

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

<p align="right">DATE: <u>01/24/2025</u></p> <p>CONTACT PERSON: _____</p> <p>TELEPHONE: _____</p> <p>EMAIL ADDRESS: _____</p> <p>ON BEHALF OF: _____</p> <p>NAME: <u>Dale Bruggeman</u></p> <p>TITLE: <u>Chair SAPWG</u></p> <p>AFFILIATION: <u>Ohio Department of Insurance</u></p> <p>ADDRESS: <u>50W. Town St., 3rd Fl., Ste. 300</u> <u>Columbus, OH 43215</u></p>	<p align="center">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2025-01BWG MOD</u></p> <p>Year <u>2025</u></p> <p>Changes to Existing Reporting <input checked="" type="checkbox"/> [X]</p> <p>New Reporting Requirement <input type="checkbox"/> []</p> <hr/> <p align="center">REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</p> <p>No Impact <input checked="" type="checkbox"/> [X]</p> <p>Modifies Required Disclosure <input type="checkbox"/> []</p> <p>Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? <input type="checkbox"/> [No]</p> <p><i>***If Yes, complete question below***</i></p> <p align="center">DISPOSITION</p> <p><input type="checkbox"/> [] Rejected For Public Comment</p> <p><input type="checkbox"/> [] Referred To Another NAIC Group</p> <p><input type="checkbox"/> [] Received For Public Comment</p> <p><input checked="" type="checkbox"/> [X] Adopted Date <u>5/29/2025</u></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 checked="" type="checkbox"/> [X] INSTRUCTIONS | <input type="checkbox"/> [] CROSSCHECKS |
| <input type="checkbox"/> [] 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) | <input type="checkbox"/> [] Life (Health Supplement) |

Anticipated Effective Date: Annual 2025

IDENTIFICATION OF ITEM(S) TO CHANGE

Update Note to Financial Statements Note 8 – Derivatives to include adopted revisions to *SSAP No. 86 – Derivatives*. Also update Note 11 – Debt for the adopted revisions to *SSAP No. 15 – Debt and Holding Company Obligations*.

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

This proposal updates Note 8 – Derivatives and Note 11 - Debt for revised disclosure requirements that were adopted at SAPWG. (SAPWG Ref #2023-26)

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

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.



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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) The reporting entity shall disclose its accounting policy for where cash flows associated with derivative instruments and their related gains and losses are presented in the statement of cash flow.
- (78) 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.

(89) 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.

(910) Disclose information on the aggregate excluded components by category: Time Value, Volatility Value, Cross Currency Basis Spread and Forward Points. 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, the aggregate amount owed at maturity, 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.



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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*

(89)

a.

	<u>Fiscal Year</u>	<u>Derivative Premium Payments Due</u>
1. 2026		\$
2. 2027	
3. 2028	
4. 2029	
5. Thereafter	
6. Total Future Settled Premiums (Sum of 1 through 5)		\$

b.

	<u>Undiscounted Future Premium Commitments</u>	<u>Derivative Fair Value with Premium Commitments (Reported on DB)</u>	<u>Derivative Fair Value Excluding Impact of Future Settled Premiums</u>
1. Prior Year	\$	\$	\$
2. Current Year	\$	\$	\$

(910)

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

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11. Debt

Instruction:

C. For unused commitments and lines of credit, The reporting entity shall separately disclose the following disaggregated by short-term and long-term, in the notes to financial statements:

(1) The amount and terms of unused commitments for financing arrangements (including commitment fees and the conditions under which commitments may be withdrawn);

(2) The amount and terms of unused lines of credit for financing arrangements (including commitment fees and the conditions under which lines may be withdrawn) and the amount of those lines of credit that support commercial paper borrowing arrangements or similar arrangements.

For purposes of this disclosure, unused commitments and lines of credit would be inclusive of undrawn amounts from partially utilized financing arrangements and financing arrangements which are entirely undrawn. Additionally, whether the financing arrangement is disclosed as short-term or long-term shall be based on the contract termination date (the point at which the contract either expires or is renewed). The intent of this disclosure is to provide a comprehensive picture of the undrawn borrowing capacity of the reporting entity and is intended to be inclusive of undrawn FHLB commitments and lines of credit. In addition to the tabular disclosure shown in the illustration section, the reporting entity must also disclose the terms and conditions of unused commitments and lines of credit for financing arrangements in a narrative format as per the disclosure requirements in SSAP No. 15—Debt and Holding Company Obligations.



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C. For Unused commitments and lines of credit for financing arrangements:

	20x2		20x1	
	Unused Commitments	Unused Lines Of Credit	Unused Commitments	Unused Lines Of Credit
Short-Term (maturing contracts terminating in 12 months or less)	\$	\$	\$	\$
Long-Term (maturing contracts terminating in more than 12 months)	\$	\$	\$	\$
Total	\$	\$	\$	\$

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