

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

DATE: <u>3/20/2025</u>		FOR NAIC USE ONLY	
CONTACT PERSON:	_____	Agenda Item # <u>2025-12BWG</u>	
TELEPHONE:	_____	Year <u>2025</u>	
EMAIL ADDRESS:	_____	Changes to Existing Reporting ☐ [X]	
ON BEHALF OF:	_____	New Reporting Requirement ☐ []	
NAME:	<u>Dale Bruggeman</u>	REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT	
TITLE:	<u>Chair SAPWG</u>	No Impact ☐ [X]	
AFFILIATION:	<u>Ohio Department of Insurance</u>	Modifies Required Disclosure ☐ []	
ADDRESS:	<u>50W. Town St., 3rd Fl., Ste. 300</u>	Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? ☐ [No]	
	<u>Columbus, OH 43215</u>	***If Yes, complete question below***	
		DISPOSITION	
		☐ [] Rejected For Public Comment	
		☐ [] Referred To Another NAIC Group	
		☐ [] Received For Public Comment	
		☒ [X] Adopted Date <u>5/29/2025</u>	
		☐ [] Rejected Date _____	
		☐ [] Deferred Date _____	
		☐ [] Other (Specify) _____	

BLANK(S) TO WHICH PROPOSAL APPLIES

- | | | |
|---|---|---|
| ☒ [X] ANNUAL STATEMENT | ☐ [X] INSTRUCTIONS | ☐ [] CROSSCHECKS |
| ☐ [] QUARTERLY STATEMENT | ☐ [X] BLANK | |
| ☒ [X] Life, Accident & Health/Fraternal | ☐ [X] Separate Accounts | ☐ [] Title |
| ☐ [] Property/Casualty | ☐ [] Protected Cell | ☐ [] Other _____ |
| ☐ [] Health | ☐ [] Health (Life Supplement) | ☐ [] Life (Health Supplement) |

Anticipated Effective Date: Annual 2025

IDENTIFICATION OF ITEM(S) TO CHANGE

"Remove" Line 8 – Unrated Multi-Class Securities Acquired by Conversion from AVR: Default Component – Basic Contribution. Relabel the line with "intentionally left blank" to prevent renumbering all lines in the AVR schedule and to be used in the future if there are other AVR updates.

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

This proposal relabeling Line 8 – Unrated Multi-Class Securities Acquired by Conversion because after review NAIC staff does not believe this historical line should be retained in the AVR schedule as there should be no securities reported within this line under current statutory accounting concepts. (SAPWG Ref # 2025-06)

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:

ANNUAL STATEMENT INSTRUCTIONS –LIFE/FRATERNAL

ASSET VALUTATION RESERVE

DEFAULT COMPONENT –

BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS

This supporting form is used to calculate the basic contribution, reserve objective and maximum reserve amount for the bond, preferred stock, derivative instruments and mortgage loan sub-components of the default component of the AVR. Instructions apply to the general account and the separate accounts, if applicable.

Column 5 – Basic Contribution Factor

These factors, on average, will provide an amount that approximates expected annual losses.

Include: The reserve factor calculated for mortgage loans.

Column 7 – Reserve Objective Factor

These factors are set to provide an accumulation level estimated to cover, in the aggregate, about 85% of the distribution of losses for each asset category.

Include: The reserve factor calculated for mortgage loans.

Column 9 – Maximum Reserve Factor

These factors define the largest amount that may be accumulated in the AVR. They operate to limit the level of AVR in periods of unusual capital gains or when voluntary reserves are added to the AVR.

Include: The reserve factor calculated for mortgage loans.

Lines 1 through 7 – Long-Term Bonds

Report the book/adjusted carrying value of all bonds and other fixed income instruments owned in Columns 1 and 4. Categorize the bonds and other fixed income instruments into NAIC designations 1 through 6 as directed by the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*, except that, exempt obligations should be reported separately. Multiply the amount in Column 4 for each designation by the reserve factors provided in Columns 5, 7 and 9, and report the products by designation in Columns 6, 8 and 10, respectively.

Line 8 – ~~Total Unrated Mortgage-Backed/Asset-Backed Securities Acquired by Conversion~~ Intentionally Left Blank

~~“Unrated Mortgage-Backed/Asset-Backed Securities Acquired by Conversion” are securities acquired through the conversion of a portion of the company’s assets, on or after January 1, 1993, into securities for which the company does not obtain a rating from an NAIC recognized rating agency and for which there is no recourse liability.~~

~~For instructions for completing this line, refer to “Basic Contribution, Reserve Objective and Maximum Reserve Calculation for Unrated Mortgage-Backed/Asset-Backed Securities Acquired by Conversion.”~~

BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
FOR UNRATED MULTI-CLASS SECURITIES ACQUIRED BY CONVERSION

~~Assets may be converted into securities backed by the underlying assets. Rated bond classes of these multi-class mortgage-backed/asset-backed securities should be assigned Asset Valuation Reserve (AVR) factors consistent with comparably rated bonds.~~

~~A company may hold an "Unrated Multi-Class Security Acquired by Conversion" defined as a security acquired through the conversion of a portion of the company's assets, on or after January 1, 1993, into securities for which the company does not obtain a rating from an NAIC recognized rating agency and for which there is no recourse liability.~~

~~In such cases, the rating agency that rates a portion of the newly created security would establish the credit quality of the entire asset pool being securitized. The maximum reserve for the unrated security is the lesser of: (a) 100% of the maximum reserve for the entire pool associated with the unrated security as rated by an SVO approved rating agency, or (b) the book/adjusted carrying value of the unrated security. The reserve objective is equal to the maximum reserve. The basic contribution is equal to 33% of the maximum reserve.~~

~~This treatment does not occur when a reporting entity bears continuing actual or contingent liability arising from the securitization of any assets.~~

~~Any company which enters into such a transaction must prepare and include with its filed annual statement a schedule prepared in accordance with the following general guidelines to support the calculation of the reserve amounts to be reported on Page 29, Line 8.~~

ANNUAL STATEMENT BLANK –LIFE/FRATERNAL

**ASSET VALUATION RESERVE
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
DEFAULT COMPONENT**

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	Basic Contribution		Reserve Objective		Maximum Reserve	
							5 Factor	6 Amount (Cols. 4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols. 4x9)
		LONG-TERM BONDS										
1		Exempt Obligations		XXX	XXX		0.0000		0.0000		0.0000	
2.1	1	NAIC Designation Category 1.A		XXX	XXX		0.0002		0.0007		0.0013	
2.2	1	NAIC Designation Category 1.B		XXX	XXX		0.0004		0.0011		0.0023	
2.3	1	NAIC Designation Category 1.C		XXX	XXX		0.0006		0.0018		0.0035	
2.4	1	NAIC Designation Category 1.D		XXX	XXX		0.0007		0.0022		0.0044	
2.5	1	NAIC Designation Category 1.E		XXX	XXX		0.0009		0.0027		0.0055	
2.6	1	NAIC Designation Category 1.F		XXX	XXX		0.0011		0.0034		0.0068	
2.7	1	NAIC Designation Category 1.G		XXX	XXX		0.0014		0.0042		0.0085	
2.8		Subtotal NAIC 1 (2.1+2.2+2.3+2.4+2.5+2.6+2.7)		XXX	XXX		XXX		XXX		XXX	
3.1	2	NAIC Designation Category 2.A		XXX	XXX		0.0021		0.0063		0.0105	
3.2	2	NAIC Designation Category 2.B		XXX	XXX		0.0025		0.0076		0.0127	
3.3	2	NAIC Designation Category 2.C		XXX	XXX		0.0036		0.0108		0.0180	
3.4		Subtotal NAIC 2 (3.1+3.2+3.3)		XXX	XXX		XXX		XXX		XXX	
4.1	3	NAIC Designation Category 3.A		XXX	XXX		0.0069		0.0183		0.0262	
4.2	3	NAIC Designation Category 3.B		XXX	XXX		0.0099		0.0264		0.0377	
4.3	3	NAIC Designation Category 3.C		XXX	XXX		0.0131		0.0350		0.0500	
4.4		Subtotal NAIC 3 (4.1+4.2+4.3)		XXX	XXX		XXX		XXX		XXX	
5.1	4	NAIC Designation Category 4.A		XXX	XXX		0.0184		0.0430		0.0615	
5.2	4	NAIC Designation Category 4.B		XXX	XXX		0.0238		0.0555		0.0793	
5.3	4	NAIC Designation Category 4.C		XXX	XXX		0.0310		0.0724		0.1034	
5.4		Subtotal NAIC 4 (5.1+5.2+5.3)		XXX	XXX		XXX		XXX		XXX	
6.1	5	NAIC Designation Category 5.A		XXX	XXX		0.0472		0.0846		0.1410	
6.2	5	NAIC Designation Category 5.B		XXX	XXX		0.0663		0.1188		0.1980	
6.3	5	NAIC Designation Category 5.C		XXX	XXX		0.0836		0.1498		0.2496	
6.4		Subtotal NAIC 5 (6.1+6.2+6.3)		XXX	XXX		XXX		XXX		XXX	
7	6	NAIC 6		XXX	XXX		0.0000		0.2370		0.2370	
8		Total Unrated Multi-Class Securities Acquired by Conversion Intentionally Left Blank	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
9		Total Long-Term Bonds (Sum of Lines 1+2.8+3.4+4.4+5.4+6.4 +7+8)		XXX	XXX		XXX		XXX		XXX	
		PREFERRED STOCKS										
10	1	Highest Quality		XXX	XXX		0.0005		0.0016		0.0033	
11	2	High Quality		XXX	XXX		0.0021		0.0064		0.0106	
12	3	Medium Quality		XXX	XXX		0.0099		0.0263		0.0376	
13	4	Low Quality		XXX	XXX		0.0245		0.0572		0.0817	
14	5	Lower Quality		XXX	XXX		0.0630		0.1128		0.1880	
15	6	In or Near Default		XXX	XXX		0.0000		0.2370		0.2370	
16		Affiliated Life with AVR		XXX	XXX		0.0000		0.0000		0.0000	
17		Total Preferred Stocks (Sum of Lines 10 through 16)		XXX	XXX		XXX		XXX		XXX	

ANNUAL STATEMENT BLANK –SEPARATE ACCOUNTS

ASSET VALUATION RESERVE
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
DEFAULT COMPONENT

Line Number	NAIC Designation	Description	1 Book / Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	Basic Contribution		Reserve Objective		Maximum Reserve	
							5 Factor	6 Amount (Cols. 4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols. 4x9)
LONG-TERM BONDS												
1		Exempt Obligations		XXX	XXX		0.0000		0.0000		0.0000	
2.1	1	NAIC Designation Category 1.A		XXX	XXX		0.0002		0.0007		0.0013	
2.2	1	NAIC Designation Category 1.B		XXX	XXX		0.0004		0.0011		0.0023	
2.3	1	NAIC Designation Category 1.C		XXX	XXX		0.0006		0.0018		0.0035	
2.4	1	NAIC Designation Category 1.D		XXX	XXX		0.0007		0.0022		0.0044	
2.5	1	NAIC Designation Category 1.E		XXX	XXX		0.0009		0.0027		0.0055	
2.6	1	NAIC Designation Category 1.F		XXX	XXX		0.0011		0.0034		0.0068	
2.7	1	NAIC Designation Category 1.G		XXX	XXX		0.0014		0.0042		0.0085	
2.8		Subtotal NAIC 1 (2.1+2.2+2.3+2.4+2.5+2.6+2.7)		XXX	XXX		XXX		XXX		XXX	
3.1	2	NAIC Designation Category 2.A		XXX	XXX		0.0021		0.0063		0.0105	
3.2	2	NAIC Designation Category 2.B		XXX	XXX		0.0025		0.0076		0.0127	
3.3	2	NAIC Designation Category 2.C		XXX	XXX		0.0036		0.0108		0.0180	
3.4		Subtotal NAIC 2 (3.1+3.2+3.3)		XXX	XXX		XXX		XXX		XXX	
4.1	3	NAIC Designation Category 3.A		XXX	XXX		0.0069		0.0183		0.0262	
4.2	3	NAIC Designation Category 3.B		XXX	XXX		0.0099		0.0264		0.0377	
4.3	3	NAIC Designation Category 3.C		XXX	XXX		0.0131		0.0350		0.0500	
4.4		Subtotal NAIC 3 (4.1+4.2+4.3)		XXX	XXX		XXX		XXX		XXX	
5.1	4	NAIC Designation Category 4.A		XXX	XXX		0.0184		0.0430		0.0615	
5.2	4	NAIC Designation Category 4.B		XXX	XXX		0.0238		0.0555		0.0793	
5.3	4	NAIC Designation Category 4.C		XXX	XXX		0.0310		0.0724		0.1034	
5.4		Subtotal NAIC 4 (5.1+5.2+5.3)		XXX	XXX		XXX		XXX		XXX	
6.1	5	NAIC Designation Category 5.A		XXX	XXX		0.0472		0.0846		0.1410	
6.2	5	NAIC Designation Category 5.B		XXX	XXX		0.0663		0.1188		0.1980	
6.3	5	NAIC Designation Category 5.C		XXX	XXX		0.0836		0.1498		0.2496	
6.4		Subtotal NAIC 5 (6.1+6.2+6.3)		XXX	XXX		XXX		XXX		XXX	
7	6	NAIC 6		XXX	XXX		0.0000		0.2370		0.2370	
8		Total Unrated Multi-class Securities Acquired by Conversion/Intentionally Left Blank	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
9		Total Bonds (1+2.8+3.4+4.4+5.4+6.4+7+8)		XXX	XXX		XXX		XXX		XXX	
PREFERRED STOCKS												
10	1	Highest Quality		XXX	XXX		0.0005		0.0016		0.0033	
11	2	High Quality		XXX	XXX		0.0021		0.0064		0.0106	
12	3	Medium Quality		XXX	XXX		0.0099		0.0263		0.0376	
13	4	Low Quality		XXX	XXX		0.0245		0.0572		0.0817	
14	5	Lower Quality		XXX	XXX		0.0630		0.1128		0.1880	
15	6	In or Near Default		XXX	XXX		0.0000		0.2370		0.2370	
16		Affiliated Life with AVR		XXX	XXX		0.0000		0.0000		0.0000	
17		Total Preferred Stocks (Sum of Lines 10 through 16)		XXX	XXX		XXX		XXX		XXX	

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