

2020 NAIC QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL

JAN 2020 REVISIONS

PAGE 81: **NOTES TO FINANCIAL STATEMENT**
Revision: Modify instruction for 17C
Reason: SAPWG memo dated 12/31/2019

EDITOR'S NOTE:

The above changes are highlighted within the attached instructions that follow this page.

Recent Blanks Working Group Agenda Items (Exposure Drafts) may be viewed in detail at the following web site:
www.naic.org/cmt_e_app_blanks.htm.

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C. Wash Sales

A reporting entity shall disclose the following information for wash sales, as defined in *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* involving transactions for securities with an NAIC designation of 3 or below, or that do not have an NAIC designation, excluding all cash equivalents, derivative instruments and short-term investments with credit assessments equivalent to an NAIC 1 or 2 designation. This disclosure shall be included in the financial statements for when the investment was initially sold and is only applicable for sales and purchases that cross quarter-end or year-end reporting periods. For example, if the investment was sold on Dec. 20, 2020, and reacquired on Jan. 10, 2021, the transaction shall be captured in the wash sale disclosure included in the year-end 2020 financial statements, while an investment sold on May 1, 2020 and reacquired on May 20, 2020 would not be required to be disclosed. (The disclosures shall be made for the current quarter in the quarterly statement and for the year in the annual statement.)

- (1) A description of the reporting entity’s objectives regarding these transactions; and
- (2) An aggregation of transactions by NAIC designation 3 or below, or unrated;

Include:

- The number of transactions involved during the reporting period;
- The book value of securities sold;
- The cost of securities repurchased; and
- The realized gains/losses associated with the securities involved.

Illustration:

C. Wash Sales

- (1) In the course of the reporting entity’s asset management, securities are sold and reacquired within 30 days of the sale date.
- (2) The details of NAIC designation 3 or below, or unrated of securities sold during the first quarter ended March 31, 20__, and reacquired within 30 days of the sale date are:

<u>Description</u>	<u>NAIC Designation</u>	<u>Number of Transactions</u>	<u>Book Value of Securities Sold</u>	<u>Cost of Securities Repurchased</u>	<u>Gain (Loss)</u>
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____

Note: Examples of values for the Description Column are Bonds, Preferred Stocks, Common Stocks, etc.

The NAIC Designation Column should indicate 3 through 6 for those transactions for securities that would have been reported with an NAIC Designation if still owned at the end of the reporting period (e.g., bonds and preferred stocks).

For those transactions for securities that would not have been reported with an NAIC Designation if still owned at the end of the reporting period (e.g., real estate mortgage loans and common stocks), leave the column blank.

20. Fair Value Measurements

Instruction:

A. A reporting entity shall disclose information that helps users of the financial statements to assess both of the following:

- For assets and liabilities that are measured and reported¹ at fair value or net asset value (NAV) in the statement of financial position after initial recognition, the valuation techniques and the inputs used to develop those measurements.
- For fair value measurements in the statement of financial position determined using significant unobservable inputs (Level 3), the effect of the measurements on earnings (or changes in net assets) for the period.

To meet these objectives, the reporting entity shall disclose the information in paragraphs (1) through (4) below for each class of assets and liabilities measured and reported¹ at fair value or NAV in the statement of financial position after initial recognition. The reporting entity shall determine appropriate classes of assets and liabilities in accordance with the annual statement instructions.

- (1) The level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3). (Investments reported at NAV shall not be captured within the fair value hierarchy but shall be separately identified.)
- (2) For fair value measurements categorized within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances disclosing separately changes during the period attributable to the following:
 - a. Total gains or losses for the period recognized in income or surplus.
 - b. Purchases, sales, issues and settlements (each type disclosed separately).
 - c. The amounts of any transfers into or out of Level 3 and the reasons for those transfers. Transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.
- (3) A reporting entity shall consistently follow its policy for determining when transfers between levels are recognized. The policy about the timing of recognizing transfers shall be the same for transfers into Level 3 as that for transfers out of Level 3. Examples of policies for when to recognize the transfers are as follows:
 - a. The actual date of the event or change in circumstances that caused the transfer.
 - b. The beginning of the reporting period.
 - c. The end of the reporting period.

¹ The term “reported” is intended to reflect the measurement basis for which the asset or liability is classified within its underlying SSAP. For example, a bond with an NAIC designation of 2 is considered an amortized cost measurement and is not included within this disclosure even if the amortized cost and fair value measurement are the same. An example of when such a situation may occur includes a bond that is written down as other-than-temporarily impaired as of the date of financial position. The amortized cost of the bond after the recognition of the other-than-temporary impairment may agree to fair value, but under SSAP No. 26R this security is considered to still be reported at amortized cost.