NAIC BLANKS (E) WORKING GROUP

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DATE: 10/15/2018

FOR NAIC USE ONLY

Agenda Item # 2018-30BWG MOD
Year 2019
Changes to Existing Reporting [ X ]
New Reporting Requirement [ ]

REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT
No Impact [ X ]
Modifies Required Disclosure [ ]

DISPOSITION
[ ] Rejected For Public Comment
[ ] Referred To Another NAIC Group
[ ] Received For Public Comment
[ X ] Adopted Date 04/06/2019
[ ] Rejected Date
[ ] Deferred Date
[ ] Other (Specify)

BLANK(S) TO WHICH PROPOSAL APPLIES

[ X ] ANNUAL STATEMENT
[ ] QUARTERLY STATEMENT
[ X ] INSTRUCTIONS
[ ] CROSSCHECKS

[ X ] Title
[ ] Other

Anticipated Effective Date: Annual 2019

IDENTIFICATION OF ITEM(S) TO CHANGE

Modify instructions and illustration Note 10O (SCA Loss Tracking) to include references to SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies and SSAP No. 48 entities.

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

The purpose of this proposal include loss tracking disclosures from SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies adopted by the Statutory Accounting Principles (E) Working Group in Note 10O (SCA Loss Tracking).

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:__________________________

Other Comments:

** This section must be completed on all forms. Revised 7/18/2018
10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

Instruction:

The financial statements shall include disclosures of all material related party transactions. In some cases, aggregation of similar transactions may be appropriate. Sometimes, the effect of the relationship between the parties may be so pervasive that disclosure of the relationship alone will be sufficient. If necessary to the understanding of the relationship, disclose the name of the related party. Transactions shall not be purported to be arm’s-length transactions unless there is demonstrable evidence to support such statement. Note 10 is primarily for SCA’s under SSAP No. 97 but the disclosure for 10O should also be completed of SSAP No. 48 entities. The disclosures shall include:

A. The nature of the relationship involved.

O. SCA and SSAP 48 Entity Loss Tracking

A reporting entity whose share of losses in an SCA or SSAP 48 entity exceeds its investment in the SCA or SSAP 48 entity shall disclose its share of losses. (This is required regardless of a guarantee or commitment of future financial support to the SCA or SSAP 48 entity.) The disclosure shall apply beginning in the period the SCA or SSAP 48 entity investment initially falls below zero and shall continue to be disclosed as long as the SCA or SSAP 48 entity investment is in a deficit position. Tracking shall cease once the investment in an SCA or SSAP 48 entity has been in a surplus position for one annual reporting period.

This disclosure shall include:

- The name of the SCA or SSAP 48 entity
- The reporting entity’s current period share of SCA or SSAP 48 entity net income (loss)
- The reporting entity’s accumulated share of SCA or SSAP 48 entity losses not recognized during the period that the equity method was suspended
- The reporting entity’s share of the SCA or SSAP 48 entity equity, including negative equity
- Whether a guaranteed obligation or commitment for financial support exists
- The SCA or SSAP 48 entity’s reported value

Additionally, the reporting entity shall detail in a narrative disclosure whether losses in the SCA or SSAP 48 entity have impacted other investments as required by INT 00-24: EITF 98-13: Accounting by an Equity Method Investor for Investee Losses When the Investor Has Loans to and Investments in Other Securities of the Investee and EITF 99-10: Percentage Used to Determine the Amount of Equity Method Losses.
O. **SCA or SSAP 48 Entity Loss Tracking**

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**NOTE:** This disclosure is only required for SCA or SSAP 48 entities in which the reporting entity’s share of losses exceeds the investment in an SCA or SSAP 48 entity. (The SCA or SSAP 48 entity investment is in a negative equity position). This disclosure shall apply beginning in the period the investment in the SCA or SSAP 48 entity equity initially falls below zero and shall continue to be disclosed as long as the SCA or SSAP 48 entity investment is in a negative equity position. The disclosure is required whenever an investment in an SCA or SSAP 48 entity is in a negative equity position and in the first year subsequent to the negative equity position in which a positive equity position has been attained.

For Column 6, as detailed in SSAP No. 97 and SSAP No. 48, once the reporting entity’s share of losses equals or exceeds the investment in the SCA or SSAP 48 entity, the SCA or SSAP 48 entity shall be reported at zero, with discontinuation of the equity method, unless there is a guaranteed obligation or a commitment for future financial support. If there is a guaranteed obligation or a commitment for future financial support, the guarantee requirement shall be recognized pursuant to SSAP No. 5R, and the reporting entity shall report the investment in the SCA or SSAP 48 entity reflecting its share of losses as a contra-asset. *(Disclosure of the guarantee or commitment would be captured in Note 14 and is not duplicated in this disclosure.)*
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