

Capital Adequacy (E) Task Force

RBC Proposal Form

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|---|--|---|
| ☐ Capital Adequacy (E) Task Force | ☐ Health RBC (E) Working Group | ☒ Life RBC (E) Working Group |
| ☐ Catastrophe Risk (E) Subgroup | ☐ P/C RBC (E) Working Group | ☐ Longevity Risk (A/E) Subgroup |
| ☐ Variable Annuities Capital. & Reserve (E/A) Subgroup | ☐ Economic Scenarios (E/A) Subgroup | ☐ RBC Investment Risk & Evaluation (E) Working Group |

DATE: <u>04/14/2025</u>		FOR NAIC USE ONLY	
CONTACT PERSON: <u>Kazeem Okosun</u>		Agenda Item # <u>2025-10-L</u>	
TELEPHONE: <u>816-783-8981</u>		Year <u>2025</u>	
EMAIL ADDRESS: <u>kokosun@naic.org</u>		DISPOSITION	
ON BEHALF OF: <u>Life Risk-Based Capital (E) Working Group</u>		ADOPTED:	
NAME: <u>Philip Barlow, Chair</u>		☒ TASK FORCE (TF) <u>06-30-2025</u>	
TITLE: <u>Associate Commissioner of Insurance</u>		☒ WORKING GROUP (WG) <u>06-18-2025</u>	
AFFILIATION: <u>District of Columbia</u>		☐ SUBGROUP (SG) _____	
ADDRESS: <u>1050 First Street, NE Suite 801</u>		EXPOSED:	
<u>Washington, DC 20002</u>		☐ TASK FORCE (TF) _____	
		☒ WORKING GROUP (WG) <u>05-01-2025</u>	
		☐ SUBGROUP (SG) _____	
		REJECTED:	
		☐ TF ☐ WG ☐ SG _____	
		OTHER:	
		☐ DEFERRED TO _____	
		☐ REFERRED TO OTHER NAIC GROUP _____	
		☐ (SPECIFY) _____	

IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

- | | | |
|--|---|---|
| ☐ Health RBC Blanks | ☐ Property/Casualty RBC Blanks | ☐ Life and Fraternal RBC Blanks |
| ☐ Health RBC Instructions | ☐ Property/Casualty RBC Instructions | ☒ Life and Fraternal RBC Instructions |
| ☐ Health RBC Formula | ☐ Property/Casualty RBC Formula | ☐ Life and Fraternal RBC Formula |
| ☐ OTHER _____ | | |

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

The Working Group received a referral from Statutory Accounting Principles (E) Working Group, which informed the Working Group of the adopted statutory accounting revisions for the reporting of modified coinsurance (modco) and fund withheld (FWH) assets as restricted assets, and added new disclosures on whether the modco/FWH assets have been pledged for another purpose specific to the ceding insurance reporting entity. The reporting changes are anticipated to be effective year end 2025, subject to Blanks (E) Working Group activity.

The referral suggested clarifications to the *Life/Fraternal RBC Forecasting and Instructions* so that it is clear that if any portion of a modco/FWH assets has been concurrently used as a pledged asset for a purpose specific to the ceding insurance reporting entity at any time of the year, the RBC for the ceding company shall not be reduced.

Additional Staff Comments:

05-01-2025: Proposal was exposed with comments due 05-30-2025. No comment letter received (KO)

6-18-2025: Highlighted in YELLOW were editorial changes we needed to make to the instruction due to the adoption of Proposal 2025-04-L MOD

MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS
LR045, LR046, LR047 and LR048

References to MODCO and funds withheld reinsurance agreements apply to all treaties in effect.

Basis of Factors

When the default risk in modified coinsurance (MODCO) and other reinsurance transactions with funds withheld is transferred, this transfer should be recognized by reducing the RBC for the ceding company and increasing it for the assuming company. In the event that the entire asset credit or variability in statement value risk associated with the assets supporting the business reinsured is not transferred to the assuming company for the entire duration of the reinsurance treaty, the RBC for the ceding company should not be reduced. **For clarity, if any portion of a Modco/Funds Withheld reinsurance agreement asset held as of the year-end date has been used as a pledged asset concurrently with the pledged asset being included as a Modco/Funds Withheld reinsurance agreement asset for any purpose specific to the ceding insurance reporting entity at any time during the year, the RBC for the ceding company shall not be reduced. For example, if any portion of a Modco/Funds Withheld reinsurance agreement asset held as of the year-end date was the collateral in a securities lending, repurchase, or FHLB transaction executed for the benefit of by the ceding entity at any time over the year concurrently with the pledged asset being included as a Modco/Funds Withheld reinsurance agreement asset, then RBC shall not be reduced. In situations where the economic benefit received from pledging the assets inure to the reinsurer throughout the duration of the reinsurance treaty, the cedant is allowed to reduce its RBC for those assets.**



MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS
Reinsurance Ceded - Bonds C-1o
LR045

Column (4)

Enter by reinsurer, the amount of C-1o RBC the insurance company has ceded that is attributable to bonds. The “total” should equal the total amount of the reduction in C-1o RBC shown on Line (19) of page LR002 Bonds.

MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS
Reinsurance Assumed - Bonds C-1o
LR046

Column (4)

Enter by ceding company, the amount of C-1o RBC the insurance company has assumed that is attributable to bonds. The “total” should equal the total amount of the increase in C-1o RBC shown on Line (20) of page LR002 Bonds.

MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS
Reinsurance Ceded – All Other Assets C-0, C-1o And C-1cs
LR047

Column (4)

Enter by reinsurer, the amount of C-0, C-1o And C-1cs RBC the company has ceded that is attributable to all assets except bonds. The “total” should equal the total amount of the reduction of C-0, C-1o And C-1cs RBC attributable to all assets except bonds for MODCO and funds withheld agreements. Specifically, LR047 Column (4), Line (9999999) should equal the sum of LR004 Column (6) Line (29), LR005 Column (5) Line (8) and (19), LR006 Column (3) Line (5), LR007 Column (3) Line (11) and (23), LR008 Column (5) Line (9), Line (19), Line (29), Line (39), **Line (45)** **Line (47)** and Line (55), LR009 Column (6) Line (22), LR012 Column (2) Line (19) and LR017 Column (5) Line (28).

MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS

Reinsurance Assumed – All Other Assets C-0, C-1o And C-1cs

LR048

Column (4)

Enter by ceding company, the amount of C-0, C-1o And C-1cs RBC the insurance company has assumed that is attributable to all assets except bonds. The “total” should equal the total amount of the increase in C-0, C-1o And C-1cs RBC attributable to all assets except bonds for MODCO and funds withheld agreements. Specifically, LR048 Column (4), Line (9999999) should equal the sum of LR004 Column (6) Line (30), LR005 Column (5) Line (9) and (20), LR006 Column (3) Line (6), LR007 Column (3) Line (12) and (24), LR008 Column (5) Line (10), Line (20), Line (30), Line (40), ~~Line (46)~~ **Line (48)** and Line (56), LR009 Column (6) Line (23), LR012 Column (2) Line (20) and LR017 Column (5) Line (29).

To: Philip Barlow, Chair of the Life Risk-Based Capital (E) Working Group
Ben Slutsker, Vice Chair of the Life of the Risk-Based Capital (E) Working Group

From: Dale Bruggeman, Chair of the Statutory Accounting Principles (E) Working Group

Re: RBC Asset Credit for Modified Coinsurance and/or Funds Withheld Reinsurance Transactions

Date: March 27, 2025

This referral memorandum intends to inform the Life Risk-Based Capital (E) Working Group of adopted statutory accounting revisions for the reporting of modified coinsurance (modco) and fund withheld (FWH) assets as restricted assets, as well as suggest revisions to clarify the instructions for modco/FWH reinsurance agreements in the *Life/Fraternal RBC Forecasting and Instructions*. The adopted revisions to SSAP No. 1—*Accounting Policies, Risks & Uncertainties, and Other Disclosures* (detailed in SAPWG agenda item Ref# 2024-20), specify the reporting of modco/FWH assets as restricted and support new disclosures on whether the modco/FWH assets have been pledged for another purpose specific to the ceding insurance reporting entity. (For example, if the ceding insurance reporting entity has also used those assets as collateral in a securities lending agreement, repo transactions, pledged to the FHLB, etc.) The adopted SSAP revisions are effective December 31, 2025. The corresponding Blanks (E) Working Group proposal (Ref# 2025-06BWG) is currently exposed through April 29, with adoption consideration planned for May 29, 2025, and is also planned for a year-end 2025 effective date.

The development of the Statutory Accounting Principles (E) Working Group agenda item was spurred from inconsistencies in whether cedants/reporting entities were reporting modco/FWH assets as restricted, and if so, inconsistencies in the specific restricted asset category where the modco/FWH asset was being reported. It was also noted that different interpretations were occurring on the current application of the RBC formula instructions that preclude RBC credit for modco/FWH assets when the entire asset credit risk or variability in statement value risk is not transferred to the assuming company for the entire duration of the reinsurance treaty. It was noted that companies may be pledging modco/FWH assets for other purposes specific to their operations while still taking asset credit for the modco/FWH asset in the RBC formula.

With the adoption of the statutory accounting revisions, the Statutory Accounting Principles (E) Working Group directed this referral to suggest clarifications to the *Life/Fraternal RBC Forecasting and Instructions* so that it is clear that if any portion of a modco/FWH assets has been concurrently used as a pledged asset for a purpose specific to the ceding insurance reporting entity at any time of the year, the RBC for the ceding company shall not be reduced. The SAPWG received comments on the proposed revisions from interested parties during an exposure period, and those comments have been reflected in the following suggested proposed clarification. Whether there is action to include clarifying language, including if different language or guidance should be considered, would be a decision of the Life RBC (E) Working Group.

Proposed revisions shown with tracked changes to the 2024 *RBC Forecasting and Instructions*:

MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS
LR045, LR046, LR047 and LR048

References to MODCO and funds withheld reinsurance agreements apply to all treaties in effect.

Basis of Factors

When the default risk in modified coinsurance (MODCO) and other reinsurance transactions with funds withheld is transferred, this transfer should be recognized by reducing the RBC for the ceding company and increasing it for the assuming company. In the event that the entire asset credit or variability in statement value risk associated with the assets supporting the business reinsured is not transferred to the assuming

company for the entire duration of the reinsurance treaty, the RBC for the ceding company should not be reduced. For clarity, if any portion of a Modco/Funds Withheld reinsurance agreement asset held as of the year-end date has been used as a pledged asset concurrently with the pledged asset being included as a Modco/Funds Withheld reinsurance agreement asset for any purpose specific to the ceding insurance reporting entity at any time during the year, the RBC for the ceding company shall not be reduced. For example, if any portion of a Modco/Funds Withheld reinsurance agreement asset held as of the year-end date was the collateral in a securities lending, repurchase, or FHLB transaction executed for the benefit of by the ceding entity at any time over the year concurrently with the pledged asset being included as a Modco/Funds Withheld reinsurance agreement asset, then RBC shall not be reduced. In situations where the economic benefit received from pledging the assets inure to the reinsurer throughout the duration of the reinsurance treaty, the cedant is allowed to reduce its RBC for those assets.

Please contact NAIC staff Julie Gann (jgann@naic.org) if you have any questions.

Cc: Maggie Chang, Kazeem Okosun, Julie Gann, Robin Marcotte, Jake Stultz, Wil Oden, Jason Farr

Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A

Issue: Restricted Asset Disclosure Clarification

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	☒	☒	☒
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue: This agenda item has been prepared to clarify how assets held under modified coinsurance (Modco) or funds withheld (FWH) agreements shall be reflected within the restricted asset disclosure in paragraph 23 of SSAP No. 1—*Accounting Policies, Risks & Uncertainties, and Other Disclosures* and in the corresponding disclosures in Note 5L of the statutory financial statements. It also proposes enhanced disclosures to fully identify the extent of restricted assets reported on balance sheet within a single disclosure as well as identify differences between the “restricted asset” annual statement disclosure and the amount reported in the general interrogatories, which is pulled directly into the RBC formulas. Lastly, this agenda item suggests a referral to propose revisions to the life RBC instructions to clarify that if the reporting entity uses any assets held under a modco or FWH agreement as collateral or as a pledged asset for a purpose unrelated to the reinsurance agreement (securing an exposure that has not been ceded to the reinsurer), then the reporting entity should not take any Modco/FWH reduction in RBC charges (credit) for those assets in the life RBC formula. This clarification is consistent with the existing life RBC instruction that does not permit RBC credit when the asset risk has not been transferred to the assuming entity for the entire duration of the reinsurance treaty. This referral to life RBC intends to make it clear that if the insurance entity has utilized Modco/FWH assets as collateral or as a pledged item for their own repurchase agreements, securities lending transactions, FHLB agreements/borrowings, or any other purpose specific to the ceding insurer’s use, then the asset risk/benefit has not been sufficiently transferred to the assuming entity warranting RBC credit for those assets.

As a key item to note, this agenda item does not propose to capture modco/FWH assets in the restricted asset reporting that flows through to the general interrogatories (GI) that results with an additional “noncontrolled” asset RBC charge. As the RBC formula allows credit for modco/FWH assets held, if these were included in the “noncontrolled asset” category, more complexity and adjustments to the RBC formula would be required to also provide credit against the additional noncontrolled asset charge. Instead, as detailed within, this agenda item proposes modifications to capture modco/FWH assets in the existing restricted asset disclosure (SSAP No. 1, paragraph 23c) that currently focuses on collateral received reported on balance sheet for when there is an corresponding liability reported. By including at this location and expanding disclosures to provide a complete view of restricted assets in comparison to total assets and total admitted assets, there is no additional RBC impact and regulators have a better picture of the assets that are restricted as pledged, not under the exclusive control of the reporting entity or that are earmarked (such as modco/FWH) for a specific purpose.

NAIC staff is aware that some companies report modco/FWH assets held in the existing restricted asset disclosure as “pledged collateral not captured in other categories” or as “other restricted assets,” but not all companies report these assets as restricted. (In the RBC formulas, there are adjustments for these assets that are reported that incur additional “noncontrolled” asset RBC.) This agenda item specifies the disclosure location and category to promote consistency and comparability across insurers in the reporting of these assets. NAIC staff supports the inclusion of these assets in the restricted asset disclosure (even when an offsetting liability is reported), as it allows for a full comparison of such assets to total assets. NAIC staff believes the total restricted assets may be considered by financial statement users when assessing available assets, and this disclosure could impact the extent to which borrowing is permitted. If Modco/FWH assets are not captured, it may present a picture of available assets that is not accurate.

As noted in the introduction, this agenda item also proposes additional disclosures to identify differences between what is captured as restricted in SSAP No. 1, paragraph 23b, in Note 5L(1), and what is captured in the general interrogatories. Although the categories are identical, NAIC staff is aware that amounts are reported differently between the two locations. NAIC staff believes this is due to the amounts that are reported in the GI are pulled for the additional noncontrolled asset RBC charge. Over time NAIC staff has received information that these discrepancies may be directed by the domiciliary state regulator for situations that have been identified not to warrant the additional “restricted asset” / “noncontrolled asset” RBC charge. Since the amount is pulled directly from the GI to the RBC formula it is not considered a permitted practice in RBC, however, it results in a mismatch between the note disclosure and the GI although the categories are identical. (NAIC staff has not identified any permitted practices for the differences between the Note and GI reporting. Regulator comments are requested on whether the two reporting locations are interpreted to have different parameters as the language appears identical in both locations.) At this time, this proposal is strictly a disclosure element to make it easy to identify variations and the explanation between the Note and GI reporting so that future assessments can occur. If certain restricted assets are supported for general exclusion from the GI reporting (and the RBC factor), then those situations should be considered by the Working Group so that all insurers are following the same provisions.

The following paragraphs detail how the existing disclosure in SSAP No. 1, paragraph 23b (reported in Note 5L(1)) compares to the information reported in the GI:

- As detailed in SSAP No. 1, paragraph 23b and in Note 5L(1), admitted and nonadmitted assets that are pledged or otherwise restricted in the general account and separate account are to be disclosed along with a comparison of the total restricted assets to total assets and total admitted assets. With specific categories for certain uses, the note also includes broad categories for “pledged as collateral not captured in other categories” and “other restricted assets” to capture items not covered within the specific lines. Note 5L(2) and 5L(3) captures information on these generic categories, and includes examples of reinsurance and derivatives contracts on what should be captured. This disclosure instruction indicates that contracts that share similar characteristics (such as reinsurance and derivatives) are to be reported in the aggregate.
- The restricted asset categories in Note 5L(1) are duplicated in the annual statement general interrogatories (GI), and the amounts reported in the GI are pulled directly into the RBC formula and incur an additional “noncontrolled asset” RBC charge. NAIC staff is aware that there are discrepancies between the amounts of restricted assets reported in Note 5L(1) and what is captured in the same categories within the GI. (These are lines 25.04, 25.05 and 26.21-26.32 in the GI.)

The following details how these items are pulled into RBC from the general interrogatories:

- In the life formula, the restricted assets captured in the GI are pulled directly from the GI to LR017. The standard “noncontrolled asset” charge on that page is 0.0126, except for conforming security lending programs which receive a charge of 0.0020. (Assets pledged as collateral to the FHLB are adjusted in the formula based on various factors.)
- In the P/C and health RBC formula, the restricted assets captured in the GI are pulled directly to PR014 and XR005 respectively, with a 0.010 charge except for conforming security lending programs which receive a 0.002 charge.

The specific excerpts from SSAP No. 1, Note 5L, the applicable GIs and RBC formulas have been captured in the authoritative language section. The categories are also listed in the table below. The terminology at each location is also included below to show the intended consistency in classifications.

Assets identified as “Not Controlled” or “Restricted Assets”:

- SSAP No. 1: Restricted Assets / Not Under Exclusive Control: Defined in paragraph 23b as “not under the exclusive control, subject to a put option contract, etc.” Footnote 3 of SSAP No. 1 includes the following: The aggregate information captured within this disclosure is intended to reflect the information reported in the Annual Statement Investment Schedules in accordance with the coding of investments **that are not under the exclusive control of the reporting entity, including assets loaned to others and the information reported in the General Interrogatories, as well as information on restricted cash, cash equivalents and short-term investments.**
- Note 5L: Matches terminology and language as SSAP No. 1.
- General Interrogatories: Exclusive Control: GI 25 asks if the company has “exclusive control” over all securities, other than securities lending detailed in 25.03. The instructions define this guidance as “exclusive control means that the company has the exclusive right to dispose of the investment at will, without the necessity of making a substitution therefore.” GI 26 that captures the statement value of investments that are not under the exclusive control of the reporting entity. **These categories mirror what is captured in SSAP No. 1 and Note 5L.**
- RBC: Noncontrolled Assets: The RBC instructions have separate lines to capture collateral from conforming and non-conforming securities lending programs and “noncontrolled assets.” **The instructions indicate “noncontrolled assets are any assets reported on the balance sheet that are not under the exclusively under the control of the company, or assets that have been sold or transferred subject to put option contract currently in force.”** (Although not detailed in this agenda item, the RBC instructions include specific guidance on what to include (or exclude). Examples include assets related to the Federal Reserve’s Asset Loan Facility (TALF) and for restricted assets in excess of FHLB borrowing.)

	SSAP No. 1	Note 5L	GI	Life RBC²
23.a	Amounts not in the financial statements that represent segregated funds held for others.	None	None	None
23.b.i	Subject to contractual obligation for which liability is not shown	5.L(1)a	None	None
23.b.ii	Collateral Under Security Lending ¹	5.L(1)b	25.0 4 & 25.05	LR017 (1) & LR017 (2)
23.b.iii	Subject to Repurchase Agreements	5.L(1)c	26.21	LR017 (3)
23.b.iv	Subject to Reverse Repurchase Agreements	5.L(1)d	26.22	LR017 (4)
23.b.iv	Subject to Dollar Repurchase	5.L(1)e	26.23	LR017 (5)
23.b.v	Subject to Dollar Reverse Repurchase	5.L(1)f	26.24	LR017 (6)
23.b.vi	Placed Under Option Contracts	5.L(1)g	26.25	LR017 (7)
23.b.vii	Stock or Securities Restricted as to Sale – Excluding FHLB	5.L(1)h	26.26	LR017 (8)
23.b.ix	FHLB Capital Stock	5.L(1)i	26.27	LR017 (9)
23.b.x	On Deposits with States	5.L(1)j	26.28	LR017 (10)
23.b.xi	On Deposit with Regulatory Bodies	5.L(1)k	26.29	LR017 (11)
23.b.xii	Pledged Collateral to FHLB	5.L(1)l	26.31	LR017 (13)
23.b.xiii	Pledged Collateral Not Captured in Other Categories	5.L(1)m	26.30	LR017 (12.1)
	Less Derivative Collateral Pledged ³			LR017 (12.2)
23.b.xiv	Other Restricted Assets	5.L(1)n	26.32	LR017 (14)
23.c	Assets received as collateral, reflected as assets within the F/S and the recognized liability to return.	5.L(4)		
	1 – In the life blank, this reads “loaned to others,” but the RBC instructions indicate “collateral.” This agenda item proposes to update this terminology in the life blank for consistency.			
	2 – These items are duplicated in the P/C and Health RBC blank on page PR014 and XR005, except for 3) below.			
	3 – This reduction is in the RBC Life Formula Only. Derivative collateral pledged is subject to a lower RBC charge of .0039 and is captured separately.			

Existing Authoritative Literature:**SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures****Other Disclosures**

23. Reporting entities shall disclose¹ the following information in the financial statements:

- a. Amounts not recorded in the financial statements that represent segregated funds held for others, the nature of the assets and the related fiduciary responsibilities associated with such assets. One example of such an item is escrow accounts held by title insurance companies; and
- b. The total combined (admitted and nonadmitted) amount of restricted assets by category, with separate identification of the admitted and nonadmitted restricted assets by category, and nature of any assets pledged to others as collateral or otherwise restricted (e.g., not under the exclusive control, assets subject to a put option contract, etc.)² in the general and separate accounts³ by the reporting entity in comparison to total assets and total admitted assets. (Pursuant to SSAP No. 4, paragraph 6, all assets pledged as collateral or otherwise restricted shall be reported in this disclosure regardless if the asset is considered an admitted asset.) This disclosure shall include the following restricted asset categories:
 - i. Reported assets subject to contractual obligation for which liability is not shown;
 - ii. Collateral held under security lending agreements;
 - iii. Assets subject to repurchase agreements;
 - iv. Assets subject to reverse repurchase agreements;
 - v. Assets subject to dollar repurchase agreements;
 - vi. Assets subject to dollar reverse repurchase agreements;
 - vii. Assets placed under option contracts;
 - viii. Letter stock or securities restricted as to sale⁴ – excluding FHLB stock;
 - ix. FHLB capital stock;
 - x. Assets on deposit with states;
 - xi. Assets on deposit with other regulatory bodies;
 - xii. Pledged as collateral to the FHLB (including assets backing funding agreements);
 - xiii. Assets pledged as collateral not captured in other categories; and

¹ Disclosure of restricted assets shall be included in the annual financial statements and, pursuant to the Preamble, in the interim financial statements if significant changes have occurred since the annual statement. If significant changes have occurred, the entire disclosure shall be reported in the interim financial statements.

² The aggregate information captured within this disclosure is intended to reflect the information reported in the Annual Statement Investment Schedules in accordance with the coding of investments that are not under the exclusive control of the reporting entity, including assets loaned to others and the information reported in the General Interrogatories, as well as information on restricted cash, cash equivalents and short-term investments.

³ Restricted assets in the separate account are not intended to reflect amounts “restricted” only because they are insulated from the general account or because they are attributed to specific policyholders. Separate account assets shall be captured in this disclosure only if they are restricted outside of these characteristics.

⁴ The nature, description and amount of the restriction are required in the disclosure.

- xiv. Other restricted assets.
- c. The amount and nature of any assets received as collateral, reflected as assets within the reporting entity's financial statements, and the recognized liability to return these collateral assets, in the general and separate accounts in comparison to total assets and admitted assets.

2024 Annual Statement Instructions – Note 5L: Restricted Assets

L. Restricted Assets

(1) Restricted Assets (Including Pledged)

Disclose the total gross (admitted and nonadmitted) amount of restricted assets by category, with separate identification of the admitted and nonadmitted restricted assets by category and nature of any assets pledged to others as collateral or otherwise restricted (e.g., not under the exclusive control, assets subject to a put option contract, etc.) by the reporting entity. Provide the gross amount of restricted assets (total general account, general account assets supporting separate account activity, total separate account, separate account assets supporting general account activity and sum of the general account and the separate account for current year, prior year and the change between years), the total admitted of restricted assets and the percentage the restricted asset amount (gross and admitted) is of the reporting entity's total assets amount reported on Line 28 of the asset page (gross and admitted respectively) by the following categories:

- a. Subject to contractual obligation for which liability is not shown
- b. Collateral held under security lending agreements
- c. Subject to repurchase agreements
- d. Subject to reverse repurchase agreements
- e. Subject to dollar repurchase agreements
- f. Subject to dollar reverse repurchase agreements
- g. Placed under option contracts
- h. Letter stock or securities restricted as to sale – excluding FHLB capital stock
- i. FHLB capital stock
- j. On deposit with states
- k. On deposit with other regulatory bodies
- l. Pledged collateral to FHLB (including assets backing funding agreements)
- m. Pledged as collateral not captured in other categories
- n. Other restricted assets
- o. Total restricted assets

(2) Detail of Assets Pledged as Collateral Not Captured in Other Categories

For assets pledged as collateral not captured in other categories reported in aggregate in Note 5L(1) above, provide the gross (admitted and nonadmitted) amount of restricted assets (total general account, general account assets supporting separate account activity, total separate account, separate account assets supporting general account activity and sum of the general account and the separate account for current year, prior year and the change between years), the total admitted of restricted assets and the percentage the restricted asset amount (gross and admitted) is of the reporting entity's total assets amount reported on Line 28 of the asset page (gross and admitted respectively) with a narrative summary of each collateral

agreement included in the aggregate number in Note 5L(1) above. Contracts that share similar characteristics, such as reinsurance and derivatives, are to be reported in the aggregate. (Note: This would be the detail for what was reported as "Pledged as Collateral Not Captured in Other Categories" for 5L(1) above.)

(3) Detail of Other Restricted Assets

For other restricted assets reported in aggregate in Note 5L(1) above, provide the gross (admitted and nonadmitted) amount of restricted assets (total general account, general account assets supporting separate account activity, total separate account, separate account assets supporting general account activity and sum of the general account and the separate account for current year, prior year and the change between years), the total admitted of restricted assets and the percentage the restricted asset amount (gross and admitted) is of the reporting entity's total assets amount reported on Line 28 of the asset page (gross and admitted respectively) with a description of each of the other restricted assets included in the aggregate number in Note 5L(1) above. Contracts that share similar characteristics, such as reinsurance and derivatives, are to be reported in the aggregate. (Note: This would be the detail for what was reported as "Other Restricted Assets" for 5L(1) above.)

(4) Collateral Received and Reflected as Assets Within the Reporting Entity's Financial Statements

Disclose the following for the general account and separate account:

- Nature of any assets received as collateral reflected as assets within the reporting entity's financial statements
- Book/adjusted carrying value (BACV) of the collateral
- Fair value of the collateral
- The recognized liability to return these collateral assets
- The percentage the collateral asset BACV amount (gross and admitted) is of the reporting entity's total assets amount reported on Line 26 of the asset page (gross and admitted, respectively).

NOTE: The information captured within this disclosure is intended to aggregate the information reported in the Annual Statement Investment Schedules in accordance with the coding of investments that are not under the exclusive control of the reporting entity, including assets loaned to others, and the information reported in the General Interrogatories.

Restricted assets in the separate account are not intended to capture amounts "restricted" only because they are insulated from the general account or because they are attributed to specific policyholders. Separate account assets shall be captured in this disclosure only if they are restricted outside of these characteristics.

(1) Restricted Assets (Including Pledged)

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted						
	Current Year					6 Total From Prior Year	7 Increase/ (Decrease) (5 minus 6)
	1 Total General Account (G/A)	2 G/A Supporting S/A Activity (a)	3 Total Separate Account (S/A) Restricted Assets	4 S/A Assets Supporting G/A Activity (b)	5 Total (1 plus 3)		
a. Subject to contractual obligation for which liability is not shown	\$	\$	\$	\$	\$	\$	\$
b. Collateral held under security lending agreements							
c. Subject to repurchase agreements							
d. Subject to reverse repurchase agreements							
e. Subject to dollar repurchase agreements							
f. Subject to dollar reverse repurchase agreements							
g. Placed under option contracts							
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock							
i. FHLB capital stock							
j. On deposit with states							
k. On deposit with other regulatory bodies							
l. Pledged as collateral to FHLB (including assets backing funding agreements)							
m. Pledged as collateral not captured in other categories							
n. Other restricted assets							
o. Total Restricted Assets (Sum of a through n)	\$	\$	\$	\$	\$	\$	\$

(a) Subset of Column 1
(b) Subset of Column 3

Restricted Asset Category	Current Year			
	8 Total Nonadmitted Restricted	9 Total Admitted Restricted (5 minus 8)	Percentage	
			10 Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	11 Admitted Restricted to Total Admitted Assets (d)
a. Subject to contractual obligation for which liability is not shown			%	%
b. Collateral held under security lending agreements				
c. Subject to repurchase agreements				
d. Subject to reverse repurchase agreements				
e. Subject to dollar repurchase agreements				
f. Subject to dollar reverse repurchase agreements				
Placed under option contracts				
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock				
i. FHLB capital stock				
j. On deposit with states				
k. On deposit with other regulatory bodies				
l. Pledged as collateral to FHLB (including assets backing funding agreements)				
m. Pledged as collateral not captured in other categories				
n. Other restricted assets				
o. Total Restricted Assets (Sum of a through n)			%	%

(c) Column 5 divided by Asset Page, Column 1, Line 28
(d) Column 9 divided by Asset Page, Column 3, Line 28

(2) Detail of Assets Pledged as Collateral Not Captured in Other Categories (Contracts that Share Similar Characteristics, Such as Reinsurance and Derivatives, Are Reported in the Aggregate)

Description of Assets	Gross (Admitted & Nonadmitted) Restricted							8 Total Current Year Admitted Restricted	Percentage	
	Current Year					6 Total From Prior Year	7 Increase/ (Decrease) (5 minus 6)		9 Gross (Admitted & Nonadmitted) Restricted to Total Assets	10 Admitted Restricted to Total Admitted Assets
	1	2	3	4	5					
	Total General Account (G/A)	G/A Supporting S/A Activity (a)	Total Separate Account (S/A) Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)					
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
										
										
Total (c)	\$	\$	\$	\$	\$	\$	\$	\$	%	%

(a) Subset of column 1

(b) Subset of column 3

(c) Total Line for Columns 1 through 7 should equal 5L(1)m Columns 1 through 7 respectively and Total Line for Columns 8 through 10 should equal 5L(1)m Columns 9 through 11 respectively

(3) Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, Such as Reinsurance and Derivatives, Are Reported in the Aggregate)

Description of Assets	Gross (Admitted & Nonadmitted) Restricted							8 Total Current Year Admitted Restricted	Percentage	
	Current Year					6 Total From Prior Year	7 Increase/ (Decrease) (5 minus 6)		9 Gross (Admitted & Nonadmitted) Restricted to Total Assets	10 Admitted Restricted to Total Admitted Assets
	1	2	3	4	5					
	Total General Account (G/A)	G/A Supporting S/A Activity (a)	Total Separate Account (S/A) Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)					
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
										
										
Total (c)	\$	\$	\$	\$	\$	\$	\$	\$	%	%

(a) Subset of column 1

(b) Subset of column 3

(c) Total Line for Columns 1 through 7 should equal 5L(1)n Columns 1 through 7 respectively and Total Line for Columns 8 through 10 should equal 5L(1)n Columns 9 through 11 respectively

(4) Collateral Received and Reflected as Assets Within the Reporting Entity's Financial Statements

Collateral Assets	1 Book/Adjusted Carrying Value (BACV)	2 Fair Value	3 % of BACV to Total Assets (Admitted and Nonadmitted *	4 % of BACV to Total Admitted Assets **
General Account:				
a. Cash, Cash Equivalents and Short-Term Investments	\$	\$	%	%
b. Schedule D, Part 1			%	%
c. Schedule D, Part 2, Section 1			%	%
d. Schedule D, Part 2, Section 2			%	%
e. Schedule B			%	%
f. Schedule A			%	%
g. Schedule BA, Part 1			%	%
h. Schedule DL, Part 1			%	%
i. Other			%	%
j. Total Collateral Assets (a+b+c+d+e+f+g+h+i)	\$	\$	%	%
Separate Account:				
k. Cash, Cash Equivalents and Short-Term Investments	\$	\$	%	%
l. Schedule D, Part 1			%	%
m. Schedule D, Part 2, Section 1			%	%
n. Schedule D, Part 2, Section 2			%	%
o. Schedule B			%	%
p. Schedule A			%	%
q. Schedule BA, Part 1			%	%

r. Schedule DL, Part 1	.....	.....	..... %	..... %
s. Other			%	%
t. Total Collateral Assets (k+l+m+n+o+p+q+r+s)	\$	\$	%	%

* j = Column 1 divided by Asset Page, Line 26 (Column 1)
t = Column 1 divided by Asset Page, Line 27 (Column 1)

** j = Column 1 divided by Asset Page, Line 26 (Column 3)
t = Column 1 divided by Asset Page, Line 27 (Column 3)

	1	2
	Amount	% of Liability to Total Liabilities *
u. Recognized Obligation to Return Collateral Asset (General Account)	\$	%
v. Recognized Obligation to Return Collateral Asset (Separate Account)	\$	%

* u = Column 1 divided by Liability Page, Line 26 (Column 1)
v = Column 1 divided by Liability Page, Line 27 (Column 1)

ANNUAL STATEMENT GENERAL INTERROGATORIES

Instructions – Part 1 – Common Interrogatories

INVESTMENT

25. For the purposes of this interrogatory, “exclusive control” means that the company has the exclusive right to dispose of the investment at will, without the necessity of making a substitution thereof. For purposes of this interrogatory, securities in transit and awaiting collection, held by a custodian pursuant to a custody arrangement or securities issued subject to a book entry system are considered to be in actual possession of the company.
- If bonds, stocks and other securities owned December 31 of the current year, over which the company has exclusive control are: (1) securities purchased for delayed settlement, or (2) loaned to others, the company should respond “NO” to 25.01 and “YES” to 26.1.
- 25.03 Describe the company's securities lending program, including value for collateral and amount of loaned securities, and whether the collateral is held on- or off-balance sheet. Note 17 of Notes to Financial Statement provides a full description of the program.
- 25.04 Report amount of collateral for conforming programs as outlined in the Risk-Based Capital Instructions.
- 25.05 Report amount of collateral for other programs.
- 25.091 The fair value amount reported should equal the grand total of Schedule DL, Part 1, Column 5 plus Schedule DL, Part 2, Column 5. The fair value amount reported amount should also equal the fair value amount reported in Note 5E(5)a1(m).
- 25.092 The book adjusted/carrying value amount reported should equal the grand total of Schedule DL, Part 1, Column 6 plus Schedule DL, Part 2, Column 6.
- 25.093 The payable for securities lending amount reported should equal current year column for payable for securities lending line on the liability page.

26. Disclose the statement value of investments that are not under the exclusive control of the reporting entity within the categories listed in 26.2.

Excerpt – Annual Statement Blank

25.01

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 25.03)

Yes [] No []

25.02

If no, give full and complete information, relating thereto

25.03

For securities lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)

25.04

For the reporting entity's securities lending program, report amount of collateral for conforming programs as outlined in the Risk-Based Capital Instructions.

\$ _____

25.05

For the reporting entity's securities lending program, report amount of collateral for other programs.

\$ _____

25.06

Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?

Yes [] No [] N/A []

25.07

Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?

Yes [] No [] N/A []

25.08

Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending?

Yes [] No [] N/A []

25.09

For the reporting entity's securities lending program, state the amount of the following as of December 31 of the current year:

25.091

Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2

\$ _____

25.092

Total book/adjusted carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2

\$ _____

25.093

Total payable for securities lending reported on the liability page

\$ _____

26.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 25.03).

Yes [] No []

26.2

If yes, state the amount thereof at December 31 of the current year:

26.21

Subject to repurchase agreements

\$ _____

26.22

Subject to reverse repurchase agreements

\$ _____

26.23

Subject to dollar repurchase agreements

\$ _____

26.24

Subject to reverse dollar repurchase agreements

\$ _____

26.25

Placed under option agreements

\$ _____

26.26

Letter stock or securities restricted as to sale – excluding FHLB Capital Stock

\$ _____

26.27

FHLB Capital Stock

\$ _____

26.28

On deposit with states

\$ _____

26.29

On deposit with other regulatory bodies

\$ _____

26.30

Pledged as collateral – excluding collateral pledged to an FHLB

\$ _____

26.31

Pledged as collateral to FHLB – including assets backing funding agreements

\$ _____

26.32

Other

\$ _____

26.3

For category (26.26) provide the following:

1	2	3
Nature of Restriction	Description	Amount

Excerpt from Life RBC Instructions – Bolded for Emphasis

MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS
LR045, LR046, LR047 and LR048

References to MODCO and funds withheld reinsurance agreements apply to all treaties in effect.

Basis of Factors

When the default risk in modified coinsurance (MODCO) and other reinsurance transactions with funds withheld is transferred, this transfer should be recognized by reducing the RBC for the ceding company and increasing it for the assuming company.
In the event that the entire asset credit or variability in statement value risk associated with the assets supporting the business reinsured is not transferred to the assuming company for the entire duration of the reinsurance treaty, the RBC for the ceding company should not be reduced.

Assets

The total RBC related to assets (i.e., bonds, mortgages, unaffiliated preferred and common stock, separate accounts, real estate and other long-term assets) in MODCO or Funds Withheld reinsurance agreements, should be reduced (increased) by the amounts of RBC ceded (assumed). There is a separate line in each asset section to achieve this reduction (i.e., "Reduction in RBC for MODCO or Funds Withheld reinsurance ceded agreements"). The amount ceded is determined using the assets supporting the ceded liabilities as of Dec. 31. (In some instances, there may be assets in a trust that exceed the amount needed to support the liabilities; only the portion of assets used to support the ceded liabilities is used to determine the ceded RBC).

The ceding company will need to supply the assuming company with sufficient information in order for the assuming company to determine the amount of RBC assumed. With the exception of the impact of the size factor, the amount of RBC ceded should be equal to the amount of RBC assumed. Put another way, there should be “mirror imaging” of RBC, except for the impact of the size factor. For MODCO or Funds Withheld reinsurance agreements, there will be no specific, line-by-line inventory of ceded assets and corresponding ceded RBC; however, ceding and assuming companies must keep detailed records and be prepared to produce those records upon request. The ceding company is required to supply the assuming company with sufficient information in order for the assuming company to determine the amount of RBC assumed.

A reinsurer that has not received such information shall calculate MODCO adjustments for reinsurance assumed as follows:

- If the reinsurer has received data for periods prior to the effective date of the RBC filing, a “MODCO liability ratio” will be developed by comparing the MODCO liabilities at the filing date to the MODCO liabilities as of the last date for which data were received. The required capital for MODCO assumed is the required capital as calculated based on these data multiplied by the “MODCO liability ratio.”
- If the reinsurer has never received data from the ceding company, a “MODCO liability ratio” will be developed by comparing the MODCO liabilities at the filing date to the reinsurer’s total invested assets (Page 2, Line 12 of the blue blank, or its equivalent). The required capital for MODCO assumed is the reinsurer’s required capital as calculated prior to MODCO ceded and assumed adjustments multiplied by the “MODCO liability ratio.”

Adjustments for MODCO or Funds Withheld reinsurance agreements should be based on pre-tax factors.

Size Factor

Companies with MODCO or Funds Withheld reinsurance agreements should adjust the company’s year-end size factors according to the way the bonds are handled in the treaties. The assuming company includes the bonds that support its share of the liabilities; the ceding company includes the bonds that support its share of the liabilities. No adjustment is made for bonds purchased subsequent to June 30 of the valuation year and that solely support ceded liabilities.

Mortgages

The amount of RBC for mortgages is based upon the ceding company’s calculation for the mortgages, or portion of these mortgages, which support the ceded liabilities. Thus, the amount of RBC ceded is equal to the amount of RBC assumed.

Specific Instructions for Application of the Formula

MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS

Reinsurance Ceded - Bonds C-1o

LR045

Column 4: Enter by reinsurer, the amount of C-1o RBC the insurance company has ceded that is attributable to bonds. The “total” should equal the total amount of the reduction in C-1o RBC shown on Line (19) of page LR002 Bonds.

MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS

Reinsurance Assumed - Bonds C-1o

LR046

Column 4: Enter by ceding company, the amount of C-1o RBC the insurance company has assumed that is attributable to bonds. The “total” should equal the total amount of the increase in C-1o RBC shown on Line (20) of page LR002 Bonds.

MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS

Reinsurance Ceded – All Other Assets C-0, C-1o And C-1cs

LR047

Column 4: Enter by reinsurer, the amount of C-0, C-1o And C-1cs RBC the company has ceded that is attributable to all assets except bonds. The “total” should equal the total amount of the reduction of C-0, C-1o And C-1cs RBC attributable to all assets except bonds for MODCO and funds withheld agreements.

MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS

Reinsurance Assumed – All Other Assets C-0, C-1o And C-1cs

LR048

Column 4: Enter by ceding company, the amount of C-0, C-1o And C-1cs RBC the insurance company has assumed that is attributable to all assets except bonds. The "total" should equal the total amount of the increase in C-0, C-1o And C-1cs RBC attributable to all assets except bonds for MODCO and funds withheld agreements.

Excerpt from Health RBC (Identical to P/C RBC)

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OFF-BALANCE SHEET AND OTHER ITEMS

	Annual Statement Source	(1) Bk/Adj Carrying Value	(2) Factor	(3) RBC Requirement	(4) Yes/No Response
Noncontrolled Assets					
(1) Loaned to Others - Conforming Securities Lending Programs	General Interrogatories Part 1 Line 25.04		0.002		
(2) Loaned to Others - Securities Lending Programs - Other	General Interrogatories Part 1 Line 25.05		0.010		
(3) Subject to Repurchase Agreements	General Interrogatories Part 1 Line 26.21		0.010		
(4) Subject to Reverse Repurchase Agreements	General Interrogatories Part 1 Line 26.22		0.010		
(5) Subject to Dollar Repurchase Agreements	General Interrogatories Part 1 Line 26.23		0.010		
(6) Subject to Reverse Dollar Repurchase Agreements	General Interrogatories Part 1 Line 26.24		0.010		
(7) Placed Under Option Agreements	General Interrogatories Part 1 Line 26.25		0.010		
(8) Letter Stock or Securities Restricted as to Sale - Excluding FHLB Capital Stock	General Interrogatories Part 1 Line 26.26		0.010		
(9) FHLB Capital Stock	General Interrogatories Part 1 Line 26.27		0.010		
(10) On Deposit with States	General Interrogatories Part 1 Line 26.28		0.010		
(11) On Deposit with Other Regulatory Bodies	General Interrogatories Part 1 Line 26.29		0.010		
(12) Pledged as Collateral - Excluding Collateral Pledged to an FHLB	General Interrogatories Part 1 Line 26.30		0.010		
(13) Pledged as Collateral to FHLB (Including Assets Backing Funding Agreements)	General Interrogatories Part 1 Line 26.31		0.010		
(14) Other	General Interrogatories Part 1 Line 26.32		0.010		
(15) Total Noncontrolled Assets	Sum of Lines (1) through (14)				
(16) Guarantees for Affiliates	Notes to Financial Statements 14A(03C1), Column 2		0.010		
(17) Contingent Liabilities	Notes to Financial Statements 14A(1), Column 2		0.010		
(18) Is the entity responsible for filing the U.S. Federal income tax return for the reporting insurer a regulated insurance company?	"Yes", "No" or "N/A" in Column (4)				
(19) SSAP No. 101 Paragraph 11a Deferred Tax Assets	Notes to Financial Statements, Item 9A2(a), Column 3		†		
(20) SSAP No. 101 Paragraph 11b Deferred Tax Assets	Notes to Financial Statements, Item 9A2(b), Column 3		0.010		
(21) Total Miscellaneous Off-Balance Sheet and Other Items	Lines (15) + (16) + (17) + (19) + (20)				

† If Line (18) Column (4) is "Yes", then the factor is 0.005. If Line (18) Column (4) is "No", then the factor is 0.010. If Line (18) Column (4) is "N/A", then the factor is 0.000.

Denotes items that must be manually entered on filing software.

Excerpt from Life RBC

	Annual Statement Source	(1) Statement Value	(2) Less Noncontrolled Assets Funding Guaranteed Separate Accounts, Synthetic GIC's and Certain FHLB Liabilities	(3) Subtotal	(4) Factor	(5) Requirement
Noncontrolled Assets						
(1) Loaned to Others - Conforming Securities Lending Programs	General Interrogatories Part 1 Line 25.04	\$0	\$0	\$0 X	0.002	\$0
(2) Loaned to Others - Securities Lending Programs - Other	General Interrogatories Part 1 Line 25.05	\$0	\$0	\$0 X	0.0126	\$0
(3) Subject to Repurchase Agreements	General Interrogatories Part 1 Line 26.21	\$0	\$0	\$0 X	0.0126	\$0
(4) Subject to Reverse Repurchase Agreements	General Interrogatories Part 1 Line 26.22	\$0	\$0	\$0 X	0.0126	\$0
(5) Subject to Dollar Repurchase Agreements	General Interrogatories Part 1 Line 26.23	\$0	\$0	\$0 X	0.0126	\$0
(6) Subject to Reverse Dollar Repurchase Agreements	General Interrogatories Part 1 Line 26.24	\$0	\$0	\$0 X	0.0126	\$0
(7) Placed Under Option Agreements	General Interrogatories Part 1 Line 26.25	\$0	\$0	\$0 X	0.0126	\$0
(8) Letter Stock or Other Securities Restricted as to sale - excluding FHLB Capital Stock	General Interrogatories Part 1 Line 26.26	\$0	\$0	\$0 X	0.0126	\$0
(9) FHLB Capital Stock	General Interrogatories Part 1 Line 26.27	\$0	\$0	\$0 X	0.0126	\$0
(10) On Deposit with States	General Interrogatories Part 1 Line 26.28	\$0	\$0	\$0 X	0.0126	\$0
(11) On Deposit with Other Regulatory Bodies	General Interrogatories Part 1 Line 26.29	\$0	\$0	\$0 X	0.0126	\$0
(12.1) Pledged as Collateral - excluding Collateral Pledged to an FHLB	General Interrogatories Part 1 Line 26.30	\$0	\$0	\$0		\$0
(12.2) Less Derivative Collateral Pledged	Schedule DB Part D Section 2 Column 7, Line 0199999999	\$0	\$0	\$0 X	0.0039	\$0
(12.3) Pledged as Collateral - excluding Collateral Pledged to an FHLB Less Derivatives Collateral Pledged	Line (12.1) - (12.2)	\$0	\$0	\$0 X	0.0126	\$0
(13) Pledged as Collateral to FHLB - including Assets Backing Funding Agreements	General Interrogatories Part 1 Line 26.31	\$0	\$0	\$0 X	0.0020	\$0
(14) Other	General Interrogatories Part 1 Line 26.32	\$0	\$0	\$0 X	0.0126	\$0
(15) Total Noncontrolled Assets	Sum of Lines (1) through (11) Plus Lines (12.2) through (14)	\$0	\$0	\$0		\$0

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group: None

Convergence with International Financial Reporting Standards (IFRS): N/A

Staff Recommendation:

NAIC staff recommends that the Working Group move this item to the active listing and expose SAP clarification revisions to SSAP No. 1 as well as corresponding proposed revisions to the Annual Statement (A/S) instructions/template for the restricted asset disclosure in Note 5L to more clearly identify how Modco and FWH assets reported within a ceding company's financial statements shall be captured.

In addition to the revisions that explicitly address Modco/FWH, the A/S revisions propose a new component to the existing disclosure to identify and explain differences between the note and what is captured in the general interrogatories. Although it was originally anticipated that the note and the GI would agree, NAIC staff is aware that there are often differences and that in some instances domiciliary states have directed specific items to be removed from the GI reporting because of the resulting RBC pull / factor impact. This disclosure will highlight those differences to ensure ease of regulator comparisons as well as allow NAIC staff to assess consistency across companies and enable future discussions. NAIC staff recommends that the SAPWG sponsor a blanks proposal to incorporate the Annual Statement instruction revisions.

Although there is a separate agenda item to identify Modco and FWH assets with more granularity, and to assist with RBC impact, this clarification of the aggregate restricted asset disclosure has been recommended to move forward to ensure the restricted asset disclosure is consistently reported.

Upon adoption of the revisions, this agenda item recommends a referral to the Life RBC (E) Working Group to clarify that Modco assets held by a ceding entity that at any time during the year are pledged or used by the ceding entity for their own purpose, such as being used in assets reported to or as collateral to the FHLB or in a repurchase or securities lending agreement, are not permitted to be reported as an RBC charge reduction from the RBC formula for invested assets. Such uses would reflect circumstances in which the "entire asset credit or variability in statement value risk associated with the assets supporting the business reinsurance was not transferred to the assuming company for the entire duration of the reinsurance treaty." This referral will also identify the direction to capture modco/FWH assets in SSAP No. 1, paragraph 23c, therefore these assets should not be captured in the RBC reporting of "noncontrolled assets," therefore the existing elements in the RBC formula to adjust modco/FWH from the "noncontrolled" reporting lines may no longer be necessary.

Proposed Revisions:

SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures

23. Reporting entities shall disclose⁵ the following information in the financial statements:

⁵ Disclosure of restricted assets shall be included in the annual financial statements and, pursuant to the Preamble, in the interim financial statements if significant changes have occurred since the annual statement. If significant changes have occurred, the entire disclosure shall be reported in the interim financial statements.

- a. Amounts not recorded in the financial statements that represent segregated funds held for others, the nature of the assets and the related fiduciary responsibilities associated with such assets. One example of such an item is escrow accounts held by title insurance companies; and
- b. The total combined (admitted and nonadmitted) amount of restricted assets by category, with separate identification of the admitted and nonadmitted restricted assets by category, and nature of any assets pledged to others as collateral or otherwise restricted (e.g., not under the exclusive control, assets subject to a put option contract, etc.)⁶ in the general and separate accounts⁷ by the reporting entity in comparison to total assets and total admitted assets. (Pursuant to SSAP No. 4, paragraph 6, all assets pledged as collateral or otherwise restricted shall be reported in this disclosure regardless if the asset is considered an admitted asset.) Reporting entities shall also disclose differences in the amounts reported in this note versus the amounts reported for the same categories in the general interrogatories. This disclosure shall include the following restricted asset categories:
 - i. Reported assets subject to contractual obligation for which liability is not shown;
 - ii. Collateral held under security lending agreements;
 - iii. Assets subject to repurchase agreements;
 - iv. Assets subject to reverse repurchase agreements;
 - v. Assets subject to dollar repurchase agreements;
 - vi. Assets subject to dollar reverse repurchase agreements;
 - vii. Assets placed under option contracts;
 - viii. Letter stock or securities restricted as to sale⁸ – excluding FHLB stock;
 - ix. FHLB capital stock;
 - x. Assets on deposit with states;
 - xi. Assets on deposit with other regulatory bodies;
 - xii. Pledged as collateral to the FHLB (including assets backing funding agreements);
 - xiii. Assets pledged as collateral not captured in other categories^{FNI}; and
 - xiv. Other restricted assets.

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⁶ The aggregate information captured within this disclosure is intended to reflect the information reported in the Annual Statement Investment Schedules in accordance with the coding of investments that are not under the exclusive control of the reporting entity, including assets loaned to others and the information reported in the General Interrogatories, as well as information on restricted cash, cash equivalents and short-term investments.

⁷ Restricted assets in the separate account are not intended to reflect amounts “restricted” only because they are insulated from the general account or because they are attributed to specific policyholders. Separate account assets shall be captured in this disclosure only if they are restricted outside of these characteristics.

⁸ The nature, description and amount of the restriction are required in the disclosure.

New Footnote 1: Items captured in this category shall include assets reported within the financial statements that are pledged to a counterparty that have not been captured in other categories or within paragraph 23.c. Items reported should include, but not be limited to, assets pledged under derivative arrangements.

- c. The amount and nature of any assets received as collateral or assets that are held under modified coinsurance or funds withheld reinsurance agreements, reflected as assets within the reporting entity's financial statements, for which there is a ~~and the~~ recognized liability to return these collateral assets or for the dedicated use of those assets under the modco/funds withheld agreement, in the general and separate accounts in comparison to total assets and admitted assets.

Note to the Financial Statements – 5L

(1) Restricted Assets (Including Pledged)

Disclose the total gross (admitted and nonadmitted) amount of restricted assets by category, with separate identification of the admitted and nonadmitted restricted assets by category and nature of any assets pledged to others as collateral or otherwise restricted (e.g., not under the exclusive control, assets subject to a put option contract, etc.) by the reporting entity. Provide the gross amount of restricted assets (total general account, general account assets supporting separate account activity, total separate account, separate account assets supporting general account activity and sum of the general account and the separate account for current year, prior year and the change between years), the total admitted of restricted assets and the percentage the restricted asset amount (gross and admitted) is of the reporting entity's total assets amount reported on Line 28 of the asset page (gross and admitted respectively) by the following categories:

- a. Subject to contractual obligation for which liability is not shown
- b. Collateral held under security lending agreements
- c. Subject to repurchase agreements
- d. Subject to reverse repurchase agreements
- e. Subject to dollar repurchase agreements
- f. Subject to dollar reverse repurchase agreements
- g. Placed under option contracts
- h. Letter stock or securities restricted as to sale – excluding FHLB capital stock
- i. FHLB capital stock
- j. On deposit with states
- k. On deposit with other regulatory bodies
- l. Pledged collateral to FHLB (including assets backing funding agreements)
- m. Pledged as collateral not captured in other categories
- n. Other restricted assets
- o. Total restricted assets

Note: Items captured “pledged as collateral not captured in other categories” shall include, but not be limited to, assets pledged under derivative arrangements.

(2) Detail of Assets Pledged as Collateral Not Captured in Other Categories

For assets pledged as collateral not captured in other categories reported in aggregate in Note 5L(1) above, provide the gross (admitted and nonadmitted) amount of restricted assets

(total general account, general account assets supporting separate account activity, total separate account, separate account assets supporting general account activity and sum of the general account and the separate account for current year, prior year and the change between years), the total admitted of restricted assets and the percentage the restricted asset amount (gross and admitted) is of the reporting entity's total assets amount reported on Line 28 of the asset page (gross and admitted respectively) with a narrative summary of each collateral agreement included in the aggregate number in Note 5L(1) above. Contracts that share similar characteristics, such as reinsurance and derivatives, are to be reported in the aggregate. (Note: This would be the detail for what was reported as "Pledged as Collateral Not Captured in Other Categories" for 5L(1) above.)

(3) Detail of Other Restricted Assets

For other restricted assets reported in aggregate in Note 5L(1) above, provide the gross (admitted and nonadmitted) amount of restricted assets (total general account, general account assets supporting separate account activity, total separate account, separate account assets supporting general account activity and sum of the general account and the separate account for current year, prior year and the change between years), the total admitted of restricted assets and the percentage the restricted asset amount (gross and admitted) is of the reporting entity's total assets amount reported on Line 28 of the asset page (gross and admitted respectively) with a description of each of the other restricted assets included in the aggregate number in Note 5L(1) above. Contracts that share similar characteristics, such as reinsurance and derivatives, are to be reported in the aggregate. (Note: This would be the detail for what was reported as "Other Restricted Assets" for 5L(1) above.)

(4) Collateral Received and Assets Held under Modco/Funds Withheld Reinsurance Agreements
Reflected as Assets Within the Reporting Entity's Financial Statements

Disclose the following for the general account and separate account regarding collateral received and assets held under modco/funds withheld reinsurance agreements under SSAP No. 1, paragraph 23c:

- Nature of ~~any~~ assets ~~received as collateral~~ reflected ~~as assets~~ within the reporting entity's financial statements
- Book/adjusted carrying value (BACV) of the ~~collateral~~ assets
- Fair value of the ~~collateral~~ assets
- The recognized liability to return ~~these~~ collateral assets or obligation under the Modco/Funds Withheld Reinsurance Agreements
- The percentage the ~~collateral~~ asset BACV amount (gross and admitted) is of the reporting entity's total assets amount reported on Line 26 of the asset page (gross and admitted, respectively).

Illustrations to the Financial Statements – 5L

This illustration includes the presentation of all restricted assets reported on the financial statements for a total comparison to total assets. This includes the items captured in SSAP No. 1, paragraphs 23.b. and 23.c. (Items captured in paragraph 23.c. should have a corresponding liability recognized, therefore there is no capture within the general interrogatories or capture as a noncontrolled asset in the RBC formula.)

Restricted Asset Category	Current Year				12 Amount Reported in General Interrogatories	13 Difference from Note and GI	14 GI Ref
	8 Total Nonadmitted Restricted	9 Total Admitted Restricted (5 minus 8)	10 Percentage Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	11 Admitted Restricted to Total Admitted Assets (d)			
a. Subject to contractual obligation for which liability is not shown	\$	\$	%	%			
b. Collateral held under security lending agreements							25.04+25.05
c. Subject to repurchase agreements							26.21
d. Subject to reverse repurchase agreements							26.22
e. Subject to dollar repurchase agreements							26.23
f. Subject to dollar reverse repurchase agreements							26.24
g. Placed under option contracts							26.25
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock							26.26
i. FHLB capital stock							26.27
j. On deposit with states							26.28
k. On deposit with other regulatory bodies							26.29
l. Pledged as collateral to FHLB (including assets backing funding agreements)							26.31
m. Pledged as collateral not captured in other categories							26.30
n. Other restricted assets							26.32
o. Collateral Assets Received and on Balance Sheet (SSAP 1, Paragraph 23.c)					XXX	XXX	N/A
p. Assets held under Modco Reinsurance Agreements (SSAP 1, Paragraph 23.c)					XXX	XXX	N/A
q. Assets held under Funds Withheld Reinsurance Agreements (SSAP 1, Paragraph 23.c)					XXX	XXX	N/A
eg. Total Restricted Assets (Sum of a through n)	\$	\$	%	%	XXX	XXX	

(c) Column 5 divided by Asset Page, Column 1, Line 28
(d) Column 9 divided by Asset Page, Column 3, Line 28

Reporting entities shall explain the differences between amounts reported in Note 5L(1) and the general interrogatories. This shall include all instances in which an amount is reported in column 13 above.

GI Reference	Difference between Note and GI (Per Column 12 above)	Explanation
25.04+25.05		
26.21		
26.22		

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26.23		
26.24		
26.25		
26.26		
26.27		
26.28		
26.29		
26.31		
26.30		
26.32		

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- (2) Detail of Assets Pledged as Collateral Not Captured in Other Categories (Contracts that Share Similar Characteristics, Such as Reinsurance (excluding modco/FWH) and Derivatives, Are Reported in the Aggregate)

[illegible]

- (a) Subset of column 1
(b) Subset of column 3
(c) Total Line for Columns 1 through 7 should equal $5L(1)m$ Columns 1 through 7 respectively and Total Line for Columns 8 through 10 should equal $5L(1)m$ Columns 9 through 11 respectively

Staff Note – The amount pledged under derivative contracts should agree to Schedule DB and agree to what is subtracted from the life RBC formula.

- (3) Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, Such as Reinsurance (exclude modco/FWH) and Derivatives, Are Reported in the Aggregate)

[illegible]

- (a) Subset of column 1
(b) Subset of column 3
(c) Total Line for Columns 1 through 7 should equal $5L(1)n$ Columns 1 through 7 respectively and Total Line for Columns 8 through 10 should equal $5L(1)n$ Columns 9 through 11 respectively

Staff Question – Are there other broad categories that should be captured in aggregate subtotals?

(4) Collateral Received and Assets Held under Modco/Funds Withheld (FWH) Reinsurance Agreements
Reflected as Assets Within the Reporting Entity's Financial Statements

Collateral Assets	1 Book/Adjusted Carrying Value (BACV)			2 Fair Value			3 % of BACV to Total Assets (Admitted and Nonadmitted *)	4 % of BACV to Total Admitted Assets **
	Collateral	Modco	FWH	Collateral	Modco	FWH		
General Account:								
a. Cash, Cash Equivalents and Short-Term Investments	\$			\$			%	%
b. Schedule D, Part 1				.....			%	%
c. Schedule D, Part 2, Section 1				.....			%	%
d. Schedule D, Part 2, Section 2				.....			%	%
e. Schedule B				.....			%	%
f. Schedule A				.....			%	%
g. Schedule BA, Part 1				.....			%	%
h. Schedule DL, Part 1	.....			.....			%	%
i. Other							%	%
j. Total Collateral Assets (a+b+c+d+e+f+g+h +i)	Collateral	Modco	FWH	Collateral	Modco	FWH	%	%
Separate Account:								
k. Cash, Cash Equivalents and Short-Term Investments	\$			\$			%	%
l. Schedule D, Part 1	.....			.....			%	%
m. Schedule D, Part 2, Section 1	.....			.....			%	%
n. Schedule D, Part 2, Section 2	.....			.....			%	%
o. Schedule B	.....			.....			%	%
p. Schedule A	.....			.....			%	%
q. Schedule BA, Part 1	.....			.....			%	%
r. Schedule DL, Part 1	.....			.....			%	%
s. Other							%	%
t. Total Collateral Assets	Collateral	Modco	FWH	Collateral	Modco	FWH	%	%

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(k+l+m+n+o+p+q+r+s)								
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* j = Column 1 divided by Asset Page, Line 26 (Column 1)
t = Column 1 divided by Asset Page, Line 27 (Column 1)

** j = Column 1 divided by Asset Page, Line 26 (Column 3)
t = Column 1 divided by Asset Page, Line 27 (Column 3)

	1 Amount	2 % of Liability to Total Liabilities *
u. Recognized Obligation to Return Collateral Asset (General Account)	\$	%
v. Recognized Obligation to Return Collateral Asset (Separate Account)	\$	%

* u = Column 1 divided by Liability Page, Line 26 (Column 1)
v = Column 1 divided by Liability Page, Line 27 (Column 1)

u. <u>Recognized Obligation for Modco assets (General Account)</u>	<u>\$</u>	<u>.....</u> %
v. <u>Recognized Obligation for Modco assets (Separate Account)</u>	<u>\$</u>	<u>.....</u> %

* u = Column 1 divided by Liability Page, Line 26 (Column 1)
v = Column 1 divided by Liability Page, Line 27 (Column 1)

u. <u>Recognized Obligation for FWH (excluding Modco) assets (General Account)</u>	<u>\$</u>	<u>.....</u> %
v. <u>Recognized Obligation for FWH (excluding Modco) assets (Separate Account)</u>	<u>\$</u>	<u>.....</u> %

* u = Column 1 divided by Liability Page, Line 26 (Column 1)
v = Column 1 divided by Liability Page, Line 27 (Column 1)

(4) Disclose whether any of the assets held as collateral or under modified coinsurance (Modco) or funds withheld reinsurance (FWH) agreements have been pledged for another purpose specific to the insurance reporting entity. For example, if the insurance reporting entity has used these assets as the collateral in a securities lending agreement, a repo transaction, pledged as collateral to the FHLB, etc. (For Modco/FWH assets, items pledged on behalf of the reinsurer shall not be captured.)

	<u>Collateral Held</u>	<u>Modco</u>	<u>FWH</u>
a. <u>Securities Lending</u>	<u>.....</u>		
b. <u>Repo / repurchase Agreements</u>	<u>.....</u>		
c. <u>Placed under option contracts</u>	<u>.....</u>		
d. <u>On deposit with states</u>	<u>.....</u>		
e. <u>On deposit with other regulatory bodies</u>	<u>.....</u>		
f. <u>Pledged as collateral to FHLB (including assets backing funding agreements)</u>	<u>.....</u>		

g. Pledged as collateral not captured in other categories	_____		
Total			

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Proposed Language for a Referral to the Life RBC (E) Working Group:

MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS
LR045, LR046, LR047 and LR048

References to MODCO and funds withheld reinsurance agreements apply to all treaties in effect.

Basis of Factors

When the default risk in modified coinsurance (MODCO) and other reinsurance transactions with funds withheld is transferred, this transfer should be recognized by reducing the RBC for the ceding company and increasing it for the assuming company. **In the event that the entire asset credit or variability in statement value risk associated with the assets supporting the business reinsured is not transferred to the assuming company for the entire duration of the reinsurance treaty, the RBC for the ceding company should not be reduced. For clarity, if the Modco/Funds Withheld reinsurance agreement asset held as of the year-end date has been used as a pledged asset for any purpose specific to the ceding insurance reporting entity at any time during the year, the RBC for the ceding company shall not be reduced. For example, if the Modco/Funds Withheld reinsurance agreement asset held as of the year-end date was the collateral in a securities lending, repurchase or FHLB transaction by the ceding entity at any time over the year, then the reporting entity cannot assert that they have transferred the asset risk or variability and RBC shall not be reduced.**

Staff Review Completed by: Julie Gann, NAIC Staff—October 2024

On November 17, 2024, the Statutory Accounting Principles (E) Working Group moved this item to the active listing categorized as a SAP clarification and exposed revisions illustrated in the recommendation above to SSAP No. 1 as well as corresponding proposed revisions to the Annual Statement instructions/template for the restricted asset disclosure in Note 5L to specify how Modco and FWH assets reported within a ceding company's financial statements shall be reported. The exposed revisions also include a new disclosure to identify whether Modco/FWH assets are pledged by the ceding entity as well as expanded disclosures to detail differences between what is reported in the restricted asset note and what is in the general interrogatories.

On March 24, 2025, Statutory Accounting Principles (E) Working Group adopted, as final, revisions to SSAP No. 1—*Accounting Policies, Risks & Uncertainties, and Other Disclosures*, to be effective year-end 2025, to specify how modco/fund withheld assets shall be captured as restricted assets with minor edits to clarify the “amount” reflected is “book/adjusted carrying value” and to incorporate a December 31, 2025 effective date. The action also included noted support for the Blanks (E) Working Group proposal to revise the Annual Statement instructions/template for the restricted asset disclosure to specify how Modco and FWH assets reported within a ceding company's financial statements shall be reported as well as to expand the restricted asset disclosure as recommended within this agenda item and detail differences between what is reported in the restricted asset footnote and what is in the general interrogatories. With adoption, the Working Group also directed a referral to the Life Risk-Based Capital (E) Working Group to clarify the instructions for Modco or Funds Withheld Reinsurance Agreements for LR045, LR046, LR047 and LR048. The Working Group proposed the following language for consideration by the Life RBC (E) Working Group:

MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS
LR045, LR046, LR047 and LR048

References to MODCO and funds withheld reinsurance agreements apply to all treaties in effect.

Basis of Factors

When the default risk in modified coinsurance (MODCO) and other reinsurance transactions with funds withheld is transferred, this transfer should be recognized by reducing the RBC for the ceding company and increasing it for the assuming company. In the event that the entire asset credit or variability in statement value risk associated with the assets supporting the business reinsured is not transferred to the assuming company for the entire duration of the reinsurance treaty, the RBC for the ceding company should not be reduced. For clarity, if any portion of a Modco/Funds Withheld reinsurance agreement asset held as of the year-end date has been used as a pledged asset concurrently with the pledged asset being included as a Modco/Funds Withheld reinsurance agreement asset for any purpose specific to the ceding insurance reporting entity at any time during the year, the RBC for the ceding company shall not be reduced. For example, if any portion of a Modco/Funds Withheld reinsurance agreement asset held as of the year-end date was the collateral in a securities lending, repurchase, or FHLB transaction executed for the benefit of by the ceding entity at any time over the year concurrently with the pledged asset being included as a Modco/Funds Withheld reinsurance agreement asset, then RBC shall not be reduced. In situations where the economic benefit received from pledging the assets inure to the reinsurer throughout the duration of the reinsurance treaty, the cedant is allowed to reduce its RBC for those assets.

The adopted SSAP No. 1 revisions, with the changes to reference BACV in paragraphs 23b and 23c as well as to incorporate effective date guidance in paragraph 34 are shown as shaded tracked revisions below:

SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures

24. Reporting entities shall disclose⁹ the following information in the financial statements:

- a. Amounts not recorded in the financial statements that represent segregated funds held for others, the nature of the assets and the related fiduciary responsibilities associated with such assets. One example of such an item is escrow accounts held by title insurance companies; and
- b. The total combined (admitted and nonadmitted) ~~amount-book/adjusted carrying value (BACV)~~ of restricted assets by category, with separate identification of the admitted and nonadmitted restricted assets by category, and nature of any assets pledged to others as collateral or otherwise restricted (e.g., not under the exclusive control, assets subject to a put option contract, etc.)¹⁰ in the general and separate accounts¹¹ by the reporting entity in comparison to total assets and total admitted assets. (Pursuant to SSAP No. 4, paragraph 6, all assets pledged as collateral or otherwise restricted shall be reported in this disclosure regardless if the asset is considered an admitted asset.) Reporting entities shall also disclose differences in the amounts reported in this note versus the amounts reported for the same categories in the general interrogatories. This disclosure shall include the following restricted asset categories:

- xv. Reported assets subject to contractual obligation for which liability is not shown;

⁹ Disclosure of restricted assets shall be included in the annual financial statements and, pursuant to the Preamble, in the interim financial statements if significant changes have occurred since the annual statement. If significant changes have occurred, the entire disclosure shall be reported in the interim financial statements.

¹⁰ The aggregate information captured within this disclosure is intended to reflect the information reported in the Annual Statement Investment Schedules in accordance with the coding of investments that are not under the exclusive control of the reporting entity, including assets loaned to others and the information reported in the General Interrogatories, as well as information on restricted cash, cash equivalents and short-term investments.

¹¹ Restricted assets in the separate account are not intended to reflect amounts “restricted” only because they are insulated from the general account or because they are attributed to specific policyholders. Separate account assets shall be captured in this disclosure only if they are restricted outside of these characteristics.

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- xvi. Collateral held under security lending agreements;
- xvii. Assets subject to repurchase agreements;
- xviii. Assets subject to reverse repurchase agreements;
- xix. Assets subject to dollar repurchase agreements;
- xx. Assets subject to dollar reverse repurchase agreements;
- xxi. Assets placed under option contracts;
- xxii. Letter stock or securities restricted as to sale¹² – excluding FHLB stock;
- xxiii. FHLB capital stock;
- xxiv. Assets on deposit with states;
- xxv. Assets on deposit with other regulatory bodies;
- xxvi. Pledged as collateral to the FHLB (including assets backing funding agreements);
- xxvii. Assets pledged as collateral not captured in other categories^{EN1}; and
- xxviii. Other restricted assets.

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New Footnote 1: Items captured in this category shall include assets reported within the financial statements that are pledged to a counterparty that have not been captured in other categories or within paragraph 23.c. Items reported should include, but not be limited to, assets pledged under derivative arrangements.

- c. The book/adjusted carrying value (BACV) amount and nature of any assets received as collateral or assets that are held under modified coinsurance or funds withheld reinsurance agreements, reflected as assets within the reporting entity's financial statements, for which there is a and the recognized liability to return these collateral assets or for the dedicated use of those assets under the modco/funds withheld agreement, in the general and separate accounts in comparison to total assets and admitted assets.

Effective Date and Transition

34. This statement is effective for years beginning January 1, 2001. A change resulting from the adoption of this statement shall be accounted for as a change in accounting principle in accordance with SSAP No. 3—*Accounting Changes and Corrections of Errors*. The guidance in paragraphs 17-22, requiring evaluation and disclosure of substantial doubt about an entity's ability to continue as a going concern is effective December 31, 2016, and is required for interim and annual reporting periods thereafter. Early application is permitted. The update to Section 3, Summary Investment Schedule, of Appendix A-001 is effective January 1, 2019. Revisions to the restricted asset disclosure to include information on assets held under modified coinsurance and funds withheld reinsurance agreements, and to require the restricted asset disclosure in quarterly financial statements are effective December 31, 2025.

¹² The nature, description and amount of the restriction are required in the disclosure.