

## NAIC BLANKS (E) WORKING GROUP

### Blanks Agenda Item Submission Form

<p style="text-align: right;">DATE: <u>3/10/2022</u></p> <p>CONTACT PERSON: <u>Dave Fleming</u></p> <p>TELEPHONE: <u>816-783-8121</u></p> <p>EMAIL ADDRESS: <u>dfleming@naic.org</u></p> <p>ON BEHALF OF: <u>Life Risk-Based Capital (E) Working Group</u></p> <p>NAME: <u>Philip Barlow</u></p> <p>TITLE: <u>Chair</u></p> <p>AFFILIATION: <u>District of Columbia</u></p> <p>ADDRESS: _____</p>	<p style="text-align: center;"><b>FOR NAIC USE ONLY</b></p> <p>Agenda Item # <u>2022-11BWG</u></p> <p>Year <u>2022</u></p> <p>Changes to Existing Reporting <input checked="" type="checkbox"/> [ X ]</p> <p>New Reporting Requirement <input type="checkbox"/> [ ]</p> <hr/> <p style="text-align: center;"><b>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</b></p> <p>No Impact <input type="checkbox"/> [ ]</p> <p>Modifies Required Disclosure <input type="checkbox"/> [ ]</p> <hr/> <p style="text-align: center;"><b>DISPOSITION</b></p> <p><input type="checkbox"/> [ ] Rejected For Public Comment</p> <p><input type="checkbox"/> [ ] Referred To Another NAIC Group</p> <p><input checked="" type="checkbox"/> [ X ] Received For Public Comment</p> <p><input type="checkbox"/> [ ] Adopted Date _____</p> <p><input type="checkbox"/> [ ] Rejected Date _____</p> <p><input type="checkbox"/> [ ] Deferred Date _____</p> <p><input type="checkbox"/> [ ] Other (Specify) _____</p>
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#### BLANK(S) TO WHICH PROPOSAL APPLIES

- |   |   |  |
|---|---|--|
| <input checked="" type="checkbox"/> [ X ] ANNUAL STATEMENT                  | <input type="checkbox"/> [ ] INSTRUCTIONS             | <input type="checkbox"/> [ ] CROSSCHECKS |
| <input type="checkbox"/> [ ] QUARTERLY STATEMENT                            | <input checked="" type="checkbox"/> [ X ] BLANK       |  |
| <input checked="" type="checkbox"/> [ X ] Life, Accident & Health/Fraternal | <input 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

Update the AVR factors to correspond with the adopted RBC factors for the expanded bond designation categories.

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

The AVR factors are linked to the after-tax RBC factors. The Life Risk-Based Capital (E) Working Group adopted changes to the life and fraternal RBC factors for the expanded NAIC Designation Categories for bonds for 2021 yearend reporting. The AVR factors will need to be adjusted where the RBC factors have been changed.

#### NAIC STAFF COMMENTS

Comment on Effective Reporting Date: \_\_\_\_\_

Other Comments:

A worksheet showing comparison of AVR and after-tax RBC factors for 2017, the changes made for the 2018 tax changes and the AVR factors being proposed for 2022 is posted at the Life Risk-Based Capital (E) Working Group website.

The AVR maximum reserve factors were updated to reflect the existing relationship to the RBC after-tax factors. The AVR basic contribution and reserve object factors were updated to reflect the existing relationships to the maximum reserve factors.

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

Revised 7/18/2018

ANNUAL STATEMENT BLANK -LIFE\FRATERNAL AND SEPARATE ACCOUNTS

ASSET VALUATION RESERVE  
 BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS  
 DEFAULT 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)
LONG-TERM BONDS												
1		Exempt Obligations.....		XXX	XXX		0.0000		0.0000		0.0000	
2.1	1	NAIC Designation Category 1.A.....		XXX	XXX		0.00050.0002		0.00160.0007		0.00330.0013	
2.2	1	NAIC Designation Category 1.B.....		XXX	XXX		0.00050.0004		0.00160.0011		0.00330.0023	
2.3	1	NAIC Designation Category 1.C.....		XXX	XXX		0.00050.0006		0.00160.0018		0.00330.0035	
2.4	1	NAIC Designation Category 1.D.....		XXX	XXX		0.00050.0007		0.00160.0022		0.00330.0044	
2.5	1	NAIC Designation Category 1.E.....		XXX	XXX		0.00050.0009		0.00160.0027		0.00330.0055	
2.6	1	NAIC Designation Category 1.F.....		XXX	XXX		0.00050.0011		0.00160.0034		0.00330.0068	
2.7	1	NAIC Designation Category 1.G.....		XXX	XXX		0.00050.0014		0.00160.0042		0.00330.0085	
2.8		Subtotal NAIC 1 (2.1+2.2+2.3+2.4+2.5+2.6+2.7).....		XXX	XXX		XXX		XXX		XXX	
3.1	2	NAIC Designation Category 2.A.....		XXX	XXX		0.0021		0.00640.0063		0.01060.0105	
3.2	2	NAIC Designation Category 2.B.....		XXX	XXX		0.00240.0025		0.00640.0076		0.01060.0127	
3.3	2	NAIC Designation Category 2.C.....		XXX	XXX		0.00240.0036		0.00640.0108		0.01060.0180	
3.4		Subtotal NAIC 2 (3.1+3.2+3.3).....		XXX	XXX		XXX		XXX		XXX	
4.1	3	NAIC Designation Category 3.A.....		XXX	XXX		0.00990.0069		0.02630.0183		0.03760.0262	
4.2	3	NAIC Designation Category 3.B.....		XXX	XXX		0.0099		0.02630.0264		0.03760.0377	
4.3	3	NAIC Designation Category 3.C.....		XXX	XXX		0.00990.0131		0.02630.0350		0.03760.0500	
4.4		Subtotal NAIC 3 (4.1+4.2+4.3).....		XXX	XXX		XXX		XXX		XXX	
5.1	4	NAIC Designation Category 4.A.....		XXX	XXX		0.02450.0184		0.05720.0430		0.08170.0615	
5.2	4	NAIC Designation Category 4.B.....		XXX	XXX		0.02450.0238		0.05720.0555		0.08170.0793	
5.3	4	NAIC Designation Category 4.C.....		XXX	XXX		0.02450.0310		0.05720.0724		0.08170.1034	
5.4		Subtotal NAIC 4 (5.1+5.2+5.3).....		XXX	XXX		XXX		XXX		XXX	
6.1	5	NAIC Designation Category 5.A.....		XXX	XXX		0.06390.0472		0.11280.846		0.18800.1410	
6.2	5	NAIC Designation Category 5.B.....		XXX	XXX		0.06390.0663		0.11280.1188		0.18800.1980	
6.3	5	NAIC Designation Category 5.C.....		XXX	XXX		0.06390.0836		0.11280.1498		0.18800.2496	
6.4		Subtotal NAIC 5 (6.1+6.2+6.3).....		XXX	XXX		XXX		XXX		XXX	
7	6	NAIC 6.....		XXX	XXX		0.0000		0.2370		0.2370	
8		Total Unrated Multi-Class Securities Acquired by Conversion.....		XXX	XXX		XXX		XXX		XXX	
9		Total Long-Term Bonds (Sum of Lines 1+2.8+3.4+4.4+5.4+6.4 +7+8)		XXX	XXX		XXX		XXX		XXX	
PREFERRED STOCKS												
10	1	Highest Quality.....		XXX	XXX		0.0005		0.0016		0.0033	
11	2	High Quality.....		XXX	XXX		0.0021		0.0064		0.0106	
12	3	Medium Quality.....		XXX	XXX		0.0099		0.0263		0.0376	
13	4	Low Quality.....		XXX	XXX		0.0245		0.0572		0.0817	
14	5	Lower Quality.....		XXX	XXX		0.0630		0.1128		0.1880	
15	6	In or Near Default.....		XXX	XXX		0.0000		0.2370		0.2370	
16		Affiliated Life with AVR.....		XXX	XXX		0.0000		0.0000		0.0000	
17		Total Preferred Stocks (Sum of Lines 10 through 16)		XXX	XXX		XXX		XXX		XXX	

**ASSET VALUATION RESERVE (Continued)**  
**BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS**  
**DEFAULT 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)
<b>SHORT-TERM BONDS</b>												
18		Exempt Obligations.....		XXX	XXX		0.0000		0.0000		0.0000	
19.1	1	NAIC Designation Category 1.A.....		XXX	XXX		0.00050.0002		0.00160.0007		0.00330.0013	
19.2	1	NAIC Designation Category 1.B.....		XXX	XXX		0.00050.0004		0.00160.0011		0.00330.0023	
19.3	1	NAIC Designation Category 1.C.....		XXX	XXX		0.00050.0006		0.00160.0018		0.00330.0035	
19.4	1	NAIC Designation Category 1.D.....		XXX	XXX		0.00050.0007		0.00160.0022		0.00330.0044	
19.5	1	NAIC Designation Category 1.E.....		XXX	XXX		0.00050.0009		0.00160.0027		0.00330.0055	
19.6	1	NAIC Designation Category 1.F.....		XXX	XXX		0.00050.0011		0.00160.0034		0.00330.0068	
19.7	1	NAIC Designation Category 1.G.....		XXX	XXX		0.00050.0014		0.00160.0042		0.00330.0085	
19.8		Subtotal NAIC 1 (19.1+19.2+19.3+19.4+19.5+19.6+19.7).....		XXX	XXX		XXX		XXX		XXX	
20.1	2	NAIC Designation Category 2.A.....		XXX	XXX		0.0021		0.00640.0063		0.01060.0105	
20.2	2	NAIC Designation Category 2.B.....		XXX	XXX		0.00240.0025		0.00640.0076		0.01060.0127	
20.3	2	NAIC Designation Category 2.C.....		XXX	XXX		0.00240.0036		0.00640.0108		0.01060.0180	
20.4		Subtotal NAIC 2 (20.1+20.2+20.3).....		XXX	XXX		XXX		XXX		XXX	
21.1	3	NAIC Designation Category 3.A.....		XXX	XXX		0.00990.0069		0.02630.0183		0.03760.0262	
21.2	3	NAIC Designation Category 3.B.....		XXX	XXX		0.0099		0.02630.0064		0.03760.0377	
21.3	3	NAIC Designation Category 3.C.....		XXX	XXX		0.00990.0131		0.02630.0350		0.03760.0500	
21.4		Subtotal NAIC 3 (21.1+21.2+21.3).....		XXX	XXX		XXX		XXX		XXX	
22.1	4	NAIC Designation Category 4.A.....		XXX	XXX		0.02450.0184		0.05720.0430		0.08170.0615	
22.2	4	NAIC Designation Category 4.B.....		XXX	XXX		0.02450.0238		0.05720.0555		0.08170.0793	
22.3	4	NAIC Designation Category 4.C.....		XXX	XXX		0.02450.0310		0.05720.0724		0.08170.1034	
22.4		Subtotal NAIC 4 (22.1+22.2+22.3).....		XXX	XXX		XXX		XXX		XXX	
23.1	5	NAIC Designation Category 5.A.....		XXX	XXX		0.06300.0472		0.11280.0846		0.18800.1410	
23.2	5	NAIC Designation Category 5.B.....		XXX	XXX		0.06300.06630		0.11280.1188		0.18800.1980	
23.3	5	NAIC Designation Category 5.C.....		XXX	XXX		0.06300.0836		0.11280.1498		0.18800.2496	
23.4		Subtotal NAIC 5 (23.1+23.2+23.3).....		XXX	XXX		XXX		XXX		XXX	
24	6	NAIC 6.....		XXX	XXX		0.0000		0.2370		0.2370	
25		Total Short-Term Bonds (18+19.8+20.4+21.4+22.4+23.4+24).....		XXX	XXX		XXX		XXX		XXX	
<b>DERIVATIVE INSTRUMENTS</b>												
26		Exchange Traded.....		XXX	XXX		0.0005		0.0016		0.0033	
27	1	Highest Quality.....		XXX	XXX		0.0005		0.0016		0.0033	
28	2	High Quality.....		XXX	XXX		0.0021		0.0064		0.0106	
29	3	Medium Quality.....		XXX	XXX		0.0099		0.0263		0.0376	
30	4	Low Quality.....		XXX	XXX		0.0245		0.0572		0.0817	
31	5	Lower Quality.....		XXX	XXX		0.0630		0.1128		0.1880	
32	6	In or Near Default.....		XXX	XXX		0.0000		0.2370		0.2370	
33		Total Derivative Instruments.....		XXX	XXX		XXX		XXX		XXX	
34		Total (Lines 9+ 17+ 25+ 33).....		XXX	XXX		XXX		XXX		XXX	

**ASSET VALUATION RESERVE (Continued)**  
**BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS**  
**DEFAULT 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)
MORTGAGE LOANS												
In Good Standing:												
35		Farm Mortgages – CM1 – Highest Quality .....			XXX		0.0011		0.0057		0.0074	
36		Farm Mortgages – CM2 – High Quality .....			XXX		0.0040		0.0114		0.0149	
37		Farm Mortgages – CM3 – Medium Quality .....			XXX		0.0069		0.0200		0.0257	
38		Farm Mortgages – CM4 – Low Medium Quality .....			XXX		0.0120		0.0343		0.0428	
39		Farm Mortgages – CM5 – Low Quality .....			XXX		0.0183		0.0486		0.0628	
40		Residential Mortgages – Insured or Guaranteed .....			XXX		0.0003		0.0007		0.0011	
41		Residential Mortgages – All Other .....			XXX		0.0015		0.0034		0.0046	
42		Commercial Mortgages – Insured or Guaranteed .....			XXX		0.0003		0.0007		0.0011	
43		Commercial Mortgages – All Other – CM1 – Highest Quality .....			XXX		0.0011		0.0057		0.0074	
44		Commercial Mortgages – All Other – CM2 – High Quality .....			XXX		0.0040		0.0114		0.0149	
45		Commercial Mortgages – All Other – CM3 – Medium Quality .....			XXX		0.0069		0.0200		0.0257	
46		Commercial Mortgages – All Other – CM4 – Low Medium Quality .....			XXX		0.0120		0.0343		0.0428	
47		Commercial Mortgages – All Other – CM5 – Low Quality .....			XXX		0.0183		0.0486		0.0628	
Overdue, Not in Process:												
48		Farm Mortgages .....			XXX		0.0480		0.0868		0.1371	
49		Residential Mortgages – Insured or Guaranteed .....			XXX		0.0006		0.0014		0.0023	
50		Residential Mortgages - All Other .....			XXX		0.0029		0.0066		0.0103	
51		Commercial Mortgages - Insured or Guaranteed .....			XXX		0.0006		0.0014		0.0023	
52		Commercial Mortgages - All Other .....			XXX		0.0480		0.0868		0.1371	
In Process of Foreclosure:												
53		Farm Mortgages .....			XXX		0.0000		0.1942		0.1942	
54		Residential Mortgages - Insured or Guaranteed .....			XXX		0.0000		0.0046		0.0046	
55		Residential Mortgages - All Other .....			XXX		0.0000		0.0149		0.0149	
56		Commercial Mortgages - Insured or Guaranteed .....			XXX		0.0000		0.0046		0.0046	
57		Commercial Mortgages - All Other .....			XXX		0.0000		0.1942		0.1942	
58		Total Schedule B Mortgages (Sum of Lines 35 through 57) .....			XXX		XXX		XXX		XXX	
59		Schedule DA Mortgages .....			XXX		0.0034		0.0114		0.0149	
60		Total Mortgage Loans on Real Estate (Lines 58 + 59) .....			XXX		XXX		XXX		XXX	

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