**Review of all Blanks Schedules and Instructions**

**Bond Proposal**

With the bond proposal, and the revised reporting lines and column information along with a new Schedule D-1-2, NAIC staff has completed a review of all blanks schedules and reporting instructions to identify where corresponding edits should be considered. This document identifies all noted instances and an initial NAIC staff recommendation.

**Blanks Pages:**

1. **Asset Page**: Schedule reports “Bonds” on Line 1.

*A/S Blanks:*  No revisions are proposed for these schedules. Information captured will reflect bonds reported as both issuer credit obligations on D-1-1 and asset-backed securities on D-1-2.

*Instructions*: The instructions need to be updated to refer to *SSAP No. 43R—Asset-Backed Securities* and identify that all ABS are reported as bonds regardless of if maturity date is less than one year from acquisition.

1. **Cash Flow**: Schedule includes transactions that involve “cash” with cash, cash equivalents and short-term investments all considered to be captured as “cash”. Under this guidance, an exchange of cash for a short-term bond would not be captured as the exchange did not change the beginning or ending cash balance.

*A/S Blanks:*  A slight revision is proposed to line 13 as there is a reference to “(long-term only)” for investments acquired. For clarity, this will be revised to reflect “(exclude cash equivalents and short-term investments).” Only investments that are reported as short-term or cash equivalents shall be excluded, and some investments that have maturity dates less than one year from acquisition (which are not long-term) are excluded from SSAP No. 2R.

*Instructions*: Revisions are proposed to clarify the SSAP No. 2R exclusion with elimination of the reference for ‘long-term investments.’ Further revisions are not considered necessary, bonds will continue to reflect SSAP No. 26R and SSAP No. 43R investments.

1. **Exhibit of Net Investment Income and Exhibit of Capital Gain (Losses)**: Schedules provide information divided by U.S. Government bonds, Bonds exempt from U.S. Tax, Other bonds (unaffiliated) and Bonds of affiliates.

*A/S Blanks:*  No revisions are proposed for these schedules. Information captured will reflect bonds reported as both issuer credit obligations and asset-backed securities.

*Instructions*: There are no current instructions for the reporting lines, so no updates are necessary. (The reporting line for Bonds exempt from U.S. Tax is applicable to Property/Casualty entities only.)

1. **Exhibit of Nonadmitted Assets**: Schedule details nonadmitted assets using the same reporting lines as the asset page.

*A/S Blanks:*  No revisions are proposed for this schedule. Information captured will reflect bonds reported as both issuer credit obligations and asset-backed securities.

*Instructions*: There are no current instructions for the reporting lines, so no updates are necessary.

1. **Note to Financial Statements**: Details disclosures (both narrative and data templates) based on SSAP requirements.

*A/S Blanks:*  Instructions only.

*Instructions*: Revisions are needed to reflect updated disclosures from SSAP No. 26R and SSAP No. 43R. Additionally, the following are specifically noted:

***1.C – Summary of Significant Accounting Policies – Accounting Policy***: NAIC staff has identified that the examples included for how investments are stated are not in line with the AP&P Manual. Revisions will be proposed to update to reflect the statutory accounting guidelines with a note that variations from the AP&P Manual should be identified as a departure from NAIC SAP and also disclosed in Note 1 as a permitted or prescribed practice. (These examples go beyond the bond project but include a number of investments.)

***5.D – Loan-Backed Securities:*** This section will be updated for the disclosures in *SSAP No. 43R—Asset-Backed Securities.*

***5.F – Repo Illustrations***: References to LB&SS will be revised to ABS.

***5.L(4) – Collateral Received and Reflected as Assets within the Reporting Entity’s Financial Statements***: This schedule details collateral assets reported on Schedule D-1. This schedule is proposed to capture information on Schedule D-1-1 and Schedule D-1-2.

***5.O 5GI Securities***: This schedule details LB&SS and will be revised to ABS.

***5.P – Short Sales***: This unsettled short sales disclosure provides transactions divided by bonds, common stocks and preferred stocks. Revisions will be proposed to separate bonds by D-1-1 and D-1-2.

***20.A(1) – Fair Value Measurements at Reporting Date***: This illustration divides bonds by U.S. Govt, Industrial and Misc, Hybrid Securities, and Parents, Subsidiaries and Affiliates. This schedule will be updated to reflect consolidated lines for the new reporting lines for issuer credit obligations and ABS.

***20.A(2) Fair Value Measurements in Level 3 of the Fair Value Hierarchy***: This illustration has examples of assets for LB&SS for RMBS and CMBS. Updates to the examples will be incorporated to reflect ABS, and investments more likely to be within level 3 of the fair value hierarchy.

***20.A(4)C & D – Fair Value***: These illustrations provide information on fair value based on type of financial instrument. The current disclosure includes ‘bonds’ but could be revised to separate between D-1-1 and D-1-2

***21.F(3) – Subprime Mortgage-Related Risk Exposure***: This disclosure provides information for subprime mortgage related risk exposure. The narrative identifies direct investments to include, RMBS, CMBS, collateralized debt obligations, and structured securities (including principal-protected notes). Aggregation is required based on these investment types. Revisions will be incorporated to reflect current terms – such as collateralized loan obligations and asset-backed securities. Additionally, principal protected notes will no longer have a reference to include with structured securities (ABS), but the instructions will indicate to include within the ‘other asset’ category.

1. **General Interrogatories**: Details information on specific financial statement components.

***31 – Statement Value to Fair Value***: It is uncertain to the extent this chart is currently used, so feedback on whether to delete this GI schedule is requested. (The current schedule compares the “statement” value of admitted bonds and preferred stocks to fair value with a broad over/under calculation.)

If retention of the schedule is supported, comments on the info / comparison intended are welcome. If retained, it is anticipated that the illustration will separate bonds into issuer credit obligations and asset backed securities, and separate preferred stock into redeemable and perpetual preferred securities. (Since perpetual is reported at fair value, it could be excluded from the schedule as the amount reported would be identical to row 2.1 column 1 and column 2 on the balance sheet.) Also, unless there is an intent to only report admitted assets, the reference to statement value (admitted) will be revised to reflect book adjusted carrying value. These changes would result with a comparison of BACV to fair value per the noted categories.

1. **Five-Year Historical Data**: Details disclosures (both narrative and data templates) based on SSAP requirements.

*A/S Blanks:*  This schedule details bonds with a tie to the asset page line 1, and affiliated bonds with a tie to the Schedule D Summary, Line 12, Col 1. These references may need to be updated to reflect updated lines.

*Instructions*: Revisions to update the source location (reporting line) as needed for other revisions.

1. **Interest Maintenance Reserve**: Captures interest-related capital gains and losses and amortizes them into income.

*A/S Blanks:*  No revisions needed.

*Instructions*: Revisions are needed to update references to loan-backed and structured securities to asset-backed securities. Revisions are also needed to incorporate guidance for debt securities that do not qualify as bonds in scope of SSAP No. 21R. (The SSAP No. 21R guidance will mirror the SSAP No. 43R guidance, so only a reference is needed.) In reviewing the current instructions, there is guidance for bond mutual funds, which is no longer an SVO listing, therefore that guidance is also proposed to be removed.

1. **Asset Valuation Reserve**: Captures credit-related capital gains and losses and the recognition into surplus.

*A/S Blanks:*  No revisions needed.

*Instructions*: Revisions are needed to update references to loan-backed and structured securities to asset-backed securities. Revisions are also needed to incorporate guidance for debt securities that do not qualify as bonds in scope of SSAP No. 21R that are reported on BA. (The location of these items in the AVR will drive the factor in the RBC calculation.) As there are line number references to the investment schedules, those will need to be reviewed and updated once reporting lines references have been established. In reviewing the current instructions, there is guidance for bond mutual funds, which is no longer an SVO listing, therefore that guidance is also proposed to be removed.

1. **Investment Schedule General Instructions**: Definitions and directions for all investment schedules

*Instructions*: Update these instructions pursuant to the proposal of the SAPWG.

1. **Summary Investment Schedule**: Schedule provides a list of investments with a break-down of bonds using the prior ‘general categories.’

*A/S Blank:* With the elimination of the general categories, revisions need to be reflected. Rather than duplicate all of the reporting lines on D-1-1 and D-1-2, the following breakouts are proposed:

1.1 – Issuer Credit Obligations (Schedule D, Part 1 – Section 1)

* U.S. Government (includes both US Govt Obligations and Other US Govt Securities)
* Non-US Sovereign Jurisdiction Securities
* Municipal Bonds (Includes both General Obligation and Special Revenue)
* SVO Identified Funds / Mortgage Loan CTLs (Includes both SVO Identified ETFs and CTLs)
* All Other Issuer Credit Obligations - Unaffiliated
* All Other Issuer Credit Obligations – Affiliated
* Total Issuer Credit Obligations

1.2 – Asset-Backed Securities (Schedule D, Part 1 – Section 2)

* Financial Asset-Backed Securities – Self Liquidating - Unaffiliated
* Financial Asset-Backed Securities – Self Liquidating - Affiliated
* Financial Asset-Backed Securities – Not Self-Liquidating – Unaffiliated
* Financial Asset-Backed Securities – Not Self-Liquidating – Affiliated
* Non-Financial Asset-Backed Securities – Unaffiliated
* Non-Financial Asset-Backed Securities – Affiliated
* Total Asset-Backed Securities
* Total Bonds

*Instructions:* With the revisions to the reporting lines for bonds, the instructions would also need corresponding revisions to direct what is included in each line and to identify whether cross-checks can be included.

1. **Verification Between Years**: Completes a reconciliation of each investment class from prior to current year.

*A/S Blanks:*  Overall format will not be revised. Updates are required to reference updated schedules and columns.

*Instructions*: Similar revisions to instructions to update schedule references.

1. **Schedule D – Verification Between Years**: This schedule refers to specific reporting columns from existing D-1 (bonds), D-2-1 (preferred stock) and D-2-2 (common stock) to complete the verification (e.g., unrealized changes, foreign exchange changes, and OTTI recognized).
2. **Schedule D – Summary by Country**: Includes summarized amounts by major classifications divided into US, Canadian and Other Countries. (Allocation is intended to be consistent with investment schedule coding as foreign or domestic.)

*A/S Blanks:*  With the elimination of the general categories, revisions need to be reflected. A simplified schedule is proposed. (If it is preferred to have consistency, the same breakout proposed for the Summary Investment Schedule could be used for this schedule.)

Proposed Simplified Schedule:

1.1 – Issuer Credit Obligations (Schedule D, Part 1 – Section 1)

* Governments and Municipals
* All Other Issuer Credit Obligations - Unaffiliated
* All Other Issuer Credit Obligations – Affiliated
* Total Issuer Credit Obligations

1.2 – Asset-Backed Securities (Schedule D, Part 1 – Section 2)

* Total Asset-Backed Securities
* Total Bonds

*Instructions*: With the revisions to the reporting lines for bonds, the instructions would also need corresponding revisions to direct what is included in each line and to identify whether cross-checks can be included.

1. **Schedule D – Part 1A – Section 1**: Captures aggregate BACV of all bond holdings by quality, designation, maturity and bond categories. Current reporting includes the “general categories.”

*A/S Blanks:*  With the elimination of the general categories, revisions need to be reflected. For Part 1A, Section 1, which divides by NAIC designation by maturity timeframe. The revisions propose to use the same categories as D-1-1 and D-1-2, with additional categories to identify total affiliated and unaffiliated. With these changes, as the information will be shown for both NAIC designation and specific line in one schedule, Schedule D – Part 1A – Section 2 is proposed to be deleted.

1.1 – Issuer Credit Obligations (Schedule D, Part 1 – Section 1)

U.S. Government Obligations

Other U.S. Government Securities

Non-U.S. Sovereign Jurisdiction Securities

Municipal Bonds – General Obligations

Municipal Bonds – Special Revenue

Project Finance Bonds Issued by Operating Entities – Unaffiliated / Affiliated

Corporate Bonds – Unaffiliated / Affiliated

Mandatory Convertible Bonds – Unaffiliated / Affiliated

Single Entity Backed Obligations – Unaffiliated / Affiliated

SVO-Identified Bond Exchange Traded Funds – Fair Value

SVO-Identified Bond Exchange Traded Funds – Systematic Value

Bonds Issued from SEC-Registered Business Development Corps, CEF & REITS - Unaffiliated / Affiliated

Bank Loans – Issued - Unaffiliated / Affiliated

Bank Loans – Acquired – Unaffiliated / Affiliated

Mortgages Loans that Qualify as SVO-Identified Credit Tenant Loans - Unaffiliated / Affiliated

Certificates of Deposit

Other Issuer Credit Obligations - Unaffiliated / Affiliated

1.2 – Asset-Backed Securities (Schedule D, Part 1 – Section 2)

**Financial Asset-Backed Securities – Self-Liquidating**

Agency Residential Mortgage-Backed Securities - Guaranteed

Agency Commercial Mortgage-Backed Securities - Guaranteed

Agency Residential Mortgage-Backed Securities – Not Guaranteed

Agency Commercial Mortgage-Backed Securities – Not Guaranteed

Non-Agency Residential Mortgage-Backed Securities (Unaffiliated / Affiliated)

Non-Agency Commercial Mortgage-Backed Securities (Unaffiliated / Affiliated)

Non-Agency – CLOs / CBOs / CDOs (Unaffiliated / Affiliated)

Other Financial Asset-Backed Securities - Self-Liquidating (Unaffiliated / Affiliated)

**Total Financial Asset-Backed Securities -** Self-Liquidating **(Unaffiliated / Affiliated)**

**Financial Asset-Backed Securities – Not Self-Liquidating**

Equity Backed Securities (Unaffiliated / Affiliated)

Other Financial Asset Backed Securities – Not Self-Liquidating (Unaffiliated / Affiliated)

**Total Financial Asset-Backed Securities – Not Self Liquidating (Unaffiliated / Affiliated)**

**Non-Financial Asset Backed Securities - Practical Expedient**

Lease-Backed Securities – Practical Expedient (Unaffiliated / Affiliated)

Other Non-Financial Asset-Backed Securities – Practical Expedient (Unaffiliated / Affiliated)

**Total Non-Financial Asset-Backed Securities – Practical Expedient (Unaffiliated / Affiliated)**

**Non-Financial Asset-Backed – Full Analysis**

Lease-Backed Securities – Full Analysis (Unaffiliated / Affiliated)

Other Non-Financial Asset-Backed Securities – Full Analysis (Unaffiliated / Affiliated)

**Total Non-Financial Asset-Backed Securities – Full Analysis (Unaffiliated / Affiliated)**

**Total Affiliated Issuer Credit Obligations**

**Total Unaffiliated Issuer Credit Obligations**

**Total Affiliated Asset-Backed Securities**

**Total Unaffiliated Asset-Backed Securities**

**Total Bonds**

*Instructions*: The instructions will be updated to reflect the updated reporting lines and potential cross-checks.

1. **Schedule D – Part 1A – Section 2**: Captures aggregate BACV of all bond holdings by maturity and subcategories.

*A/S Blanks:* With the expansion of Schedule D – Part 1A – Section 1, this schedule is proposed to be deleted.

1. **Schedule A – Part 1, 2 and 3**: Details Real Estate Investments

*A/S Blanks:*  Consider revisions to the code column to be consistent with Schedule D. (This would make a column specific to the restricted asset code, with an electronic column for other codes.) Could also consider deleting the LEI electronic column. This would not exist for real estate investments.

*Instructions*: Update instructions for changes made. Also delete the code that identifies that assets have been separated between the insulated and non-insulated filing. (Note – The instruction on allocating insulated and non-insulated assets in the separate account blank is proposed to be retained, only the code is being removed.) (Can also compare resulting Schedule D revisions to ensure consistent instruction is used when applicable.)

1. **Schedule B – Part 1, 2 and 3**: Details Mortgage Loan Investments

*A/S Blanks:*  Consider revisions to the code column to be consistent with Schedule D. (This would make a column specific to the restricted asset codes. Since there are no other codes, a separate code column in the electronic only schedule may not be required.) Could also consider deleting the LEI electronic column.

*Instructions*: Update instructions for changes made. Also delete the code that identifies that assets have been separated between the insulated and non-insulated filing. (Can also compare resulting Schedule D revisions to ensure consistent instruction is used when applicable.)

1. **Schedule BA – Part 1, 2 and 3**: Details Other Long-Term Invested Assets

*A/S Blanks:*  Consider revisions to the code column to be consistent with Schedule D. (This would make a column specific to the restricted asset codes. Since there are no other codes, a separate code column in the electronic only schedule may not be required.) Consider other placement revisions for columns (pdf to electronic) to be consistent with Schedule D.

*Instructions*: Update instructions for changes made. Also delete the code that identifies that assets have been separated between the insulated and non-insulated filing. (Can also compare resulting Schedule D revisions to ensure consistent instruction is used when applicable.) Propose to modify the reporting lines and descriptions as follows:

* Add reporting lines for “Debt Instruments That Do Not Qualify as Bonds” – This reporting lines shall have categories for NAIC Designations Assigned by the SVO (unaffiliated and affiliated) and NAIC Designations Not Assigned by the SVO (unaffiliated / affiliated).
* Delete the ‘Capital Notes” reporting line and combine with “Surplus Debentures”.
* Move the reporting lines for “Oil and Gas Production,” Transportation Equipment,” and “Mineral Rights” to subcategories under a new category for “Other Asset Classes” before “Any Other Class of Asset.” NAIC staff recommend a review of these definitions to properly identify what should be included. (If these separate categories are not needed, they could be deleted and included with Any Other Class of Assets.)
* Column 26 – Maturity Date – This is currently limited to non-registered private funds with underlying assets having characteristics of mortgage loans. This column should be used for all BA assets with a stated maturity date. (A fund of mortgage loans would not have a singular date of maturity, so further review of this instruction is also proposed)

1. **Schedule D - Part 1**: Details Long-Term Bonds

*A/S Blanks:* Update for the revised Schedule D-1-1 and D-1-2 discussed by SAPWG

*Instructions*: Update instructions for the revised schedules as discussed by SAPWG

1. **Schedule D – Part 2-1 & 2-2**: Details Preferred Stock and Common Stock

*A/S Blanks:*  Consider revisions to the code column to be consistent with Schedule D. (This would make a column specific to the restricted asset code, with an electronic column for other codes.) Could also consider deleting the LEI electronic column.

*Instructions*: Update instructions for changes made. Also delete the code that identifies that assets have been separated between the insulated and non-insulated filing. (Note – The instruction on allocating insulated and non-insulated assets in the separate account blank is proposed to be retained, only the code is being removed.) (Can also compare resulting Schedule D revisions to ensure consistent instruction is used when applicable.)

1. **Schedule D - Part 3, 4 & 5**: Details Acquisitions and Disposals of Bonds and Stocks

*A/S Blanks:* Update the reporting lines for bonds to (ICO and ABS) for the revised Schedule D-1-1 and D-1-2 discussed by SAPWG. Delete the LEI electronic column.

*Instructions*: Update instructions for changes made. Also delete the code that identifies that assets have been separated between the insulated and non-insulated filing. (Can also compare resulting Schedule D revisions to ensure consistent instruction is used when applicable.)

1. **Schedule D – 6, Section 1 & 2**: Details SCAs

*A/S Blanks:* Can consider deleting the LEI electronic column.

*Instructions*: Update instructions for changes made. (Can also compare resulting Schedule D revisions to ensure consistent instruction is used when applicable.)

1. **Schedule DA - Part 1**: Details Short-Term Investments

*A/S Blanks:* Consider revisions to reflect changes that correspond to Schedule D-1-1 as appropriate.

*Instructions*: Revise the reporting lines to include the Schedule D-1-1 reporting lines. The reporting lines for Schedule D-1-2 will not be included. The other lines for other short-term and short-term mortgage loans will be retained. Update the code column to mirror the instructions for Schedule D-1-1 and incorporate other revisions to mirror instructional changes from Schedule D-1-1.

1. **Schedule DB**: Derivatives

*A/S Blanks:* No revisions are proposed to this schedule.

*Instructions*: No revisions are proposed to this schedule.

1. **Schedule DL – Part 1 & 2**: Securities Lending Collateral Assets

*A/S Blanks:* Consider revisions to the code column to be consistent with Schedule D. (This would make a column specific to the restricted asset code, with an electronic column for other codes.) Could also consider deleting the LEI electronic column.

*Instructions*: Revise the reporting lines to mirror the ICO and ABS reporting lines. The current instructions refer to the reporting lines from other schedules. These will need to be updated based on the revisions to other schedules.

1. **Schedule E – Part 1**: Cash

*A/S Blanks:* Consider deleting the LEI electronic column.

*Instructions*: Delete the instructions for separate account bifurcated assets in the code column.

1. **Schedule E – Part 2**: Cash Equivalents

*A/S Blanks:* Consider revisions to the code column to be consistent with Schedule D. (This would make a column specific to the restricted asset code, with an electronic column for other codes.) Could also consider deleting the LEI electronic column.

*Instructions*: Revise the reporting lines to mirror the ICO reporting lines. (ABS reporting lines will not be included.) The current instructions refer to the reporting lines for certain instructions. These will need to be updated based on the revisions to other schedules. Delete the instructions for separate account bifurcated assets in the code column.

1. **Schedule E – Part 3**: Special Deposits

*A/S Blanks:* No revisions necessary.

*Instructions*: Consider revising the identification of Bond (B) to be ICO or ABS and including a BA code for BA assets.

1. **Supplemental Investment Risks Interrogatories**:

*A/S Blanks:* No revisions necessary.

*Instructions*: References in the instructions point to schedule rows and columns. Update with other revisions.

https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National Meetings/A. National Meeting Materials/2022/Fall - December/Meeting/K3 - Blanks Changes - 11-22-22.docx