____</p> <p>ON BEHALF OF: _____</p> <p>NAME: <u>Dale Bruggeman</u></p> <p>TITLE: <u>Chair SAPWG</u></p> <p>AFFILIATION: <u>Ohio Department of Insurance</u></p> <p>ADDRESS: <u>50W. Town St., 3rd Fl., Ste. 300</u> <u>Columbus, OH 43215</u></p>	<p align="center">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2020-36BWG</u></p> <p>Year <u>2021</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>[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

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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 2021

IDENTIFICATION OF ITEM(S) TO CHANGE

Modify the General Schedules Investment Instructions and Schedule DB General Instructions to reflect treatment of publicly traded stock warrants as being in the scope of *SSAP No. 30R—Unaffiliated Common Stock* or *SSAP No. 32R—Preferred Stock* and reporting as common and preferred stock.

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

The purpose of this proposal is to reflect the treatment of publicly traded stock warrants as being in the scope of *SSAP No. 30R—Unaffiliated Common Stock* or *SSAP No. 32R—Preferred Stock* from changes to those SSAPs and *SSAP No. 86—Derivatives* adopted by the Statutory Accounting Principles (E) Working Group (Ref #2020-33).

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

** This section must be completed on all forms.

INVESTMENT SCHEDULES GENERAL INSTRUCTIONS
(Applies to all investment schedules)



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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* for additional guidance.

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>). Include publicly traded stock warrants captured in the scope of *SSAP No. 32R—Preferred Stock*.

Parent, Subsidiaries and Affiliates:

Defined by *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*

General Classifications Common Stock Only:

Refer to *SSAP No. 30R—Unaffiliated Common Stock* and *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*.

Industrial and Miscellaneous (Unaffiliated):

All unaffiliated common stocks that are not mutual funds or money market mutual funds. Include Public Utilities, Banks, Trusts and Insurance Companies. Include publicly traded stock warrants captured in the scope of *SSAP No. 30R—Unaffiliated Common Stock*

Mutual Funds:

All investments in shares of funds regulated as mutual funds by the U.S. Securities and Exchange Commission under the federal Investment Company Act of 1940. This definition does not include unit investments trusts, closed-end funds or hedge funds.

Foreign (non-SEC registered) open-end investment funds governed and authorized in accordance with regulations established by the applicable foreign jurisdiction. Other foreign funds are excluded.



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SCHEDULE DB

DERIVATIVE INSTRUMENTS

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DEFINITIONS OF DERIVATIVE INSTRUMENTS

A hedge transaction is “Anticipatory” if it relates to:

- a. A firm commitment to purchase assets or incur liabilities; or
- b. An expectation (but not obligation) to purchase assets or incur liabilities in the normal course of business.

“*Underlying Interest*” means the asset(s), liability(ies) or other interest(s) underlying a derivative instrument, including, but not limited to, any one or more securities, currencies, rates, indices, commodities, derivative instruments, or other financial market instruments.

“*Option*” means an agreement giving the buyer the right to buy or receive, sell or deliver, enter into, extend or terminate, or effect a cash settlement based on the actual or expected price, level, performance or value of one or more Underlying Interests.

“*Warrant*” means an agreement that gives the holder the right to purchase an underlying financial instrument at a given price and time or at a series of prices and times according to a schedule or warrant agreement. Exclude publicly traded stock warrants are captured in scope of SSAP No. 30R—Unaffiliated Common Stock or SSAP No. 32R—Preferred Stock.

“*Cap*” means an agreement obligating the seller to make payments to the buyer, each payment under which is based on the amount, if any, that a reference price, level, performance or value of one or more Underlying Interests exceed a predetermined number, sometimes called the strike/cap rate or price.

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GENERAL INSTRUCTIONS FOR SCHEDULE DB

Each derivative instrument should be reported in Parts A, B or C according to the nature of the instrument, as follows:

- Part A: Positions in Options*, Caps, Floors, Collars, Swaps, and Forwards**
- Part B: Positions in Futures Contracts
- Part C: Positions in Replication (Synthetic Asset) Transaction

* Warrants acquired in conjunction with public or private debt or equity that are more appropriately reported in other schedules do not have to be reported in Schedule DB. Excludes publicly traded stock warrants captured in the scope of SSAP No. 30R—Unaffiliated Common Stock or SSAP No. 32R—Preferred Stock.

** Forward commitments that are not derivative instruments (for example, the commitment to purchase a GNMA security two months after the commitment date or a private placement six months after the commitment date) should be disclosed in the Notes to Financial Statements, rather than on Schedule DB.

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SCHEDULE D – PART 2 – SECTION 1

PREFERRED STOCKS OWNED DECEMBER 31 OF CURRENT YEAR



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Column 8 – Book/Adjusted Carrying Value

The chart below details the appropriate valuation method for this column. The *Purposes & Procedures Manual of the NAIC Investment Analysis Office* and *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* may allow other valuation methods for preferred stock investments in Subsidiary, Controlled or Affiliated (SCA) companies.

Deduct: Cash dividends paid on Payment In Kind stock during the stock dividend period.
 A direct write-down for a decline in the fair value of a stock that is other-than-temporary.

For reporting entities maintaining an AVR:

Redeemable Preferred

NAIC Designation 1 – 3	Enter book value.
NAIC Designation 4 – 6	Enter the lower of book value or fair value.

Perpetual Preferred

NAIC Designation 1 – 3	Enter book value.
NAIC Designation 4 – 6	Enter the lower of book value or fair value.

For reporting entities not maintaining an AVR:

Redeemable Preferred

NAIC Designation 1 – 2	Enter book value.
NAIC Designation 3 – 6	Enter the lower of book value or fair value.

Perpetual Preferred

NAIC Designations 1 – 2	Enter fair value.
NAIC Designations 3 – 6	Enter the lower of book value or fair value.

The amount reported in this column should equal:

	Book/Adjusted Carrying Value reported in the Prior Year statement (or Actual Cost for newly acquired securities)
plus	“Total Change in Book/Adjusted Carrying Value”
plus	“Total Foreign Exchange Change in Book/Adjusted Carrying Value”
plus	Changes due to amounts reported in Schedule D, Parts 3, 4 and 5

Report publicly traded stock warrants captured in the scope of SSAP No. 32R—Preferred Stock at Fair Value.



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