

**NAIC BLANKS (E) WORKING GROUP**

**Blanks Agenda Item Submission Form**

<p align="right">DATE: <u>3/20/2025</u></p> <p>CONTACT PERSON: _____</p> <p>TELEPHONE: _____</p> <p>EMAIL ADDRESS: _____</p> <p>ON BEHALF OF: _____</p> <p>NAME: <u>Dale Bruggeman</u></p> <p>TITLE: <u>Chair SAPWG</u></p> <p>AFFILIATION: <u>Ohio Department of Insurance</u></p> <p>ADDRESS: <u>50W. Town St., 3<sup>rd</sup> Fl., Ste. 300</u> <u>Columbus, OH 43215</u></p>	<p align="center"><b>FOR NAIC USE ONLY</b></p> <p>Agenda Item # <u>2025-13BWG</u></p> <p>Year <u>2025</u></p> <p>Changes to Existing Reporting <input type="checkbox"/> [ X ]</p> <p>New Reporting Requirement <input type="checkbox"/> [ ]</p> <hr/> <p align="center"><b>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</b></p> <p>No Impact <input checked="" type="checkbox"/> [ X ]</p> <p>Modifies Required Disclosure <input type="checkbox"/> [ ]</p> <p>Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? <input type="checkbox"/> [ No ]</p> <p><i>***If Yes, complete question below***</i></p> <p align="center"><b>DISPOSITION</b></p> <p><input type="checkbox"/> [ ] Rejected For Public Comment</p> <p><input type="checkbox"/> [ ] Referred To Another NAIC Group</p> <p><input type="checkbox"/> [ ] Received For Public Comment</p> <p><input type="checkbox"/> [ ] Adopted Date _____</p> <p><input type="checkbox"/> [ ] Rejected Date _____</p> <p><input type="checkbox"/> [ ] Deferred Date _____</p> <p><input type="checkbox"/> [ ] Other (Specify) _____</p>
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**BLANK(S) TO WHICH PROPOSAL APPLIES**

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

Anticipated Effective Date: Annual 2025

**IDENTIFICATION OF ITEM(S) TO CHANGE**

Update Notes to Financial Statements Note 13K with disclosure updates to *SSAP No. 41 – Surplus Notes*

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

The purpose of this proposal is to add clarity to the guidance for reporting certain debt securities as capital notes in scope of *SSAP No. 41 – Surplus Notes*. (SAPWG Ref # 2024-28)

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

**NAIC STAFF COMMENTS**

Comment on Effective Reporting Date: \_\_\_\_\_

Other Comments:

\*\* This section must be completed on all forms.

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

**13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations**

Instruction:



**Detail Eliminated To Conserve Space**

**K. Surplus Notes**

For each surplus debenture or similar obligation, except those surplus notes required or those that are a prerequisite for purchasing an insurance policy and are held by the policyholder, furnish the following information:

- Date issued
- Description and fair value of the assets received
- ~~Holder of the note or, if public, the names of the underwriter and trustee with identification on whether the holder of the surplus note is a related party per SSAP No. 25~~
- Original issue amount of note
- Carrying value of note (current year and prior year)
- The rate at which interest accrues
- Maturity dates or repayment schedules, if stated
- Unapproved interest and/or principal
- Approved interest recognized and principal paid current year and life-to-date
- Percentage of interest payments offset through administrative offsetting (not inclusive of amounts paid to a 3<sup>rd</sup> party liquidity provider). I.E., if \$100 in interest was recognized through the year, \$10 of which was remitted to a 3<sup>rd</sup> party liquidity provider and the remainder \$90 was offset, the reporting entity shall report 100% as offset.
- Disclosure of whether the surplus note was issued as part of a transaction with any of the following attributes:
  - ❖ Do surplus note/associated asset terms negate or reduce cash flow exchanges, and/or are amounts payable under surplus note and amounts receivable under other agreements contractually linked (For example, the asset provides interest payments only when the surplus note provides interest payments).
  - ❖ Are any amounts due under surplus notes and associated assets netted or offset (partially or in full) thus eliminating or reducing the exchange of cash or assets that would normally occur throughout the duration, or at maturity, of the agreement (This may be referred to as administrative offsetting.)
  - ❖ Were the proceeds from the issuance of a surplus note used to purchase an asset directly or indirectly from the holder of the surplus note.
- Principal amount value of assets received upon Surplus Note issuance, if applicable.
- Subordination terms
- Liquidation preference to the reporting entity's common and preferred shareholders
- The repayment conditions and restrictions

- Information about any guarantees, support agreements, or related party transactions associated with the surplus note issuance, and whether payments have been made under such agreements.

If a reporting entity has ceded business to a surplus note issuer that is a related party as part of a reinsurance transaction in which the surplus note meets any of the criteria above, the ceding entity shall provide a description of the transaction, including whether the criteria above were met with respect to the surplus note issuance, as long as the reinsurance agreement remains in force.

The ceding entity should provide a description of the risks reinsured, the related party reinsurer, any guarantees or support agreements and the amount of notes outstanding.

- If the proceeds from the issuance of a surplus note used to purchase an asset directly or indirectly from the holder of the surplus note, the following information shall be disclosed regarding the assets received:
  - Identification of asset, including the investment schedule where the asset is reported and reported NAIC designation;
  - Book/adjusted carrying value of asset as of the current reporting date.
  - A description of terms under which liquidity would be provided should a triggering event occur.
- In addition to the above, a reporting entity shall identify all related parties and affiliates that hold any portion of a surplus debenture or similar obligation (including an offering registered under the Securities Act of 1933 or distributed pursuant to Rule 144A under the Securities Act of 1933), ~~and any holder of 10% or more of the outstanding amount of any surplus note registered under the Securities Act of 1933 or distributed pursuant to Rule 144A under the Securities Act of 1933.~~

**NOTE:** For the table illustrated for the disclosures above provide an “Item Number” (4 digits) to identify each surplus note being disclosed and should remain the same between years.

**Detail Eliminated To Conserve Space**

K. The Company issued the following surplus debentures or similar obligations:

1	2	3	4	5	6	7	8
Item Number	Date Issued	Interest Rate	Original Issue Amount of Note	Is Surplus Note Holder a Related Party (Y/N)	Carrying Value of Note Prior Year	Carrying Value of Note Current Year *	Unapproved Interest And/Or Principal
.....	.....	.....	\$ .....	.....	\$ .....	\$ .....	\$ .....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
Total	XXX	XXX	\$ .....	XXX	\$ .....	\$ .....	\$ .....

\* Total should agree with Page 3, Line 32.

1	9	10	11	12	13	14
Item Number	Current Year Interest Expense Recognized	Life-To-Date Interest Expense Recognized	Current Year Interest Offset Percentage (not including amounts paid to a 3 <sup>rd</sup> party liquidity provider).	Current Year Principal Paid	Life-To-Date Principal Paid	Date of Maturity
.....	\$ .....	\$ .....	.....	\$ .....	\$ .....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
Total	\$ .....	\$ .....	XXX	\$ .....	\$ .....	XXX

1	15	16	17	18	19
Item Number	Are Surplus Note payments contractually linked? (Y/N)	Surplus Note payments subject to administrative offsetting provisions? (Y/N)	Were Surplus Note proceeds used to purchase an asset directly from the holder of the surplus note? (Y/N)	Is Asset Issuer a Related Party (Y/N)	Type of Assets Received Upon Issuance
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
Total	XXX	XXX	XXX	XXX	XXX

1	20	21	22
Item Number	Principal Amount of Assets Received Upon Issuance	Book/Adjusted Carry Value of Assets	Is Liquidity Source a Related Party to the Surplus Note Issuer? (Y/N)
.....	\$ .....	\$ .....	.....
.....	.....	.....	.....
.....	.....	.....	.....
Total	\$ .....	\$ .....	XXX

The surplus note in the amount of \$ \_\_\_\_\_, listed as item \_\_\_\_\_ in the above table, was issued to \_\_\_\_\_ (parent) in exchange for \_\_\_\_\_.

The surplus note, in the amount of \$ \_\_\_\_\_, listed as item \_\_\_\_\_ in the above table, was issued pursuant to Rule 144A under the Securities Act of 1933, ~~underwritten by \_\_\_\_\_, and is administered by \_\_\_\_\_ as trustee.~~

The surplus note has the following repayment conditions and restrictions: (e.g., Each payment of interest on and principal of the surplus notes may be made only with the prior approval of the Commissioner of Insurance of the State and only to the extent the Company has sufficient surplus earnings to make such payment).

The surplus note has the following subordination terms: (e.g., The Notes will rank *pari passu* with any other future surplus notes of the Parent and with all other similarly subordinated claims).

The liquidation preference to the insurer's common and preferred shareholders are as follows: (e.g., In the event that the Parent is subject to such a proceeding, holders of Indebtedness, Policy Claims and Prior Claims would be afforded a greater priority under the Liquidation Act and the terms of the Notes and, accordingly, would have the right to be paid in full before any payments of interest or principal are made to Note holders).

~~The surplus debenture in the amount of \$ \_\_\_\_\_, listed as item \_\_\_\_\_ in above table, is held by \_\_\_\_\_ (an affiliate).~~

~~The surplus debenture in the amount of \$ \_\_\_\_\_, listed as item \_\_\_\_\_ in above table, was issued pursuant to Rule 144A under the Securities Act of 1933, and is held by \_\_\_\_\_ in the following ownership percentage \_\_\_\_\_ (10% or more).~~

The \_\_\_\_\_ (an affiliate) holds \$ \_\_\_\_\_ or \_\_\_\_\_ % of the surplus debenture listed as item \_\_\_\_\_ in the above table.

The Company has outstanding \$ \_\_\_\_\_ of \_\_\_\_\_ % debentures due in 20\_\_ issued on \_\_/\_\_/20\_\_. The carrying amount of the debt is \$ \_\_\_\_\_ with an effective rate of \_\_\_\_%. The debentures are not redeemable prior to 20\_\_. The Company is required to make annual sinking fund payments of \$ \_\_\_\_\_ that will provide sufficient funds for the retirement of debentures at maturity. Interest paid during 20\_\_ was \$ \_\_\_\_\_.

The Company has an outstanding liability for borrowed money in the amount of \$ \_\_\_\_\_ due to \_\_\_\_\_ on \_\_/\_\_/20\_\_. The principal amount is due 20\_\_. At the option of the Company, early repayment may be made. Interest at \_\_\_\_% is required to be paid annually. Interest paid during 20\_\_ was \$ \_\_\_\_\_. The Company is required to maintain a collateral security deposit with the lender. Assets in such security deposit are required to be maintained in a fair value amount at least equal to the outstanding principal. At December 31, 20\_\_, assets having an admitted value of \$ \_\_\_\_\_ and a fair value of \$ \_\_\_\_\_ were on deposit with the lender.