

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

DATE: <u>09/01/2022</u>		FOR NAIC USE ONLY	
CONTACT PERSON: _____	_____	Agenda Item # <u>2022-17BWG Mod</u>	
TELEPHONE: _____	_____	Year <u>2023</u>	
EMAIL ADDRESS: _____	_____	Changes to Existing Reporting <input checked="" type="checkbox"/> [X]	
ON BEHALF OF: _____	_____	New Reporting Requirement <input type="checkbox"/> []	
NAME: <u>Dale Bruggeman</u>	_____	REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT	
TITLE: <u>Chair SAPWG</u>	_____	No Impact <input checked="" type="checkbox"/> [X]	
AFFILIATION: <u>Ohio Department of Insurance</u>	_____	Modifies Required Disclosure <input type="checkbox"/> []	
ADDRESS: <u>50W. Town St., 3rd FL., Ste. 300</u>	_____	DISPOSITION	
<u>Columbus, OH 43215</u>	_____	<input type="checkbox"/> [] Rejected For Public Comment	
		<input type="checkbox"/> [] Referred To Another NAIC Group	
		<input type="checkbox"/> [] Received For Public Comment	
		<input checked="" type="checkbox"/> [X] Adopted Date <u>05/31/2023</u>	
		<input type="checkbox"/> [] Rejected Date _____	
		<input type="checkbox"/> [] Deferred Date _____	
		<input type="checkbox"/> [] Other (Specify) _____	

BLANK(S) TO WHICH PROPOSAL APPLIES

- | | | |
|---|--|---|
| <input checked="" type="checkbox"/> [X] ANNUAL STATEMENT | <input checked="" type="checkbox"/> [X] INSTRUCTIONS | <input type="checkbox"/> [] CROSSCHECKS |
| <input checked="" type="checkbox"/> [X] QUARTERLY STATEMENT | <input type="checkbox"/> [] BLANK | |
| <input checked="" type="checkbox"/> [X] Life, Accident & Health/Fraternal | <input type="checkbox"/> [] Separate Accounts | <input checked="" type="checkbox"/> [X] Title |
| <input checked="" type="checkbox"/> [X] Property/Casualty | <input type="checkbox"/> [] Protected Cell | <input type="checkbox"/> [] Other _____ |
| <input checked="" type="checkbox"/> [X] Health | <input type="checkbox"/> [] Health (Life Supplement) | |

Anticipated Effective Date: Annual 2023

IDENTIFICATION OF ITEM(S) TO CHANGE

Add new disclosure paragraph for Note 8 – Derivative Instruments and add an illustration to be data captured for the new disclosure. 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:

** This section must be completed on all forms.

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, Volatility, Intrinsic 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 Value	Recognized Unrealized Gain (Loss)	Fair Value Reflected in BACV	Aggregate Amount Owed at Maturity	Current Year Amortization	Remaining Amortization
1a. Time Value	\$	\$	\$	XXX	XXX	XXX
2b. Volatility Intrinsic Value	\$	\$	\$	XXX	XXX	XXX
3c. Cross Current Basis Spread	\$	\$	XXX	XXX	XXX	XXX
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.



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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.

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



Detail Eliminated To Conserve Space



**** Columns 24 through ~~33~~36 will be electronic only. ****



Detail Eliminated To Conserve Space



****Columns 34 through 36 are for derivatives that have excluded components****

Column 34 – Fair Value of the Excluded Component

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).

Column 36 – 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).

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

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.

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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.

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**** Column 26 through ~~32~~35 will be electronic only. ****

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****Columns 33 through 35 are for derivatives that have excluded components****

Column 33 – Fair Value of the Excluded Component

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).

Column 35 – 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).

SCHEDULE DB – PART B – SECTION 1

**FUTURES CONTRACTS OPEN
DECEMBER 31 OF CURRENT YEAR**

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.

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** Columns 23 through ~~31~~34 will be electronic only. **

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****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).

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

SCHEDULE DB – PART B – SECTION 2

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.

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** Column 21 through ~~27~~ 30 will be electronic only. **

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****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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