

2019 NAIC QUARTERLY STATEMENT INSTRUCTIONS – TITLE

JAN 2019 REVISIONS

PAGE 188:

SCHEDULE DB, PART B, SECTION 1

Revision:

Correct column number references

Reason:

Reference to range of electronic only columns and those for derivative finance premiums reference the wrong starting column number.

EDITOR'S NOTE:

The above changes are highlighted within the attached instructions that follow this page.

Recent Blanks (E) Working Group Agenda Items (Exposure Drafts) may be viewed in detail at the following web site:

www.naic.org/cmte_e_app_blanks.htm.

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Column 16	–	Highly Effective Hedges – Deferred Variation Margin
		This represents the variation margin that has been deferred and, therefore, not recognized as an unrealized or realized gain (loss) or as investment income.
		Note: If the entire amount of the variation margin was deferred, the amount reported will be the same as is reported in Column 15.
Column 17	–	Highly Effective Hedges – Change in Variation Margin Gain (Loss) Used to Adjust Basis of Hedged Item
		This represents the variation margin used in the current year to adjust the basis of a hedged item.
Column 18	–	Cumulative Variation Margin for All Other Hedges
		On long contracts, show the number of contracts (Column 2) times the difference between the reporting date price (Column 12) and transaction price (Column 11) times the futures value of one (1) point (Column 22).
		On short contracts, show the number of contracts (Column 2) times the difference between the transaction price (Column 11) and the reporting date price (Column 12) times the futures value of one (1) point (Column 22).
Column 19	–	Change in Variation Margin Gain (Loss) Recognized in Current Year
		This represents the variation margin recognized as an unrealized or realized gain (loss) or as investment income for the year.
		This column will be populated for highly effective futures hedging at fair value and All Other futures.
		This column will not be populated for highly effective futures hedging at amortized cost.
Column 20	–	Potential Exposure
		Potential Exposure is a statistically derived measure of the potential increase in derivative instrument risk exposure, for derivative instruments that generally do not have an initial cost paid or consideration received, resulting from future fluctuations in the underlying interests upon which derivative instruments are based.
		For futures, the Potential Exposure = (Initial Margin per contract on the valuation date, set by the exchange on which contract trades) x (the number of contracts open on the valuation date).

Column 21 – Hedge Effectiveness at Inception / and at Quarter-end

For hedge transactions, show, as a percentage, expressed as (XX / YY), where “XX” shows the hedge effectiveness percentage at inception and “YY” shows the hedge effectiveness percentage at reporting date.

For example, 100.45% hedge effectiveness at inception and 94.90% hedge effectiveness on December 31 of the current year is reported as “100 / 95.”

Round to the nearest whole percentage. Do not use decimals.

When hedge effectiveness cannot be calculated, enter a reference code number in this column (e.g., 0001, 0002, etc.) then disclose the financial or economic impact of the hedge at the end of the reporting period in Schedule DB footnotes for each reference code number used in the schedule.

A reference code number may be used multiple times in this column to indicate the same explanation.

For example: 0001 Reduces bond portfolio duration by .2 years.

a) Fair Value Hedges:

How much of the change in value of the hedged item(s) was hedged by the change in value of the derivative, both:

- At the inception of the derivative transaction.
- At reporting date.

b) Cash Flow Hedges:

How much of the change in cash flows or present value of cash flows of the hedged item(s) was hedged by the change in cash flows or present value of cash flows of the derivative, both:

- At the inception of the derivative transaction.
- At reporting date.

Column 22 – Value of One (1) Point

This represents the monetary value of a one (1) point move in a futures position published by the exchange. This monetary value of one (1) point is utilized in the calculation of the futures’ variation margin.

**** Column 23 through 29 will be electronic only. ****

Column 23 – Legal Entity Identifier (LEI)

Provide the 20-character Legal Entity Identifier (LEI) for counterparty as assigned by a designated Local Operating Unit. If no LEI number has been assigned, leave blank.

****Columns 24 through 29 are for derivatives with financing premiums****

Column 24 – Total Undiscounted Premium Cost

Report the total, undiscounted (contractual) cost to acquire/enter into the derivative.