

## NAIC BLANKS (E) WORKING GROUP

### Blanks Agenda Item Submission Form

<p style="text-align: right;">DATE: <u>12/16/2021</u></p> <p>CONTACT PERSON: _____</p> <p>TELEPHONE: _____</p> <p>EMAIL ADDRESS: _____</p> <p>ON BEHALF OF: _____</p> <p>NAME: <u>Dale Bruggeman / Carrie Mears</u></p> <p>TITLE: <u>Chair / Vice Chair SAPWG</u></p> <p>AFFILIATION: <u>OH and IA Dept of Insurance</u></p> <p>ADDRESS: _____</p>	<p style="text-align: center;"><b>FOR NAIC USE ONLY</b></p> <p>Agenda Item # <u>2021-23BWG MOD</u></p> <p>Year <u>2022</u></p> <p>Changes to Existing Reporting [ X ]</p> <p>New Reporting Requirement [ ]</p> <hr/> <p style="text-align: center;"><b>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</b></p> <p>No Impact [ X ]</p> <p>Modifies Required Disclosure [ ]</p> <hr/> <p style="text-align: center;"><b>DISPOSITION</b></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>03/29/2022</u></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 checked="" 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 2022

#### IDENTIFICATION OF ITEM(S) TO CHANGE

Added a group of lines for Residual Tranches or Interests in the Asset Valuation Reserve Equity and Other Invested Asset Component blank and renumber lines below them. Modify instructions as appropriate for the added lines.

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

With the new reporting lines proposed for residuals in Schedule BA, additional revisions are needed to map those reporting lines to the AVR schedule. The proposed revisions will separately capture these items in a new category within AVR as they are items that are not comparable to other investments. As defined in the AP&P Manual, residuals reflect loss layers without contractual interest or principal payments. Payments to holders of these investments occur after contractual interest and principal payments have been made to other tranches or interests and are based on the remaining available funds. Although payments to holders can occur throughout an investment's duration (and not just at maturity), such instances still reflect the residual amount permitted to be distributed after other holders have received contractual interest and principal payments.

#### NAIC STAFF COMMENTS

Comment on Effective Reporting Date: The 2022 effective date will match the Schedule BA changes and the effective date for reporting on Schedule BA in the AP&P Manual.

Other Comments: This proposal assumes adoption of 2021-21BWG

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

Revised 7/18/2018



Report the book/adjusted carrying value of all Schedule BA assets in Line 4799999 in Columns 1 and 4. Multiply the amount in Column 4 by the calculated reserve factors in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.

Line 83 – Common Stock – Unaffiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 4899999 in Columns 1 and 4. Multiply the amount in Column 4 by the calculated reserve factors in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.

Line 84 – Common Stock – Affiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 4999999 in Columns 1 and 4. Multiply the amount in Column 4 by the calculated reserve factors in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.

Line 85 – Preferred Stock – Unaffiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 5099999 in Columns 1 and 4. Multiply the amount in Column 4 by the calculated reserve factors in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.

Line 86 – Preferred Stock – Affiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 5199999 in Columns 1 and 4. Multiply the amount in Column 4 by the calculated reserve factors in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.

Line 87 – Real Estate – Unaffiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 5299999 in Column 1, any related encumbrances on these assets in Column 2, and any third-party encumbrances on these assets in Column 3. Report the sum of Columns 1, 2, and 3 in Column 4. Column 4 may not be less than zero. Multiply the amount in Column 4 by the reserve factors provided in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.

Line 88 – Real Estate – Affiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 5399999 in Column 1, any related encumbrances on these assets in Column 2, and any third-party encumbrances on these assets in Column 3. Report the sum of Columns 1, 2, and 3 in Column 4. Column 4 may not be less than zero. Multiply the amount in Column 4 by the reserve factors provided in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.

- Line 89 – Mortgage Loans – Unaffiliated
- Report the book/adjusted carrying value of all Schedule BA assets in Line 5499999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7 and 9. Report the products in Columns 6, 8 and 10, respectively.
- Line 90 – Mortgage Loans – Affiliated
- Report the book/adjusted carrying value of all Schedule BA assets in Line 5599999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7 and 9. Report the products in Columns 6, 8 and 10, respectively.
- Line 91 – Other – Unaffiliated
- Report the book/adjusted carrying value of all Schedule BA assets in Line 5699999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7 and 9. Report the products in Columns 6, 8 and 10, respectively.
- Line 92 – Other – Affiliated
- Report the book/adjusted carrying value of all Schedule BA assets in Line 5799999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7 and 9. Report the products in Columns 6, 8 and 10, respectively.
- Line 94 & 95 – Working Capital Finance Investments
- Report the book/adjusted carrying value of all working capital finance investments owned (Schedule BA, Part 1, Line 4599999) in Columns 1 and 4. Categorize the working capital finance investments into NAIC designations 1 or 2 as directed by the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*. Multiply the amount in Column 4 for each designation by the reserve factors provided in Columns 5, 7 and 9, and report the products by designation in Columns 6, 8 and 10, respectively.
- Line 96 – Other Invested Assets – Schedule BA
- Report the book/adjusted carrying value of all other Schedule BA investments owned that cannot be classified into one of the above categories (Lines 0199999, 0299999, 0399999, 0499999, 0599999, 0699999, 0999999, 1099999, 1799999, 1899999, 2599999, 2699999, 2799999, 2899999, 3399999, 3499999, 5899999 and 5999999) in Column 1 and any encumbrances on these assets in Column 3. Schedule DL, Part 1 investments reported on Line 9409999999 would be included in this total if not classified in one of the above categories. Collateral loans (Lines 2999999 and 3099999) have been intentionally excluded from this total. For surplus debentures and capital notes, the amount to report in Column 1 is to be calculated based upon the accounting prescribed in *SSAP No. 41—Surplus Notes*. Report the sum of Columns 1 and 3 in Column 4. Column 4 may not be less than zero. Note that ALL surplus debentures and capital notes should be included here in Line 96, EXCEPT those with a CRP rating equivalent to an NAIC 1 or NAIC 2 designation (which are reported in Lines 30 and 31 of this schedule). Multiply the amount in Column 4 by the reserve factors provided in Columns 5, 7 and 9, and report the products in Columns 6, 8 and 10, respectively.
- Exclude: All surplus debentures and capital notes that possess a CRP rating equivalent to an NAIC 1 or NAIC 2 designation. These surplus debentures are to be reported in Line 30 and 31 (Other Invested Assets with Underlying Characteristics of Preferred Stocks) of this schedule.

Line 97 – Other Short-Term Invested Assets – Schedule DA

Report the book/adjusted carrying value of all other Schedule DA (Lines 7029999999 and 7509999999) and Schedule DL, Part 1 (Line 9509999999) assets owned that cannot be classified into one of the above categories in Column 1 and any encumbrances on these assets in Column 3. Report the sum of Columns 1 and 3 in Column 4. Multiply the amount on Column 4 by the reserve factors provided in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.

Line 98 – Total Other Invested Assets – Schedules BA & DA

The Columns 6, 8 and 10 amounts must be combined with Columns 6, 8 and 10, Line 21 amounts and reported on the Asset Valuation Reserve Page, Column 5, Lines 7, 10 and 9, respectively.

NOTE: Other invested asset reserves will be calculated based on the nature of the underlying investments related to the Schedule BA and Schedule DA assets. Assets should be categorized as if the company owned the underlying investment. For example:

- Mortgage participation certificates and similar holdings should be classified as fixed income assets.
- Gas and oil production and mineral rights have potential variability of return and should be categorized as equity investments.
- Partnership investments should be classified as fixed or equity investments or as equity real estate, depending on the purpose of the partnership. The maximum AVR factor would be that appropriate for the asset classification.
- A “look through” approach should be taken for any Schedule BA and Schedule DA assets not specifically listed, so as to reflect in the AVR calculation the essential nature of the investments.

**REPLICATION (SYNTHETIC) ASSETS –  
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS**



**Detail Eliminated to Conserve Space**



**Basic Contribution:**

G/A Page 29, Line 7, Column 1 =	G/A	[P31, L34, C6]	+ G/A	[P36, L0199999, C7]
	+ S/A	[P16, L34, C6]	+ S/A	[P21, L0199999, C7]
G/A Page 29, Line 7, Column 2 =	G/A	[P32, L60, C6]	+ G/A	[P36, L0299999, C7]
	+ S/A	[P17, L60, C6]	+ S/A	[P21, L0299999, C7]
G/A Page 29, Line 7, Column 4 =	G/A	[P33, L17, C6]	+ G/A	[P36, L0399999, C7]
	+ S/A	[P18, L17, C6]	+ S/A	[P21, L0399999, C7]
G/A Page 29, Line 7, Column 5 =	G/A	[P33, L21, C6 + P35, 99, C6]	+ G/A	[P36, L0499999, C7]
	+ S/A	[P18, L21, C6 + P20, 99, C6]	+ S/A	[P21, L0499999, C7]

**Reserve Objective:**

G/A Page 29, Line 10, Column 1 =	G/A	[P31, L34, C8]	+ G/A	[P36, L0199999, C8]
	+ S/A	[P16, L34, C8]	+ S/A	[P21, L0199999, C8]
G/A Page 29, Line 10, Column 2 =	G/A	[P32, L60, C8]	+ G/A	[P36, L0299999, C8]
	+ S/A	[P17, L60, C8]	+ S/A	[P21, L0299999, C8]
G/A Page 29, Line 10, Column 4 =	G/A	[P33, L17, C8]	+ G/A	[P36, L0399999, C8]
	+ S/A	[P18, L17, C8]	+ S/A	[P21, L0399999, C8]
G/A Page 29, Line 10, Column 5 =	G/A	[P33, L21, C8 + P35, 99, C8]	+ G/A	[P36, L0499999, C8]
	+ S/A	[P18, L21, C8 + P20, 99, C8]	+ S/A	[P21, L0499999, C8]

**Maximum Reserve:**

G/A Page 29, Line 9, Column 1 =	G/A	[P30, L34, C10]	+ G/A	[P36, L0199999, C9]
	+ S/A	[P15, L34, C10]	+ S/A	[P21, L0199999, C9]
G/A Page 29, Line 9, Column 2 =	G/A	[P33, L60, C10]	+ G/A	[P36, L0299999, C9]
	+ S/A	[P18, L60, C10]	+ S/A	[P21, L0299999, C9]
G/A Page 29, Line 9, Column 4 =	G/A	[P33, L17, C10]	+ G/A	[P36, L0399999, C9]
	+ S/A	[P18, L17, C10]	+ S/A	[P21, L0399999, C9]
G/A Page 29, Line 9, Column 5 =	G/A	[P33, L21, C10 + P34, 99, C10]	+ G/A	[P36, L0499999, C9]
	+ S/A	[P18, L21, C10 + P19, 99, C10]	+ S/A	[P21, L0499999, C9]



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**ASSET VALUATION RESERVE**

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Line 7 – Basic Contribution (includes separate accounts assets, if applicable)

Report the basic contribution amount for each asset category as calculated on Pages 30 through 35 (General Account) and Pages 15 through 20 (Separate Accounts).

Column 1: Report the total bonds, preferred stock, short-term investments and derivative instruments from Page 30, Line 34, Column 6 (General Account) and Page 15, Line 34, Col. 6 (Separate Accounts), if applicable; and the total for replication (synthetic asset) transactions contained on Page 35, Line 0199999, Column 7 (General Account) and Page 20, Line 0199999, Column 7 (Separate Accounts).

Column 2: Report the total mortgage loans from Page 31, Line 60, Column 6 (General Account) and Page 16, Line 60, Col. 6 (Separate Accounts), if applicable; and the total for replication (synthetic asset) transactions contained on Page 35, Line 0299999, Column 7 (General Account) and Page 20, Line 0299999, Column 7 (Separate Accounts).

Column 4: Report the total common stock from Page 32, Line 17, Column 6 (General Account) and Page 17, Line 17, Col. 6 (Separate Accounts), if applicable; and the total for replication (synthetic asset) transactions contained on Page 35, Line 0399999, Column 7 (General Account) and Page 20, Line 0399999, Column 7 (Separate Accounts).

Column 5: Report the total real estate from Page 32, Line 21, Column 6 (General Account) and from Page 17, Line 21, Column 6 (Separate Accounts), if applicable, plus the total other invested assets from Page 34, Line 99, Column 6 (General Account) and from Page 19, Line 99, Column 6 (Separate Accounts), if applicable; and the total for replication (synthetic asset) transactions contained on Page 35, Line 0499999, Column 7 (General Account) and Page 20, Line 0499999, Column 7 (Separate Accounts).

Line 9 – Maximum Reserve (includes separate accounts assets, if applicable)

Report the maximum reserve for each asset category as calculated on Pages 30 through 35 (General Account) and Pages 15 through 20 (Separate Accounts).

Column 1: Report the total bonds, preferred stock, short-term investments and derivative instruments from Page 30, Line 34, Column 10 (General Account) and Page 15, Line 34, Col. 10 (Separate Accounts), if applicable and the total for replication (synthetic asset) transactions contained on Page 35, Line 0199999, Column 9 (General Account) and Page 20, Line 0199999, Column 9 (Separate Accounts).

Column 2: Report the total mortgage loans from Page 31, Line 60, Column 10 (General Account) and Page 16, Line 60, Col. 10 (Separate Accounts), if applicable and the total for replication (synthetic asset) transactions contained on Page 35, Line 0299999, Column 9 (General Account) and Page 20, Line 0299999, Column 9 (Separate Accounts).

Column 4: Report the total common stock from Page 32, Line 17, Column 10 (General Account) and Page 17, Line 17, Col. 10 (Separate Accounts), if applicable and the total for replication (synthetic asset) transactions contained on Page 35, Line 0399999, Column 9 (General Account) and Page 20, Line 0399999, Column 9 (Separate Accounts).

Column 5: Report the total real estate from Page 32, Line 21, Column 10 (General Account) and from Page 17, Line 21, Column 10 (Separate Accounts), if applicable, plus the total other invested assets from Page 34, Line 99, Column 10 (General Account) and from Page 19, Line 86, Column 10 (Separate Accounts), if applicable; and the total for replication (synthetic asset) transactions contained on Page 35, Line 0499999, Column 9 (General Account) and Page 20, Line 0499999, Column 9 (Separate Accounts).

Line 10 – Reserve Objective (includes separate accounts assets, if applicable)

Report the reserve objective amount for each asset category as calculated on Pages 30 through 35 (General Account) and Pages 15 through 20 (Separate Accounts).

Column 1: Report the total bonds, preferred stock, short-term investments and derivative instruments from Page 30, Line 34, Column 8 (General Account) and Page 15, Line 34, Column 8 (Separate Accounts), if applicable and the total for replication (synthetic asset) transactions contained on Page 35, Line 0199999, Column 8 (General Account) and Page 20, Line 0199999, Column 8 (Separate Accounts).

Column 2: Report the total mortgage loans from Page 31, Line 60, Column 8 (General Account) and Page 16, Line 60, Col. 8 (Separate Accounts), if applicable and the total for replication (synthetic asset) transactions contained on Page 35, Line 0299999, Column 8 (General Account) and Page 20, Line 0299999, Column 8 (Separate Accounts).

Column 4: Report the total common stock from Page 32, Line 17, Column 8 (General Account) and Page 17, Line 17, Col. 8 (Separate Accounts), if applicable and the total for replication (synthetic asset) transactions contained on Page 35, Line 0399999, Column 8 (General Account) and Page 20, Line 0399999, Column 8 (Separate Accounts).

Column 5: Report the total real estate from Page 32, Line 21, Column 8 (General Account) and from Page 17, Line 21, Column 8 (Separate Accounts), if applicable; plus the total other invested assets from Page 34, Line 99, Column 8 (General Account) and from Page 19, Line 99, Column 8 (Separate Accounts), if applicable and the total for replication (synthetic asset) transactions contained on Page 35, Line 0499999, Column 8 (General Account) and Page 20, Line 0499999, Column 8 (Separate Accounts).

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ANNUAL STATEMENT BLANK – LIFE\FRATERNAL AND SEPARATE ACCOUNTS

ASSET VALUATION RESERVE (Continued)  
 BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS  
 EQUITY AND OTHER INVESTED ASSET 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)
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF COMMON STOCK												
65		Unaffiliated Public .....		XXX	XXX		0.0000		0.1580(a)		0.1580(a)	
66		Unaffiliated Private .....		XXX	XXX		0.0000		0.1945		0.1945	
67		Affiliated Life with AVR .....		XXX	XXX		0.0000		0.0000		0.0000	
68		Affiliated Certain Other (See SVO Purposes & Procedures Manual) .....		XXX	XXX		0.0000		0.1580		0.1580	
69		Affiliated Other - All Other .....		XXX	XXX		0.0000		0.1945		0.1945	
70		Total with Common Stock Characteristics (Sum of Lines 65 through 69)		XXX	XXX		XXX		XXX		XXX	
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF REAL ESTATE												
71		Home Office Property (General Account only) .....					0.0000		0.0912		0.0912	
72		Investment Properties .....					0.0000		0.0912		0.0912	
73		Properties Acquired in Satisfaction of Debt .....					0.0000		0.1337		0.1337	
74		Total with Real Estate Characteristics (Sum of Lines 71 through 73)					XXX		XXX		XXX	
LOW INCOME HOUSING TAX CREDIT INVESTMENTS												
75		Guaranteed Federal Low-Income Housing Tax Credit .....					0.0003		0.0006		0.0010	
76		Non-guaranteed Federal Low-Income Housing Tax Credit .....					0.0063		0.0120		0.0190	
77		Guaranteed State Low Income Housing Tax Credit .....					0.0003		0.0006		0.0010	
78		Non-guaranteed State Low Income Housing Tax Credit .....					0.0063		0.0120		0.0190	
79		All Other Low-Income Housing Tax Credit .....					0.0273		0.0600		0.0975	
80		Total LIHTC (Sum of Lines 75 through 79)					XXX		XXX		XXX	
RESIDUAL TRanches OR INTERESTS												
81		Fixed Income Instruments – Unaffiliated .....		XXX	XXX		0.0000		0.1580		0.1580	
82		Fixed Income Instruments – Affiliated .....		XXX	XXX		0.0000		0.1580		0.1580	
83		Common Stock – Unaffiliated .....		XXX	XXX		0.0000		0.1580		0.1580	
84		Common Stock – Affiliated .....		XXX	XXX		0.0000		0.1580		0.1580	
85		Preferred Stock – Unaffiliated .....		XXX	XXX		0.0000		0.1580		0.1580	
86		Preferred Stock – Affiliated .....		XXX	XXX		0.0000		0.1580		0.1580	
87		Real Estate – Unaffiliated .....					0.0000		0.1580		0.1580	
88		Real Estate – Affiliated .....					0.0000		0.1580		0.1580	
89		Mortgage Loans – Unaffiliated .....		XXX	XXX		0.0000		0.1580		0.1580	
90		Mortgage Loans – Affiliated .....		XXX	XXX		0.0000		0.1580		0.1580	
91		Other – Unaffiliated .....		XXX	XXX		0.0000		0.1580		0.1580	
92		Other – Affiliated .....		XXX	XXX		0.0000		0.1580		0.1580	
93		Total Residual Tranches or Interests (Sum of Lines 81 through 92)										
ALL OTHER INVESTMENTS												
94		NAIC 1 Working Capital Finance Investments .....		XXX			0.0000		0.0042		0.0042	
95		NAIC 2 Working Capital Finance Investments .....		XXX			0.0000		0.0137		0.0137	
96		Other Invested Assets - Schedule BA .....		XXX			0.0000		0.1580		0.1580	
97		Other Short-Term Invested Assets - Schedule DA .....		XXX			0.0000		0.1580		0.1580	
98		Total All Other (Sum of Lines 94, 95, 96 and 97) .....		XXX			XXX		XXX		XXX	
99		Total Other Invested Assets - Schedules BA & DA (Sum of Lines 29, 37, 64, 70, 74, 80, 92 and 98)					XXX		XXX		XXX	

- (a) Times the company's weighted average portfolio beta (Minimum .1215, Maximum .2431).
- (b) Determined using same factors and breakdowns used for directly owned real estate.
- (c) This will be the factor associated with the risk category determined in the company generated worksheet.

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