NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

	DATE	09/01/2022	FOR NAIC USE ONLY				
	DATE:	09/01/2022	Agenda Item # 2022-17BWG Mod				
CONTACT PERSON:			Year <u>2023</u>				
TELEPHONE:			Changes to Existing Reporting [X]				
TELEPHONE.			New Reporting Requirement []				
EMAIL ADDRESS:			REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT				
ON BEHALF OF:			No Impact [X] Modifies Required Disclosure []				
NAME:	Dale Bruggeman		DISPOSITION				
TITLE.	Charles CA DIAGO		[] Rejected For Public Comment				
TITLE:	Chair SAPWG		[] Referred To Another NAIC Group [] Received For Public Comment				
AFFILIATION:	Ohio Department of Insurance		[] Received For Public Comment [] Adopted Date				
ADDRESS	FONAL Taxasa Chi Ord Fl. Cha	200	[] Rejected Date				
ADDRESS:	50W. Town St., 3 rd FL., Ste	. 300	[] Deferred Date [X] Other (Specify) _Re-exposed				
	Columbus, OH 43215		03/07/2023				
	BLANK(S) TO WHICH PROPOSAL APPLIES						
[X] ANNUAL STATEMENT [X] INSTRUCTIONS [] CROSSCHECKS [X] QUARTERLY STATEMENT [] BLANK							
[V] Life Assident 9. L	oalth/Fratornal [] (Congrato Accounts	[V] Title				
[X] Life, Accident & H [X] Property/Casualty		Separate Accounts Protected Cell	[X] Title [] Other				
[X] Health							
Anticipated Effective Date: Annual 2023							
	IDENTIFICATIO	ON OF ITEM(S) TO CHA					
		, ,					
Add new disclosure paragraph for Note 8 – Derivative Instruments and illustration to new disclosure to be data captured. Add electronic only columns related to derivatives with excluded components to Schedule DB, Part A and Part B for both Section 1 and Section 2. Add new code column instructions for Schedule DB, Part A and Part B.							
	REASON, JUSTIFICATION	FOR AND/OR BENEFIT	OF CHANGE**				
The purpose of this proposal is to modify the instructions for Note 8 and Schedule DB to reflect changes to SSAP No. 86 – Derivatives adopted by the Statutory Accounting Principles (E) Working Group in agenda item 2021-20.							
NAIC STAFF COMMENTS							
Comment on Effective Reporting Date:							
Other Comments:							

Revised 7/18/2022

^{**} This section must be completed on all forms.

ANNUAL STATEMENT INSTRUCTIONS - LIFE, HEALTH, PROPERTY, FRATERNAL & TITLE

NOTES TO FINANCIAL STATEMENTS

Notes to the Annual Statement are to be filed on March 1.



8. Derivative Instruments

Instruction:

Disclose the following information by category of derivative financial instrument:

A. Derivatives under SSAP No. 86—Derivatives

Disclose the following information by category of derivative financial instrument:

- (1) A discussion of the market risk, credit risk and cash requirements of the derivative.
- (2) A description of the reporting entity's objectives for using derivatives, i.e., hedging, income generation or replication, as well as a description of the context needed to understand those objectives and its strategies for achieving those objectives, including the identification of the category, e.g., fair value hedges, cash flow hedges, or foreign currency hedges, and for all objectives, the type of instrument(s) used.
- (3) A description of the accounting policies for recognizing (or reasons for not recognizing) and measuring the derivatives used, and when recognized and where those instruments and related gains and losses are reported.
- (4) Identification of whether the reporting entity has derivative contracts with financing premiums. (For purposes of this term, this includes scenarios in which the premium cost is paid at the end of the derivative contract or throughout the derivative contract.)
- (5) The net gain or loss recognized in unrealized gains or losses during the reporting period representing the component of the derivative instruments' gain or loss, if any, excluded from the assessment of hedge effectiveness.
- (6) The net gain or loss recognized in unrealized gains or losses during the reporting period resulting from derivatives that no longer qualify for hedge accounting.
- (7) For derivatives accounted for as cash flow hedges of a forecasted transaction, disclose:
 - a. The maximum length of time over which the entity is hedging its exposure to the variability in future cash flows for forecasted transactions excluding those forecasted transactions related to the payment of variable interest on existing financial instruments; and
 - b. The amount of gains and losses classified in unrealized gains/losses related to cash flow hedges that have been discontinued because it was no longer probable that the original forecasted transactions would occur by the end of the originally specified time period or within 2 months of that date.
- (8) Disclose the aggregate, non-discounted total premium cost for these contracts and the premium cost due in each of the following four years, and thereafter. Also disclose the aggregate fair value of derivative instruments with financing premiums, excluding the impact of the deferred or financing premiums.

- (9) Disclose information on the aggregate excluded components by category: Time Value, VolatilityIntrinsic Value, Cross Currency Basis Spread and Forward Points and Cross Currency Basis Spread. The aggregate amounts reported should include the following (as applicable): current fair value, recognized unrealized gain/loss, the fair value reflected in Book/Adjusted Carry Value, and for the excluded forward points (e.g., forward spot rates), the aggregate amount owed at maturity, along with current year amortization, and remaining amortization.
 - Current Fair Value The fair value of the excluded component at the reporting date regardless how the excluded component is reported.
 - Recognized Unrealized Gain (Loss) This represents the change in fair value reported as an unrealized gain (loss). Where the reporting entity does not have a specific excluded component or the excluded component is not required to be held at fair value, an amount of \$0 may be input.
 - Fair Value Reflected in BACV The fair value of the excluded component that is reflected in the reported book/adjusted carry value. Not applicable for foreign currency forwards and currency swaps where the forward points or cross-currency basis, respectively, are the excluded component.
 - Aggregate Amount Owed at Maturity The total value of forward points (premium) at trade inception.
 - Current Year Amortization The forward point (premium) amortization year to date.
 - Remaining Amortization The forward point (premium) for outstanding trades as of reporting date.

Illustration:

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLES BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.

A. Derivatives under SSAP No. 86—Derivatives

(9)

Type of Excluded Component	Current Fair	Recognized	Fair Value	Aggregate	Current Year	Remaining
	Value	Unrealized	Reflected in	<u>Amount</u>	Amortization	Amortization
		Gain (Loss)	BACV	Owed at		
				Maturity		
1a. Time Value	\$	\$	\$	XXX	XXX	XXX
2b. Volatility Intrinsic Value	\$	\$	\$	XXX	XXX	XXX
3c. Cross Current Basis	\$	\$	XXX	XXX	XXX	XXX
Spread						
4d. Forward Points	\$	\$	XXX	\$	\$	\$



Detail Eliminated To Conserve Space



SCHEDULE DB - PART A - SECTION 1

OPTIONS, CAPS, FLOORS, COLLARS, SWAPS AND FORWARDS OPEN DECEMBER 31 OF CURRENT YEAR

Include all options, caps, floors, collars, swaps and forwards owned on December 31 of the current year, including those owned on December 31 of the previous year, and those acquired during the current year.



Column 15 - Code

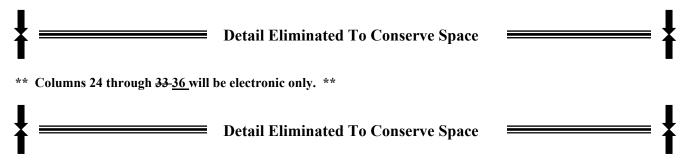
Insert "*" in this column if the book/adjusted carrying value is combined with the book/adjusted carrying value of assets or liabilities hedged; the book/adjusted carrying value is combined with the book/adjusted carrying value of underlying/covering assets; or if the amount is combined with consideration paid on underlying/covering assets.

Insert "#" in this column if the book/adjusted carrying value was combined in prior years with the book/adjusted carrying value of assets or liabilities hedged.

Insert "@" in this column if the income/expenses is combined with income/expenses on assets or liabilities hedged.

Insert "^" in this column if the derivative has unpaid financing premiums.

<u>Insert "%" in this column if the derivative has excluded components.</u>



Columns 34 through 36 are for derivatives that have excluded components

<u>Column 34 – Fair Value of the Excluded Component</u>

Report the fair value of the excluded component.

Column 35 - Fair Value of the Excluded Component Reflected in the Reported Book/Adjusted Carry Value

Reflect the fair value of the excluded component that is reflected in the reported book/adjusted carry value.

(Not applicable for foreign currency forwards and currency swaps where the forward points or cross-currency basis, respectively, are the excluded component).

<u>Column 36</u> – <u>The Change in Fair Value Reported as an Unrealized Gain (Loss)</u>

This represents the change in fair value reported as an unrealized gain (loss).

(Not applicable for foreign currency forwards and currency swaps where the forward points or cross-currency basis, respectively, are the excluded component).

SCHEDULE DB - PART A - SECTION 2

OPTIONS, CAPS, FLOORS, COLLARS, SWAPS AND FORWARDS TERMINATED DURING CURRENT YEAR

Include all options, caps, floors, collars, swaps and forwards which were terminated during the current reporting year, both those that were owned on December 31 of the previous reporting year, and those acquired and terminated during the current year.



Column 18 - Code

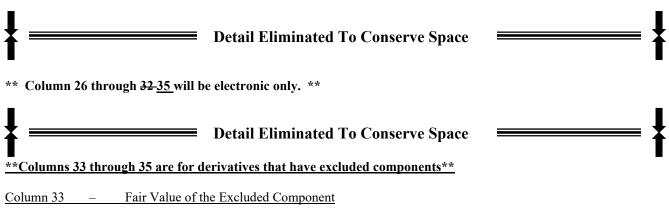
Insert "*" in this column if the book/adjusted carrying value is combined with the book/adjusted carrying value of assets or liabilities hedged; if the book/adjusted carrying value is combined with the book/adjusted carrying value of underlying/covering assets; or if the amount is combined with consideration paid on underlying/covering assets.

Insert "#" in this column if the book/adjusted carrying value was combined in prior years with the book/adjusted carrying value of assets or liabilities hedged.

Insert "@" in this column if the income/expenses is combined with income/expenses on assets or liabilities hedged.

Insert "^" in this column if the derivative has unpaid financing premiums.

Insert "%" in this column if the derivative has excluded components.



Report the fair value of the excluded component.

Column 34 - Fair Value of the Excluded Component Reflected in the Reported Book/Adjusted Carry Value

Reflect the fair value of the excluded component that is reflected in the reported book/adjusted carry value.

(Not applicable for foreign currency forwards and currency swaps where the forward points or cross-currency basis, respectively, are the excluded component).

<u>Column 35</u> – The Change in Fair Value Reported as an Unrealized Gain (Loss)

This represents the change in fair value reported as an unrealized gain (loss).

(Not applicable for foreign currency forwards and currency swaps where the forward points or cross-currency basis, respectively, are the excluded component).

<u>SCHEDULE DB – PART B – SECTION 1</u>

<u>FUTURES CONTRACTS OPEN</u> <u>DECEMBER 31 OF CURRENT YEAR</u>

Include all futures contracts positions open December 31 of current year, including those which were open on December 31 of previous year, and those acquired during current year.

†	Detail Eliminated To Conserve Space			
** Columns 23 through 31-34 will be electronic only. **				
†	Detail Eliminated To Conserve Space			
Columns 32 through 34 are for derivatives that have excluded components				
Column 32 –	Fair Value of the Excluded Component			
	Report the fair value of the excluded component.			
Column 33 –	Fair Value of the Excluded Component Reflected in the Reported Book/Adjusted Carry Value			
	Reflect the fair value of the excluded component that is reflected in the reported book/adjusted carry value.			
	(Not applicable for foreign currency forwards and currency swaps where the forward points or cross-currency basis, respectively, are the excluded component).			
Column 34 –	The Change in Fair Value Reported as an Unrealized Gain (Loss)			
	This represents the change in fair value reported as an unrealized gain (loss).			

(Not applicable for foreign currency forwards and currency swaps where the forward points or cross-currency basis, respectively, are the excluded component).

<u>SCHEDULE DB – PART B – SECTION 2</u>

FUTURES CONTRACTS TERMINATED DURING CURRENT YEAR

Include all futures contracts which were terminated during current reporting year, both those that were open on December 31 of previous reporting year, and those acquired and terminated during current year.

** Column 21 th	Detail Eliminated To Conserve Space rough 27-30 will be electronic only. **			
	Detail Eliminated To Conserve Space			
Columns 28 th	**Columns 28 through 30 are for derivatives that have excluded components			
Column 28 –	Fair Value of the Excluded Component			
	Report the fair value of the excluded component.			
Column 29 –	Fair Value of the Excluded Component Reflected in the Reported Book/Adjusted Carry Value			
	Reflect the fair value of the excluded component that is reflected in the reported book/adjusted carry value.			
	(Not applicable for foreign currency forwards and currency swaps where the forward points or cross-currency basis, respectively, are the excluded component).			
Column 30 –	The Change in Fair Value Reported as an Unrealized Gain (Loss)			
	This represents the change in fair value reported as an unrealized gain (loss).			
	(Not applicable for foreign currency forwards and currency swaps where the forward points or cross-currency basis, respectively, are the excluded component).			

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