

ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE

Accounting Practices and Procedures (E) Task Force Aug. 14, 2024, Minutes

Statutory Accounting Principles (E) Working Group Aug. 13, 2024, Minutes (Attachment One)

Statutory Accounting Principles (E) Working Group May 15, 2024, Minutes (Attachment One-A)

Comments Received on Items Exposed During Feb. 20, 2024, Meeting of the Statutory Accounting Principles (E) Working Group (Attachment One-A1)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2023-16; Schedule BA Reporting Categories (Attachment One-A2)

Comment Letters Received on Items Exposed for 2024 Summer National Meeting (Attachment One-B)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2024-02; ASU 2023-01, Leases (Topic 842), Common Control Arrangements (Attachment One-C)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2024-03; ASU 2023-08, Accounting for and Disclosure of Crypto Assets (Attachment One-D)

Interpretation of the Statutory Accounting Principles (E) Working Group; INT 21-01: Accounting for Cryptocurrencies (Attachment One-E)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2024-08; Consistency Revisions for Residuals (Attachment One-F)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2024-09; SSAP No. 2R – Clarification (Attachment One-G)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2024-14EP; NAIC Accounting Practices and Procedures Manual Editorial and Maintenance Update; March 16, 2024 (Attachment One-H)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2023-26; ASU 2023-06, Disclosure Improvements (Attachment One-I)

Statutory Issue Paper No. 169—Principles-Based Bond Definition (Attachment One-J)

Statutory Accounting Principles (E) Working Group Maintenance Agenda Submission Form A; Ref #2022-12; Review of INT 03-02: Modification to an Existing Intercompany Pooling Arrangement (Attachment One-K)

Interpretation of the Emerging Accounting Issues (E) Working Group; INT 03-02: Modification to an Existing Intercompany Pooling Arrangement (Attachment One-L)

Review of GAAP Exposures for Statutory Accounting (Attachment One-M)

Memorandum Dated Aug. 13, 2024, to the Statutory Accounting Principles (E) Working Group from the Life Actuarial (A) Task Force Regarding Life Actuarial (A) Task Force Coordination with the Statutory Accounting Principles (E) Working Group (Attachment One-N)

Memorandum Dated July 29, 2024, to the Statutory Accounting Principles (E) Working Group from NAIC Staff Regarding IMR Ad Hoc Group – Discussion Update (Attachment One-O)

Blanks (E) Working Group Aug. 7, 2024, Minutes (Attachment Two)

Blanks (E) Working Group May 23, 2024, Minutes (Attachment Two-A)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2023-12BWG Modified; Effective First Quarter 2025; Categorize Debt Securities on Schedule BA that do not Qualify as Bonds under SSAP No. 26—*Bonds* or SSAP No. 43R—*Asset-Backed Securities* and are Captured in Scope of SSAP No. 21R—*Other Invested Assets* (Attachment Two-A1)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2024-01BWG; Effective Annual 2024; Identify Where Common Stock and Preferred Stock Residual Interests Should be Reported on the Investment Schedules (Attachment Two-A2)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2024-02BWG Modified; Effective First Quarter 2025; Remove Categories from Schedule DA, Part 1 and Schedule E, Part 2 that Should be Reported on Schedule BA; Add Clarifying Instructions on What Should be Included in Other Short-Term and Other Cash Equivalent Categories; Make Corresponding Changes to Schedule DA Verification, 5-Year Historical and Asset Valuation Reserve (Attachment Two-A3)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2024-03BWG Modified; Effective Annual 2024; Update General Interrogatory 35 for Private Letter Rating Security Reporting to Clarify What Should be Included (Attachment Two-A4)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2024-04BWG; Effective 2024 Annual; Add Clarifying Language to VM-20 Supplement to Include Separate Accounts Where Applicable (Attachment Two-A5)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2024-05BWG; Effective Annual 2024; Add Clarifying Language to Annual General Interrogatory 29.05 (Quarterly General Interrogatory 17.5) that All Investment Advisors with Discretion to Make Investment Decisions, Including Sub-Advisors, Should be Disclosed through the Interrogatory (Attachment Two-A6)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2024-06BWG; Effective Annual 2024; Property/Casualty: Limit the Requirement to Send Qualification Documentation to Board of Directors Only at the Initial Appointment and Not Annually Thereafter; Title: Update the Instructions so They are More Similar to Property/Casualty Instructions (Attachment Two-A7)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2024-07BWG; Effective Annual 2024; Update the Illustration Under Note 5S(A) – Investments for Net Negative (Disallowed) Interest Maintenance Reserve (IMR) to Add Separate Account Breakout; Add a New General Interrogatory for a Company Attestation for Separate Accounts (Attachment Two-A8)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2024-08BWG; Effective Annual 2024; Update the Interest Maintenance Reserve and Asset Valuation Reserve Instructions for Specific Allocation Guidance for NAIC Designation Changes for Debt Securities (Excluding LBSS), Mortgage Loans, and Perpetual Preferred Stocks (Attachment Two-A9)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2024-09BWG Modified; Effective Annual 2024; Add a Note (5T) to Notes to Financials to be Data Captured to Report the Aggregate Collateral Loans by Qualifying Investment Collateral; Add Crosscheck Between Schedule BA, Part 1 Book Adjusted Carrying Value Column and Note 5(T) Total Line (Attachment Two-A10)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2024-10BWG Modified; Effective Annual 2024; Remove the ACA SSAP No. 107 Disclosure on the Transitional Reinsurance Program and the Risk Corridors Program from Note 24E in the Notes to Financials (Note 24F for Property/Casualty) in the Annual Statement Instructions (Attachment Two-A11)

Blanks (E) Working Group Editorial Revisions to the Blanks and Instructions at the May 23, 2024, Meeting (Attachment Two-A12)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2024-11BWG Modified; Effective Jan. 1, 2025; Update the Annual and Quarterly Instructions and Blanks for the New Market Tax Credit Changes; Changes will be Made to: Annual—Assets, Notes to Financial Statements 5K, 14A, and 21E, AVR, and Schedule BA, Part 1, 3, and Verification Between Years; Quarterly—Assets and Schedule BA, Part 3 and Verification Between Years (Attachment Two-B)

Blanks (E) Working Group Agenda Item Submission Form; Agenda Item #2024-12BWG Modified; Effective Jan. 1, 2025; Update the Quarterly Investment Schedules for Editorial Items to the Bond Project (Schedule D Verification, Schedule D Part 1B, Schedule D Part 3 & 4, Schedule DL Part 1 & 2, and Schedule E Part 1 & 2); Update the Quarterly Investment Schedule General Instructions for Changes Adopted in the Annual Investment Schedule General Instructions (Attachment Two-C)

Memorandum Dated June 18, 2024, to the Blanks (E) Working Group from the Statutory Accounting Principles (E) Working Group Regarding Collateral Loans Backed by Mortgage Loans (Attachment Two-D)

Blanks (E) Working Group Editorial Revisions to the Blanks and Instructions at the Aug. 7, 2024, Meeting (Attachment Two-E)

Accounting Practices and Procedures (E) Task Force 2025 Proposed Charges (Attachment Three)

Draft Pending Adoption

Draft: 8/22/24

Accounting Practices and Procedures (E) Task Force
Chicago, Illinois
August 14, 2024

The Accounting Practices and Procedures (E) Task Force met in Chicago, IL, Aug. 14, 2024. The following Task Force members participated: Cassie Brown, Chair, represented by Jamie Walker (TX); Mike Causey, Vice Chair, represented by Jackie Obusek (NC); Lori K. Wing-Heier represented by David Phifer (AK); Mark Fowler represented by Sheila Travis (AL); Ricardo Lara represented by Laura Clements and Kim Hudson (CA); Andrew N. Mais represented by William Arfanis (CT); Karima M. Woods represented by N. Kevin Brown (DC); Trinidad Navarro represented by Rylynn Brown and Tom Hudson (DE); Michael Yaworsky represented by Jason Reynolds and Bradley Trim (FL); Doug Ommen represented by Kevin Clark (IA); Dean L. Cameron represented by Amber Re and Eric Fletcher (ID); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Mark Griggs (KY); Timothy J. Temple represented by Melissa Gibson (LA); Kevin P. Beagan represented by James McCarthy and John Turchi (MA); Robert L. Carey represented by Vanessa Sullivan (ME); Anita G. Fox represented by Judy Weaver (MI); Grace Arnold represented by Kathleen Orth (MN); Chlora Lindley-Myers represented by John Rehagen and Debbie Doggett (MO); Mike Chaney represented by Josh Ammerman (MS); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Andrea Johnson (NE); D.J. Bettencourt represented by Emily Doherty (NH); Justin Zimmerman represented by David Wolf (NJ); Adrienne A. Harris represented by Bob Kasinow (NY); Judith L. French represented by Dale Bruggeman (OH); Glen Mulready represented by Diane Carter and Eli Snowbarger (OK); Michael Humphreys represented by Diana Sherman (PA); Michael Wise represented by Hinal Patel (SC); Larry D. Deiter represented by Johanna Nickelson (SD); Carter Lawrence represented by Trey Hancock (TN); Scott A. White represented by Doug Stolte and Jennifer Blizzard (VA); Kevin Gaffney represented by Karen Ducharme (VT); Mike Kreidler represented by Steve Drutz (WA); and Nathan Houdek represented by Amy Malm (WI).

1. Adopted its Spring National Meeting Minutes

Walker directed the Task Force to its 2024 Spring National Meeting minutes.

Obusek made a motion, seconded by Malm, to adopt the Task Force's March 17 minutes (*see NAIC Proceedings Spring 2024, Accounting Practices and Procedures (E) Task Force*). The motion passed unanimously.

2. Adopted its 2025 Proposed Charges

Walker stated that the Task Force's proposed charges were unchanged from the current year except for the edits to insert "U.S." before "generally accepted accounting principles" (GAAP) in two places.

Drutz made a motion, seconded by Orth, to adopt the Task Force's 2025 proposed charges (Attachment Three). The motion passed unanimously.

3. Adopted the Report of the Statutory Accounting Principles (E) Working Group

Bruggeman provided the report of the Statutory Accounting Principles (E) Working Group, which met Aug. 13. During this meeting, the Working Group adopted its May 15 and Spring National Meeting minutes.

During its May 15 meeting, the Working Group took the following action:

Draft Pending Adoption

- A. Adopted support and sponsorship for the Schedule BA modified blanks proposal 2023-12BWG, which incorporates revisions for non-bond debt securities pursuant to the principles-based bond project effective Jan. 1, 2025. (Ref #2023-16)
- B. Adopted revisions to *Statement of Statutory Accounting Principles (SSAP) No. 107—Risk-Sharing Provisions of the Affordable Care Act*, which removed the transitional reinsurance program and risk corridor disclosures, as both programs have expired. In addition, the roll-forward illustration in Exhibit B was revised to remove the portion for the transitional reinsurance program and the risk corridors program. (Ref #2014-13)
- C. Exposed revisions to *Issue Paper No. 169: Principles-Based Bond Project*, detailing the discussions and decisions underlying the principles-based bond project. (Ref #2019-21)

Bruggeman stated that the Working Group adopted the following clarifications to statutory accounting guidance:

- A. *SSAP No. 2R—Cash, Cash Equivalents, Drafts, and Short-Term Investments*: Adopted revisions to eliminate lingering references that imply that asset-backed securities (ABS), mortgage loans, or other Schedule BA: Other Long-Term Invested Assets items are permitted to be reported as cash equivalents or short-term investments. (Ref #2024-09)
- B. *SSAP No. 15—Debt and Holding Company Obligations* and *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*: Adopted, with modification, disclosures from *Accounting Standards Update (ASU) 2023-06, Disclosure Improvements* for unused commitments and lines of credit, disaggregated by short-term and long-term, and disclosure of cash flows from derivatives. The remaining disclosures related to repurchase and reverse repurchase agreements were added to agenda item 2024-04 for further consideration as part of that project. (Ref #2023-26)
- C. *SSAP No. 19—Furniture, Fixtures, Equipment, and Leasehold Improvements* and *SSAP No. 73—Health Care Delivery Assets and Leasehold Improvements in Health Care Facilities*: Adopted, with modification, the leasehold improvement guidance from *ASU 2023-01, Leases (Topic 842), Common Control Arrangements*, modified to align with existing guidance and reject the practical expedient for private companies and not-for-profit entities. (Ref #2024-02)
- D. *SSAP No. 20—Nonadmitted Assets*: Adopted revisions clarify that directly-held crypto assets are non-admitted assets and adopted the definition of crypto assets from *ASU 2023-08, Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60), Accounting for and Disclosure of Crypto Assets*. (Ref #2024-03)
- E. *SSAP No. 25—Affiliates and Other Related Parties*, *SSAP No. 63—Underwriting Pools*, and *Interpretation (INT) 03-02: Modification to an Existing Intercompany Pooling Arrangement*: Adopted revisions address transfers of assets when modifying intercompany pooling agreements and nullify INT 03-02. (Ref #2022-12)
- F. *SSAP No. 26R—Bonds*, *SSAP No. 21R—Other Admitted Assets*, *SSAP No. 30R—Unaffiliated Common Stock*, *SSAP No. 32R—Preferred Stock*, *SSAP No. 43R—Loan-Backed and Structured Securities*, and *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies*: Adopted revisions refer to SSAP No. 21R for the residual definition and accounting and reporting guidance. (Ref #2024-08)
- G. *Accounting Practices and Procedures Manual (AP&P Manual) Editorial Revisions*: Adopted revisions remove the “Revised” and “R,” previously intended to identify a substantively revised SSAP, from SSAP titles and SSAP references within the AP&P Manual. (Ref #2024-14EP)

Draft Pending Adoption

- H. *Principles-Based Bond Project Issue Paper*: Adopted Issue Paper No. 169, which details the discussions and decisions underlying the principles-based bond project. (Ref #2019-21)

Bruggeman stated that the Working Group exposed the following statutory accounting principle (SAP) concepts and clarifications to statutory accounting guidance for a public comment period ending Sept. 27, except for agenda items 2024-10 and 2024-15, which have a public comment period ending Nov. 8, and agenda item 2024-01, which has a public comment period ending Sept. 6.

- A. SSAP No. 26R: Exposure clarifies the guidance for debt securities issued by funds with language added to clarify U.S. Securities and Exchange Commission (SEC) registration is a practical safe harbor and should not be utilized as a proxy for other debt securities issued by funds. Debt securities issued by funds must be classified in accordance with the issuer's primary purpose. (Ref #2024-01)
- B. SSAP No. 48, SSAP No. 93—*Low-Income Housing Tax Credit Property Investments*, and SSAP No. 94R—*Transferable State Tax Credits*: Exposure includes clarifications to the accounting guidance. (Ref #2024-18)
- C. SSAP No. 56—*Separate Accounts*: Exposure expands the measurement method guidance and specifies the process to transfer assets for cash between the general account and book-value separate accounts. (Ref #2024-10)
- D. SSAP No. 61R—*Life, Deposit-Type, and Accident and Health Reinsurance*: Re-exposed revisions to incorporate guidance consistent with SSAP No. 62R—*Property and Casualty Reinsurance*, Exhibit A Implementation Questions and Answers (Q&A), question 10. This guidance requires risk transfer to be evaluated in aggregate for contracts with interrelated contract features, such as experience rating refunds. Also exposed a reference to A-791, paragraph 6, guidance for yearly renewable term contracts regarding the entirety of the contract. (Ref #2024-06)
- E. SSAP No. 86—*Derivatives*: Exposed concept agenda item to consider new guidance for interest-rate hedging derivatives that do not qualify as accounting effective hedges under SSAP No. 86 but are used for asset-liability management (ALM). (Ref #2024-15)
- F. SSAP No. 86: Exposed revisions to address debt security investments with derivative components that do not qualify as structured notes. The proposed guidance would require the separation of the derivatives from the debt security and be applicable to "credit repack" investments and any type of debt security with derivative wrappers or components. (Ref #2024-16)
- G. SSAP No. 101—*Income Taxes*: Exposed revisions to reject, with modification, ASU 2023-09, *Improvements to Income Tax Disclosures*. The exposure also proposes to remove one of the existing disclosures detailed within the ASU. (Ref #2024-11)
- H. SSAP No. 108—*Derivatives Hedging Variable Annuity Guarantees*: Exposed revisions update the definition of a clearly defined hedging strategy (CDHS) to reflect the revised guidance pursuant to *Valuation Manual (VM)-01, Definitions for Terms in Requirements*. (Ref #2024-17)
- I. *Appendix A-791 Life and Health Reinsurance Agreements (A-791)*: Re-exposed revisions to remove the first sentence of the A-791, paragraph 2c's Q&A. (Ref #2024-05)

Draft Pending Adoption

- J. *Annual Statement Blanks*: Exposed a new part to the reinsurance Schedule S in the life/fraternal and health annual statement blanks and Schedule F in the property/casualty (P/C) and title annual statement blanks to capture information on modified coinsurance (modco) and funds withheld. (Ref #2024-07)
- K. *Annual Statement Blanks*: Exposed revisions to provide more granular reporting lines for collateral loans. (Ref #2023-28)
- L. *Conforming Repurchase Agreements*: Exposed a memorandum that details an overview and discussion of securities lending and repurchase/reverse repurchase agreements. (Ref #2024-04)
- M. *Current Expected Credit Losses (CECL) Issuer Paper*: Exposed the issue paper drafted to document pre-CECL generally accepted accounting principles (U.S. GAAP) impairment guidance for historical purposes. (Ref #2023-24)
- N. *New Market Tax Credit (NMTC) Project Issue Paper*: Exposed the issue paper detailing the discussions and decisions underlying the NMTC project. (Ref #2022-14)
- O. *Appendix D—Nonapplicable U.S. GAAP Pronouncements*: Exposed agenda item to reject ASU 2024-02, *Codification Improvements* as not applicable to statutory accounting. (Ref #2024-19)
- P. *Bond Project Q&A*: Exposed the Q&A Implementation Guide, which addresses topics in applying the principles-based bond definition. (Ref #2019-21)

Bruggeman stated that the Working Group deferred action on *SSAP No. 27—Off-Balance-Sheet and Credit Risk Disclosures* to allow NAIC staff additional time to confer with interested parties. (Ref #2024-12)

Bruggeman stated that the Working Group received updates on the following:

- A. U.S. GAAP exposures, noting that items will be addressed during the normal maintenance process.
- B. *Valuation Manual* adoptions and updates received, noting that no items identified require coordination under the *NAIC Policy Statement on Coordination with the Valuation Manual*.
- C. Interest Maintenance Reserve (IMR) Ad Hoc Group activities. In addition to an update on the Ad Hoc Group's discussions, this update identified that companies are not consistently reflecting negative IMR in cash flow testing (CFT). Examples were also shared with the Life Actuarial (A) Task Force and Chief Financial Regulators of the correct, incorrect, and potential misreporting that has been noted to assist with the review of domiciliary companies.
- D. Bond project implementation. This update informed that an NAIC self-study educational program is available to all participants without a course fee for 2024.
- E. International Association of Insurance Supervisors (IAIS) Audit and Accounting Working Group activities, including notice of the exposed application paper on climate risk.

Bruggeman made a motion, seconded by Fischer, to adopt the report of the Statutory Accounting Principles (E) Working Group (Attachment One). The motion passed unanimously.

Draft Pending Adoption

4. Adopted the Report of the Blanks (E) Working Group

Doggett provided the report of the Blanks (E) Working Group, which met Aug. 7. During this meeting, the Working Group: 1) adopted its May 23 minutes, which included adoption of its Feb. 21 minutes; and 2) adopted its editorial listing and the following proposals:

- A. 2023-12BWG Modified – Categorize debt securities on Schedule BA that do not qualify as bonds under *SSAP No. 26R—Bonds* or *SSAP No. 43R—Loan-Backed and Structured Securities* and are captured in the scope of *SSAP No. 21R—Other Admitted Assets*.
- B. 2024-01BWG – Update the Investment Schedules General Instructions to identify that common and preferred stock residual interests should be reported on Schedule BA. (Statutory Accounting Principles [E] Working Group agenda item 2023-23).
- C. 2024-02BWG Modified – Remove categories from Schedule DA, Part 1, and Schedule E, Part 2 that should be reported on Schedule BA. Add clarifying instructions on what should be included in the other short-term and other cash equivalent categories.
- D. 2024-03BWG Modified – Update General Interrogatory 35 for private letter (PL) rating security reporting to clarify what should be included.
- E. 2024-04BWG – Add clarifying language to VM-20, Requirements for Principle-Based Reserves for Life Products, supplement in the life blank to include separate accounts where applicable.
- F. 2024-05BWG – Add language to Annual General Interrogatory 29.05 (Quarterly General Interrogatory 17.5) to clarify that all investment advisors that have the discretion to make investment decisions, including sub-advisors, should be disclosed through the interrogatory.
- G. 2024-06BWG – Property/casualty (P/C) changes: Limit the requirement to send qualification documentation to the board of directors only at the initial appointment and not annually thereafter. Title changes: Update the title instructions so they are more similar to the P/C instructions.
- H. 2024-07BWG – Update the illustration under Note 5S(A)—Investments for net negative (disallowed) IMR to add a separate account breakout. Add a new general interrogatory for a company attestation for separate accounts.
- I. 2024-08BWG – Update the IMR and asset valuation reserve (AVR) instructions for specific allocation guidance for NAIC designation changes for debt securities (excluding loan-backed and structured securities [LBSS]), mortgage loans, and perpetual preferred stocks. (Statutory Accounting Principles [E] Working Group agenda items 2023-15 and 2023-29).
- J. 2024-09BWG Modified – Add a note (5T) to the Notes to Financials to be data captured to report the aggregate collateral loans by qualifying investment collateral.
- K. 2024-10BWG Modified – Remove the *SSAP No. 107—Risk-Sharing Provisions of the Affordable Care Act* disclosure on the transitional reinsurance program and the risk corridors program from Note 24E in the Notes to Financials (Note 24F for P/C) in the *Annual Statement Instructions*.

Doggett stated that the May 23 meeting also included the following actions:

- A. Deferred proposal 2024-11BWG – Update the Annual and Quarterly Instructions and Blanks for the New Market Tax Credit changes. Changes that will be made to the Annual include Assets; Notes to Financial

Draft Pending Adoption

Statements 5K, 14A, and 21E; AVR; Schedule BA, Parts 1 and 3; and Verification Between Years. Quarterly changes include Assets; Schedule BA, Part 3; and Verification Between Years. The public comment period ends July 8.

- B. Exposed one proposal with a public comment period ending July 8.

Doggett stated that the Working Group adopted its editorial listing and the following proposals during its Aug. 7 meeting:

- A. 2024-11BWG Modified – Update the Annual and Quarterly Instructions and Blanks for the New Market Tax Credit changes. Changes that will be made to the Annual include Assets; Notes to Financial Statements 5K, 14A, and 21E; AVR; Schedule BA, Parts 1 and 3; and Verification Between Years. Quarterly changes include Assets; Schedule BA, Part 3; and Verification Between Years.
- B. 2024-12BWG Modified – Update the quarterly investment schedules for editorial items to the bond project. (Schedule D Verification; Schedule D, Part 1B; Schedule D, Parts 3 and 4; Schedule DL, Parts 1 and 2; and Schedule E, Parts 1 and 2). Update the Quarterly Investment Schedule General Instructions for the changes that were adopted in the Annual Investment Schedule General Instructions. (Reference: adopted proposal 2023-06BWG).

Doggett stated that during its Aug. 7 meeting, the Working Group received a Statutory Accounting Principles (E) Working Group memorandum regarding instructional changes to the AVR to allow collateral loans backed by mortgage loans to flow through AVR as an “Other Invested Asset with Underlying Characteristics of Mortgage Loans.”

Doggett made a motion, seconded by Bruggeman, to adopt the report of the Blanks (E) Working Group (Attachment Two). The motion passed unanimously.

Having no further business, the Accounting Practice and Procedures (E) Task Force adjourned.

<https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2024 Summer/Summary and Minutes/Minutes APPTF 2024 Summer TPR.docx>

Draft Pending Adoption

Attachment One
Accounting Practices and Procedures (E) Task Force
8/14/24

Draft: 8/27/24

Statutory Accounting Principles (E) Working Group
Chicago, Illinois
August 13, 2024

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force met in Chicago, IL, Aug. 13, 2024. The following Working Group members participated: Dale Bruggeman, Chair (OH); Kevin Clark, Vice Chair (IA); Sheila Travis and Richard Russel (AL); Kim Hudson (CA); William Arfanis and Michael Estabrook (CT); Rylynn Brown (DE); Cindy Andersen (IL); Melissa Gibson and Bill Werner (LA); Judy Weaver (MI); Keith Nyhan (NH); Bob Kasinow (NY); Diana Sherman (PA); Jamie Walker (TX); Doug Stolte and Jennifer Blizzard (VA); and Amy Malm and Elena Vetrina (WI). Also participating was David Wolf (NJ).

1. Adopted its May 15 and Spring National Meeting Minutes

Bruggeman directed the Working Group to its May 15 and March 16 minutes. During its May 15 meeting, the Working Group took the following action: 1) adopted support and sponsorship for the Schedule BA modified blanks proposal 2023-12BWG, which incorporates revisions for non-bond debt securities pursuant to the principles-based bond project effective Jan. 1, 2025 (Ref #2023-16); 2) adopted revisions to *Statement of Statutory Accounting Principles (SSAP) No. 107—Risk-Sharing Provisions of the Affordable Care Act*, which: a) removed the transitional reinsurance program and risk corridor disclosures as both programs have expired; and b) removed the portion for the transitional reinsurance program and the risk corridors program from the roll-forward illustration in Exhibit B (Ref #2014-13); and 3) exposed revisions to the principles-based bond project, which detailed discussions of the project. (Ref #2019-21).

Additionally, the Working Group met Aug. 8 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) and paragraph 6 (consultations with NAIC staff related to NAIC technical guidance) of the NAIC Policy Statement on Open Meetings, to discuss the Summer National Meeting agendas.

Sherman made a motion, seconded by Walker, to adopt the Working Group's May 15 (Attachment One-A) and March 16 minutes (*see NAIC Proceedings – Spring 2024, Accounting Practices and Procedures (E) Task Force, Attachment One*). The motion passed unanimously.

2. Reviewed Comments on Non-Contested Positions

The Working Group reviewed comments on non-contested positions (Attachment One-B).

A. Ref #2024-02

Bruggeman directed the Working Group to agenda item 2024-02: *Accounting Standards Update (ASU) 2023-01, Leases (Topic 842), Common Control Arrangements* (Attachment One-C). Jake Stultz (NAIC) stated that ASU 2023-01 focuses on two issues, both related to private company stakeholders' concerns about applying Topic 842 to related party arrangements between entities under common control. The first issue provides a practical expedient for private companies and not-for-profit entities that are not conduit bond obligors, and the second issue involves the accounting for leasehold improvements associated with a lease between entities under common control. Stultz stated that interested parties had no comments on this item and that NAIC staff recommend the Working Group adopt, with modification, ASU 2023-01 in *SSAP No. 19—Furniture, Fixtures, Equipment and Leasehold*

Draft Pending Adoption

Attachment One
Accounting Practices and Procedures (E) Task Force
8/14/24

Improvements and SSAP No. 73—Health Care Delivery Assets and Leasehold Improvements in Health Care Facilities.

B. Ref #2024-03

Bruggeman directed the Working Group to agenda item *2024-03: ASU 2023-08, Accounting for and Disclosure of Crypto Assets* (Attachment One-D). Stultz stated that, on March 16, the Working Group exposed revisions to adopt, with modification, *ASU 2023-08, Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60), Accounting for and Disclosure of Crypto Assets* in *SSAP No. 20—Nonadmitted Assets* and with the intent of also nullifying *Interpretation (INT) 21-01: Accounting for Cryptocurrencies* (Attachment One-E). The adoption of this agenda item incorporates guidance in *SSAP No. 20* that crypto assets are nonadmitted assets for statutory accounting. Stultz stated that interested parties had no comments on this item and that NAIC staff recommend that the Working Group adopt the exposed revisions to *SSAP No. 20* and nullify *INT 21-01* upon the adoption of this agenda item, as the revisions to *SSAP No. 20* also incorporate and expand guidance previously in *INT 21-01*.

C. Ref #2024-08

Bruggeman directed the Working Group to agenda item *2024-08: Consistency Revisions for Residuals* (Attachment One-F). Julie Gann (NAIC) stated that on March 16, the Working Group exposed revisions to incorporate consistency revisions for residual tranches and residual security interests. Over the last few years, various revisions have been incorporated for residual interests. These began with revisions to clarify the reporting on Schedule BA (instead of Schedule D-1) along with the residual definition and guidance within each investment *SSAP* to highlight that residuals shall be captured on Schedule BA. Although these revisions were necessary to immediately address the reporting of residuals, the discussions that accompanied these revisions noted that conforming revisions would be needed coinciding with the effective date of the principles-based bond definition guidance to have consistency in guidance location, terminology, and definitions. Gann stated that, with the revisions to *SSAP No. 21—Other Admitted Assets*, to provide the accounting and reporting for residuals, all residuals, regardless of investment structure, shall follow the guidance detailed in *SSAP No. 21* and be reported on Schedule BA. She stated that to ensure consistency in definitions and guidance, this agenda item proposes to centralize residual guidance within *SSAP No. 21* and use a consistent approach in the other investment *SSAPs* to exclude residuals from their scope and direct companies to *SSAP No. 21*. Gann stated that interested parties support the proposed changes and that NAIC staff recommend that the Working Group adopt the exposed revisions, to be effective Jan. 1, 2025. These changes incorporate consistency revisions for residuals so that all *SSAPs* refer to *SSAP No. 21* for the formal definition and accounting and reporting guidance. This adoption also includes revisions to *SSAP No. 26—Bonds*, *SSAP No. 30—Unaffiliated Common Stock*, *SSAP No. 32—Preferred Stock*, *SSAP No. 43—Asset-Backed Securities*, and *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies*. The effective date of Jan. 1, 2025, is necessary to mirror the effective date of the *SSAP No. 21* guidance.

D. Ref #2024-09

Bruggeman directed the Working Group to agenda item *2024-09: SSAP No. 2R—Clarification* (Attachment One-G). Gann stated on March 16, the Working Group exposed revisions to *SSAP No. 2—Cash, Cash Equivalents, Drafts and Short-Term Investments*. This agenda item has been developed to update the guidance in *SSAP No. 2* to remove a lingering reference to items that have been removed from scope, pursuant to the bond project (asset-backed securities—ABS) or from agenda item 2023-17 (mortgage loans and Schedule BA assets). The edits are focused on the guidance that addresses “rolling” cash equivalents and short-term investments in which there is a continued reference to *SSAP No. 43* investments and “other invested assets.” This guidance has been revised to

Draft Pending Adoption

Attachment One
Accounting Practices and Procedures (E) Task Force
8/14/24

only reflect items in the scope of SSAP No. 2. Gann stated that interested parties have no comments and that NAIC staff recommend that the Working Group adopt the exposed revisions to SSAP No. 2 to eliminate lingering references that imply that ABS, mortgage loans, and other Schedule BA items are permitted to be reported as cash equivalents or short-term investments.

E. Ref #2024-14EP

Bruggeman directed the Working Group to agenda item *2024-14EP: Accounting Practices and Procedures Manual Editorial* (Attachment One-H). Stultz stated that on March 16, the Working Group exposed agenda item 2024-14EP, which proposed to remove the “Revised” and “R” previously intended to identify a substantively revised SSAP from SSAP titles and SSAP references within the *Accounting Practices and Procedures Manual* (AP&P Manual). NAIC staff consider the “Revised” and “R” identifiers to no longer be useful. Stultz stated that interested parties had no comments on this item and that NAIC staff recommend that the Working Group adopt the exposed editorial revisions as exposed.

F. Ref #2023-26

Bruggeman directed the Working Group to agenda item *2023-26: ASU 2023-06, Disclosure Improvements* (Attachment One-I). Wil Oden (NAIC) stated that on March 16, the Working Group exposed revisions to adopt, with modification, *ASU 2023-06, Disclosure Improvements, Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative*. On Dec. 1, 2023, the Working Group deferred action on ASU 2023-06 to allow NAIC staff further time to consider whether certain aspects of ASU 2023-06 were applicable to statutory accounting. In October 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-06 in response to a referral from U.S. Securities and Exchange Commission (SEC) Release No. 33-10532, *Disclosure Update and Simplification*, issued Aug. 17, 2018. The changes detailed in the ASU seek to clarify or improve disclosure and presentation requirements of various topics. Many of the amendments allow users to more easily compare entities subject to the SEC’s existing disclosures with those not previously subject to the SEC’s requirements, while others represent miscellaneous clarifications or technical corrections of the current disclosure requirements. Two of the more significant items from the SEC referral are the requirement for companies to disclose the weighted average interest rate of debt and provide repurchase agreement (repo) counterparty risk disclosures. The FASB elected to only require the weighted average interest rate disclosure for publicly traded companies due to concerns regarding the complexity of the calculation for private companies. Oden stated that interested parties had no comments on this item and that NAIC staff recommend that the Working Group adopt, with modification, certain disclosures from ASU 2023-06 in *SSAP No. 15—Debt and Holding Company Obligations* and *SSAP No. 86—Derivatives*. The disclosures relevant to repurchase agreements, reverse repurchase agreements, and secured lending will be added to agenda item *2024-04: Conforming Repurchase Agreements* for further consideration as part of the larger project looking at statutory guidance for repurchase agreements and securities lending.

Malm made a motion, seconded by Hudson, to adopt the statutory accounting principles (SAP) concepts and clarifications. The motion passed unanimously.

Draft Pending Adoption

Attachment One
Accounting Practices and Procedures (E) Task Force
8/14/24

3. Continued the Exposure of Agenda Item 2024-05

A. Ref #2024-05

Bruggeman directed the Working Group to agenda item *2024-05: A-791 Paragraph 2.c*. Robin Marcotte (NAIC) stated that on March 16, the Working Group exposed revisions to Appendix A-791, paragraph 2.c. Question and Answer. This agenda item was developed in response to the Valuation Analysis (E) Working Group's referral to the Working Group that recommended making a clarifying edit to Appendix A-791, Life and Health Reinsurance Agreements (A-791), Section 2.c. Question and Answer by removing the first sentence, which reads, "Unlike individual life insurance where reserves held by the ceding insurer reflect a statutorily prescribed valuation premium above which reinsurance premium rates would be considered unreasonable, group term life has no such guide." Marcotte stated that the Valuation Analysis (E) Working Group's referral noted that the sentence was unnecessary and was more of an aside statement in the discussion of group term life; however, the referral raised concerns that this sentence was being misinterpreted. Marcotte stated that interested parties provided no comments.

Mike Monahan (American Council of Life Insurers—ACLI), representing interested parties, stated that the two proposals on risk transfer, agenda items 2024-05 and 2024-06, should be considered together. He stated that interested parties' comments for agenda item 2024-06, which recommended the Working Group delay taking action, were intended to be referenced in agenda item 2024-05.

Walker made a motion, seconded by Clark, to continue the exposure of agenda item *2024-05: A-791 Paragraph 2.c* until Sept. 27 to allow for further comment.

4. Reviewed Comments on Exposed Items

The Working Group reviewed comments received on previously exposed items (Attachment One-B).

A. Agenda Item 2019-21

Bruggeman directed the Working Group to agenda item *2019-21: Principles-Based Bond Project*. Gann stated that the Working Group exposed updates to the draft issue paper for the principles-based bond project for a public comment period that ended June 21. The issue paper documents the discussions and decisions within the principles-based bond project and has been updated to reflect the final actions. Additionally, consistency edits and reorganization have been reflected as the authoritative SAP revisions have been adopted. (As a reminder, issue papers are not authoritative; they simply provide background and discussion elements for historical reference.) Changes from the prior exposed version are shown as tracked within the document. Gann stated that NAIC staff recommend that the Working Group adopt the issue paper with modifications to reflect the interested parties' comments (Attachment One-J). Revisions to reflect the comments are shaded yellow in the agenda item. In addition to these changes, in paragraph 36, the last sentence has been revised to be overly clear that the reporting entity shall assess structures when acquired, based on what the issuer intended at the origination. Gann stated that, as a second action, NAIC staff recommend that the Working Group expose a Question-and-Answer Implementation Guide (Q&A) that addresses issues brought from industry to the Bond/American Institute of Certified Public Accountants (AICPA) small group. This Q&A details interpretations of how the SAP guidance should be applied to specific investment structures or characteristics.

Draft Pending Adoption

Attachment One
Accounting Practices and Procedures (E) Task Force
8/14/24

Clark made a motion, seconded by Walker, to adopt the exposed revisions to agenda item *2019-21: Principles-Based Bond Project* and expose the Q&A for a public comment period ending Sept. 27. The motion passed unanimously.

B. Agenda Item 2024-01

Bruggeman directed the Working Group to agenda item *2024-01: Bond Definition – Debt Securities Issued by Funds*. Gann stated that on March 16, the Working Group re-exposed revisions to both SSAP No. 26 and the draft issue paper for the principles-based bond project to clarify the guidance for debt securities issued by funds. The revisions intended to eliminate the rules-based provision, in which SEC registration for a fund is required, and instead permit debt securities issued by funds to be classified as issuer credit obligations if the fund represents an operating entity. The revisions included guidance to assist in determining whether a fund represents an operating entity, and the issue paper guidance continued to identify that collateralized fund obligations (CFOs) and other similar structures would be required to be assessed as ABS to determine if they qualify for bond reporting. Gann stated that the Working Group re-exposed this item with a request that state insurance regulators and industry provide comments on the proposed language that assists with clarifying the scope of guidance and the types of debt securities issued by funds that should be considered as operating entities, and the proposed language to better define the extent of debt that may be issued to fund operations. This re-exposure and request for clarification intends to address interpretations from the original exposure that the revised guidance would permit feeder funds (and other structures that raise debt capital) to be classified as issuer credit obligations. Gann stated that NAIC staff recommend that the Working Group expose language to clarify guidance for debt securities issued by funds for a shortened timeframe ending Sept. 6. Based on the comments received, this agenda item could be considered for adoption via e-vote. If needed, an interim call will be held to discuss comments received. Please note that although industry has communicated support for the ‘revised language,’ the revised language was developed in the interim while working with industry and was not formally exposed. This exposure is considered appropriate to ensure state insurance regulators and all industry representatives have time to review the revised language.

Clark made a motion, seconded by Malm, to expose language to clarify guidance for debt securities issued by funds for a shortened timeframe for a public comment period ending Sept. 6. The motion passed unanimously.

C. Agenda Item 2024-04

Bruggeman directed the Working Group to agenda item *2024-04: ASU 2023-04 – Conforming Repurchase Agreements*. Gann stated that on March 16, the Working Group exposed this agenda item for comments, which had been developed in response to the January 2024 referral received from the Life Risk-Based Capital (E) Working Group. The referral was sent for assistance to address an ACLI request to modify the treatment of repurchase agreements in the life risk-based capital (RBC) formula to converge with treatment for securities lending programs. As detailed within the ACLI-sponsored life RBC proposal, the request is to incorporate a concept of “conforming programs” for repurchase agreements, with the collateral attributed to these programs assigned a 0.2% (.0020) factor instead of a 1.26% (0.0126) factor. Gann stated that interested parties support the ACLI comment letter submitted April 17. Gann stated that NAIC staff have developed a memorandum that walks through the accounting and reporting for securities lending and repurchase agreements with noted questions. NAIC staff have noted inconsistencies in the application of these transactions across companies, particularly when the components are identified as restricted and how they flow through RBC. They recommend clarification of the guidance to mitigate inconsistencies. Gann stated that NAIC staff recommend the exposure of this memorandum with a request for feedback on the documented processes and the noted questions. NAIC staff have met with

Draft Pending Adoption

Attachment One
Accounting Practices and Procedures (E) Task Force
8/14/24

industry representatives in the interim and suggest continued interim discussions with the ACLI and other industry representatives on these transactions and appropriate accounting/reporting.

Walker made a motion, seconded by Kasinow, to expose the memorandum with a request for feedback on the documented processes and the noted questions for a public comment period. The motion passed unanimously.

D. Agenda Item 2024-06

Bruggeman directed the Working Group to agenda item *2024-06: Risk Transfer Analysis on Combination Reinsurance Contracts*. Marcotte stated that on March 16, the Working Group exposed agenda item 2024-06 to address the risk transfer aspect of a December 2023 Valuation Analysis (E) Working Group referral. The exposed revisions to *SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance* were narrowly focused on risk transfer and incorporated guidance noting that interdependent contract features such as a shared experience refund must be analyzed in the aggregate when determining risk transfer. The Working Group exposure was based on existing guidance that is in both the U.S. generally accepted accounting principles (GAAP) and *SSAP No. 62—Property and Casualty Reinsurance Exhibit A – Implementation Questions and Answers*, question 10, which provides guidance stating that contracts with interdependent features must be analyzed in the aggregate for risk transfer. In addition, a reference to A-791, paragraph 6 was proposed to be added to existing yearly renewable term (YRT) guidance, which would require that the reinsurance contract include provisions that the agreement shall constitute the entire agreement between the parties with respect to the business being reinsured thereunder and that there are no understandings between the parties other than as expressed in the agreement. The Valuation Analysis (E) Working Group, Life Actuarial (A) Task Force, and Reinsurance (E) Task Force were all notified of the exposure. The Valuation Analysis (E) Working Group referral identified some combined YRT and coinsurance contracts with an aggregate experience refund and the inability to independently recapture the different types of reinsurance. The referral noted that the contract must be evaluated in aggregate for risk transfer in such cases. The Valuation Analysis (E) Working Group referral also noted that the complexity of such contracts was not readily apparent to regulatory reviewers, and the Valuation Analysis (E) Working Group wanted to increase awareness of this topic. It noted concerns with companies either taking too large of reinsurance credit or an inappropriate credit.

Marcotte stated that the Working Group received two comment letters. The comment letter from Clare Thinking, Inc. supported the exposure, agreeing that interdependent contract features must be analyzed in aggregate and that the intent of A-791 was that reinsurance credit should not include the possibility of negative surplus impact to the ceding entity. Marcotte stated that the interested parties commented that the exposed language is characterized as a clarification; it is unclear that the proposed changes are strictly clarifications. Specifically, interested parties are concerned that the exposed language could lead to broader interpretive changes across the industry. She stated that the interested parties noted that such combination contracts need to be analyzed individually to determine if risk transfer is met. Marcotte stated that interested parties suggest that further discussion between industry participants, the NAIC, and state insurance regulators on this important topic would ensure mutual understanding of intent. Marcotte noted that several of the comments received were regarding the Valuation Analysis (E) Working Group's referral rather than the exposed language.

Marcotte stated that NAIC staff recommend re-exposing the agenda item until Sept. 27 to allow for discussion at the Fall National Meeting. She recommended that the Working Group specifically request comments on: 1) detail on the extent to which this agenda item would impact existing YRT combination contracts; and 2) specific language regarding the concept that interdependent contract features should be analyzed in aggregate. In

Draft Pending Adoption

Attachment One
Accounting Practices and Procedures (E) Task Force
8/14/24

addition, Marcotte recommended that the comments received by the Working Group on the most recent exposure be shared with the same groups notified of the prior exposure.

Monahan stated that the ACLI supports re-exposing this agenda item, which the ALCI views as more than a clarification. He noted that the ACLI will provide examples to the Working Group on the complexities of the issues.

Clark requested more information on the dollar magnitude of the treaties that might not qualify for risk transfer. He noted from initial regulator reviews of Schedule S that there seem to be relatively few contracts. He stated that he views this as a clarification, as it has been widely understood for both GAAP and statutory accounting that interdependent contract features (whether in separate contracts or the same contract) need to be analyzed in aggregate. Clark stated that, in his view, this re-exposure is to gather more information rather than a concern regarding the exposed language. Bruggeman also stated that the exposed language was narrow, and comments addressed to this Working Group should focus on the exposed language.

Sheldon Summers (Claire Thinking, Inc.) stated that his comments were his own opinion. He stated that when the *Life and Health Reinsurance Agreements Mode Regulation (#791)* was adopted, one of the main objectives was that reinsurance agreements that provided surplus relief should only reflect surplus relief that had permanence. Therefore, several of the provisions of Model #791 are meant to ensure that reported surplus relief reflects permanence. For example, renewal expense allowances have to cover expenses. Otherwise, the company would incur expenses greater than what it would receive, which would deplete the surplus over time. Therefore, that type of surplus relief would not be considered permanent. Other provisions also address this major objective. Summers stated that a reinsurance agreement that includes coinsurance that imposes an obligation for a YRT agreement, and the two coverages are interdependent, should be reviewed in their entirety to ensure they meet the objectives of A-791.

Hudson made a motion, seconded by Clark, to re-expose agenda item 2024-06 for a public comment period ending Sept. 27 and directed NAIC staff to forward the comments previously received to the Valuation Analysis (E) Working Group, Life Actuarial (A) Task Force, and Reinsurance (E) Task Force. The motion passed unanimously. The Working Group specifically requested: 1) industry examples; 2) details on both the dollar impact and the number of existing YRT combination contracts that might not meet risk transfer from the exposed revisions; and 3) that specific language regarding the concept that interdependent contract features be analyzed in aggregate.

E. Agenda Item 2024-07

Bruggeman directed the Working Group to agenda item *2024-07: Reporting of Funds Withheld and Modco Assets*. Stultz stated that on March 16, the Working Group exposed a concept agenda item with the intent to develop future revisions to annual statement Schedule S and Schedule F to address the reporting of assets subject to funds withheld and modified coinsurance (modco) arrangements. The initial recommendation is to add a new part to the reinsurance Schedule S in the life/fraternal and health annual statement blanks and Schedule F in the property/casualty (P/C) and title annual statement blanks. The new part would be similar in structure to Schedule DL, include all assets held under a funds withheld arrangement, and include a separate signifier for modco assets. Stultz stated that interested parties acknowledge the importance of transparency in financial reporting with respect to assets backing funds withheld and modco reinsurance transactions and state insurance regulators' preference to be able to understand the assets supporting these contracts. Stultz stated that NAIC staff recommend that the Working Group expose the draft of the new reporting schedules, which add a new part to the reinsurance Schedule S in the life/fraternal and health annual statement blanks and Schedule F in the P/C and title annual statement blanks and direct NAIC staff to continue working with interested parties on this proposal.

Draft Pending Adoption

Attachment One
Accounting Practices and Procedures (E) Task Force
8/14/24

Walker made a motion, seconded by Hudson, to expose the draft of the new reporting schedules for a public comment period ending Sept. 27 and direct NAIC staff to continue collaborating with interested parties on this proposal. The motion passed unanimously.

F. Agenda Item 2024-10

Bruggeman directed the Working Group to agenda item *2024-10: SSAP No. 56—Book Value Separate Accounts*. Gann stated that on March 16, the Working Group exposed an agenda item to expand the guidance in *SSAP No. 56—Separate Accounts* to further address situations and provide consistent accounting guidelines for when assets are reported at a measurement method other than fair value. The guidance in *SSAP No. 56* predominantly focuses on separate account products in which the policyholder bears the investment risk. In those situations, the assets in the separate account are reported at fair value. *SSAP No. 56* provides limited guidance for assets supporting fund accumulation contracts such as guaranteed investment contracts (GICs), which do not participate in underlying portfolio experience, with a fixed interest rate guarantee, purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer, with the direction that these assets shall be recorded as if they were held in the general account. This measurement method is generally referred to as “book value.” NAIC staff are aware that there has been an increase in assets reported at “book value” within the separate account. Gann stated that these have been approved under state-prescribed practices and/or interpretations that the reference for fund accumulation contracts captures pension risk transfer (PRT) or registered indexed-linked annuities (RILA) and other similar general-account type products that the state of domicile has approved for reporting in the separate account. Gann stated that interested parties are currently working with NAIC staff and the Interest Maintenance Reserve (IMR) Ad Hoc Group on this agenda item. She stated that NAIC staff recommend that the Working Group expose draft revisions to *SSAP No. 56* to allow for initial review and consideration of potential changes to update measurement method guidance and specify the process to transfer assets for cash between the general and book-value separate accounts. In addition to the proposed revisions, NAIC staff questions are shaded in the document requesting additional information from state insurance regulators and industry. These questions focus predominantly on seed money and other asset transfers not captured in the proposed guidance. Gann stated that it is proposed that this item be exposed for a public comment period ending Nov. 8 to allow more time for review and comment generation. Discussion of the comments is anticipated in the interim prior to the 2025 Spring National Meeting.

Walker made a motion, seconded by Clark, to expose draft revisions to *SSAP No. 56* to allow for initial review and consideration of potential changes to update measurement method guidance and specify the process to transfer assets for cash between the general and book-value separate accounts for a public comment period ending Nov. 8. The motion passed unanimously.

G. Agenda Item 2024-11

Bruggeman directed the Working Group to agenda item *2024-11: ASU 2023-09, Improvements to Income Tax Disclosures*. Oden stated that on March 16, the Working Group exposed revisions to adopt, with modification, *ASU 2023-09, Improvements to Income Tax Disclosures*. However, based on the comments from interested parties, the NAIC staff recommendation has been changed from adopt with modification to reject for statutory accounting purposes. Oden stated that NAIC staff agreed with interested parties’ comments that the additions from the ASU are duplicative of existing statutory income tax disclosures. NAIC staff have maintained the recommendation of deleting paragraph 23.b. from *SSAP No. 101—Income Taxes*, as both staff and interested parties agree this disclosure is no longer relevant. As the NAIC staff recommendation has been changed, the

Draft Pending Adoption

Attachment One
Accounting Practices and Procedures (E) Task Force
8/14/24

updated agenda will be exposed for a public comment period ending Sept. 27 to allow for consideration at the Fall National meeting.

Hudson made a motion, seconded by Weaver, to expose revisions to reject ASU 2023-09, Improvements to Income Tax Disclosures, and delete paragraph 23.b. from SSAP No. 101. The motion passed unanimously.

H. Agenda Item 2024-12

Bruggeman directed the Working Group to agenda item *2024-12: Updates to SSAP No. 27—Off-Balance-Sheet and Credit Risk Disclosures*. Oden stated that on March 16, the Working Group exposed revisions to remove references to *FASB Statement No. 105, Disclosure of Information about Financial Instruments with Off-Balance-Sheet* (FAS 105) from SSAP No. 27 and amend the annual statement instructions to clarify its scope and requirements. It came to NAIC staff's attention that SSAP No. 27 references the long out-of-date FAS 105, which had been superseded by *FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities* (FAS 133) prior to the establishment of the Accounting Standards Codification framework. Additionally, NAIC staff noted that the annual statement instructions only provide disclosures for derivative swaps, futures, and options. However, the guidance in SSAP No. 27 is intended to be applicable to all derivative instruments and financial instruments, except those specifically carved out by the reference to FAS 105. Oden stated that NAIC staff recommend amending SSAP No. 27 to specifically list the financial instruments excluded from the SSAP rather than referencing FAS 105 and that the annual statement instructions to add an "Other" derivatives category, disclosure examples, and instructions for non-derivative financial instruments with off-balance sheet credit risks. Oden stated that NAIC staff recommend that the Working Group defer this agenda item while staff continue to work with industry on this agenda item. Bruggeman stated agreement with the deferral, and no action is required.

I. Agenda Item 2022-12

Bruggeman directed the Working Group to agenda item *2022-12: Review of INT 03-02: Modification to an Existing Intercompany Pooling Arrangement*. Marcotte stated that on March 16, the Working Group deferred action on this agenda item, originally introduced in 2022 and proposed nullifying *INT 03-02: Modification to an Existing Intercompany Pooling Arrangement* (Attachment One-K). The INT was initially proposed to be nullified as it is inconsistent with the *SSAP No. 25—Affiliates and Other Related Parties* guidance regarding economic and non-economic transactions between related parties. After discussion, the Working Group exposed revisions to maintain the exception, which allows for the use of the statutory book valuation when using assets (such as bonds) to make payments to affiliates for modifications to existing intercompany reinsurance pooling agreements.

Marcotte stated that interested parties agree with and support the adoption of the proposed changes; however, the interested parties suggested rewording the disclosure in *SSAP No. 63—Underwriting Pools*, paragraph 13.i. for clarity. Marcotte stated that NAIC staff recommend that the Working Group adopt the exposed revisions to SSAP No. 63 with a modification to paragraph 13.i., which is similar to the edits suggested by interested parties modified to note disclosure should reflect the fair values that differ from statement value. With this adoption, INT 03-02 would also be nullified. Marcotte noted that interested parties supported the revised paragraph 13 wording.

Hudson made a motion, seconded by Weaver, to adopt the exposed revisions to SSAP No. 63 with a modification to paragraph 13.i. and the nullification of INT 03-02 (Attachment One-L). The motion passed unanimously.

Draft Pending Adoption

Attachment One
Accounting Practices and Procedures (E) Task Force
8/14/24

5. Considered Maintenance Agenda – Pending Listing

Walker made a motion, seconded by Hudson, to expose the following SAP concepts and clarifications to statutory accounting guidance for a public comment period ending Sept. 27, except for agenda item 2024-15, which was exposed for a public comment period ending Nov. 8. The motion passed unanimously.

A. Agenda Item 2022-14

Bruggeman directed the Working Group to agenda item *2022-14: New Market Tax Credit Project*. Oden stated this is the issue paper for the new market tax credit (NMTC) project that the Working Group adopted at the Spring National Meeting. Agenda item 2022-14 adopted conceptual changes to *SSAP No. 93—Low-Income Housing Tax Credit Property Investments* and *SSAP No. 94—Transferable and Nontransferable State Tax Credits*, which included expanding the scope of SSAP No. 93 to include all qualifying types of tax credit investments, regardless of structure or underlying tax credit program. The scope of SSAP No. 94 was also expanded to include purchased state and federal tax credits along with updates to the accounting guidance. He stated that the issue paper documents the discussion and decisions on this project, including updates and revisions, and includes a final tracked changes version of SSAP No. 93 and SSAP No. 94, as well as a flowchart that may be useful for industry when evaluating the new decision trees for SSAP No. 93. Oden stated that NAIC staff recommend the Working Group expose the draft issue paper for a public comment period ending Sept. 27 for consideration at the Fall National Meeting.

B. Agenda Item 2024-18

Bruggeman directed the Working Group to agenda item *2024-18: Clarifications to NMTC Project*. Oden stated that this agenda item involves clarifications to the adopted guidance from agenda item 2022-14, adopted at the Spring National Meeting. Oden stated that, after adoption, several certified public accounting (CPA) firms raised questions about the accounting guidance in SSAP No. 93 and SSAP No. 94. He stated that NAIC staff agreed with their points, discussed them with interested parties, and drafted revisions to the accounting guidance in both SSAP No. 93 and SSAP No. 94 to align with the journal entry examples that had been added to each SSAP. Additionally, NAIC staff noted that a sentence in SSAP No. 48 had not been updated as part of the NMTC project, and revisions to that sentence have been included in this agenda item. Oden stated that NAIC staff recommend that the Working Group move this item to the active listing, categorize it as a SAP clarification, and expose revisions to SSAP No. 48, SSAP No. 93, and SSAP No. 94, effective Jan. 1, 2025.

C. Agenda Item 2023-24

Bruggeman directed the Working Group to agenda item *2023-24: Current Expected Credit Losses (CECL)*. Oden stated that this is the issue paper that the Working Group directed staff to prepare on CECL. As a reminder, on Jan. 10, the Working Group adopted 2023-24, which proposed revisions to various SSAPs to reject *ASU 2016-13, Measurement of Credit Losses on Financial Instruments (CECL)*, and other CECL-related ASUs for statutory accounting purposes. Upon adoption, the Working Group directed NAIC staff to prepare an issue paper documenting pre-CECL impairment guidance. Since many SSAPs adopted pre-CECL impairment guidance, the Working Group wanted to ensure that any guidance superseded by CECL was readily available for future use. Oden stated that NAIC staff recommend the Working Group expose the draft issue paper for a public comment period ending Sept. 27 for consideration at the Fall National Meeting.

Draft Pending Adoption

Attachment One
Accounting Practices and Procedures (E) Task Force
8/14/24

D. Agenda Item 2024-15

Bruggeman directed the Working Group to agenda item 2024-15: *ALM Derivatives*. Gann stated that this is a new concept agenda item addressing asset-liability matching (ALM) derivatives and arose from the IMR Ad Hoc Group. Gann stated that when *INT 23-01: Net Negative (Disallowed) Interest Maintenance Reserve* was developed, it was identified that some life companies have been including gains and losses from derivatives in IMR that were not considered accounting-effective under SSAP No. 86 but were deemed economically effective. These derivatives are recorded at fair value, with gains and losses running through surplus. Upon termination, if deemed economically effective, the realized gains and losses were reversed to IMR and amortized over time by some life entities.

This practice has been deemed inconsistent and is now being reviewed. Gann stated that this agenda item contemplates a new SSAP similar to *SSAP No. 108—Derivatives Hedging Variable Annuity Guarantees*, which deals with derivative hedging for variable annuity guarantees and allows deferring gains and losses for those specific derivatives. She stated that the agenda item proposes developing a new SSAP to address similar issues for ALM derivatives in which the derivative gains and losses would be deferred and not go through IMR.

Gann stated that this is a concept exposure without revisions to existing guidance. She stated that the agenda item seeks feedback on developing statutory accounting guidance for deferring derivative gains and losses that hedge interest rate risk, like the process used in IMR but more formalized. She noted that the exposure also requests input on whether there should be an aggregate limit on “soft assets,” such as negative IMR, electronic data processing (EDP) equipment, deferred tax assets, and goodwill. Gann stated that this will likely be a complex long-term discussion, potentially taking a few years to develop fully. She stated that the public comment period ends Nov. 8, and there is no plan to discuss it at the Fall National Meeting. Gann recommended that NAIC staff continue working with industry to better understand derivative programs, which include two broad types and effectiveness tests.

Bruggeman noted that derivatives that are not accounting effective are carried at fair value; therefore, their unrealized gain or loss results are already shown in surplus, and therefore, having the realized gain or loss be reversed to IMR when the derivative ends seemed counterintuitive. He noted that this is a good time for the Working Group to discuss aggregate limitations on soft assets.

Andersen asked how common these types of derivatives are. Gann stated that approximately nine companies are using the guidance from SSAP No. 108, and while not many companies are using IMR for derivatives, those that do have significant amounts involved. Gann stated that per the NAIC staff review of the 2023 narrative disclosures on negative IMR, disclosures were not consistently fully completed. However, she does expect improvement in 2024, as the disclosures will now be data-captured. Based on the NAIC staff review, only 14 companies were identified as reporting derivatives in IMR. As a caveat, reporting entities that had previously reported derivative gains in IMR were allowed to continue reporting derivative losses under INT 23-01, which is effective until year-end 2025.

Bruggeman noted that the derivative loss amounts deferred and admitted as negative IMR were material for some of those entities. Clark stated that more reporting entities would likely apply the guidance if such guidance were codified. Wolf stated that the deferral could be either realized gains or losses; therefore, the practice may provide either a benefit or a detriment. Bruggeman requested a state insurance regulator review of this agenda item during the exposure period.

Draft Pending Adoption

Attachment One
Accounting Practices and Procedures (E) Task Force
8/14/24

E. Agenda Item 2024-16

Bruggeman directed the Working Group to agenda item *2024-16: Repacks and Derivative Wrapper Investments*. Gann stated that this agenda item was developed to address debt security investments with derivative components that do not qualify as structured notes. Although the original focus was on specific “credit repack” investments, the agenda item has been expanded to ensure that all debt security investments with derivative wrappers/components are captured. Gann stated that a credit repack involves an entity selling a debt instrument to a Special Purpose Vehicle (SPV), which then wraps it with a derivative and sells it back. These structures fall into the ABS category but fail the bond definition due to a lack of substantive credit enhancement. Gann noted that she does not believe that these are prevalent in the U.S. but are apparently more common in Europe. Gann also noted that the lack of transparency regarding derivative structures within financial statements is a concern with these types of investments. Proposed changes suggest separating derivatives from bond structures on Schedule D with industry support. Companies should treat transactions involving bond changes as dispositions and reacquisitions. Gann stated that NAIC staff recommend that the Working Group expose proposed edits to SSAP No. 86 to establish guidance that requires separate accounting and reporting of derivatives captured in debt security structures. She stated that this is a significant change from existing guidance, which explicitly precludes the separation of embedded derivatives. In addition to these changes, minor revisions are proposed to SSAP No. 26 and the annual statement instructions to clarify application guidance. Gann stated that NAIC staff will draft an issue paper to document these revisions. She stated that the initial proposed public comment period ends Sept. 27 to allow for discussion at the Fall National Meeting.

F. Agenda Item 2024-17

Bruggeman directed the Working Group to agenda item *2024-17: SSAP No. 108 – VM-01*. Gann stated that this agenda item has been prepared to update the guidance in *SSAP No. 108—Derivatives Hedging Variable Annuity Guarantees* for a clearly defined hedging strategy (CDHS). She stated that this update relates to the derivative guidance mentioned previously. Originally, it incorporated the definition of a CDHS adopted by the Life Actuarial (A) Task Force in Valuation Manual (VM)-21, Requirements for Principle-Based Reserves in Variable Annuity. This definition has since moved to VM-01, Definitions for Terms in Requirements, so this proposal is to update SSAP No. 108 to refer to VM-01 instead of VM-21 to ensure consistency. Gann stated that NAIC staff recommend that the Working Group move this item to the active listing and expose revisions to SSAP No. 108 to update the definition of a CDHS to reflect the revised guidance pursuant to VM-01 for a planned exposure until Sept. 27 to allow for consideration at the Fall National Meeting.

G. Agenda Item 2024-19

Bruggeman directed the Working Group to agenda item *2024-19: ASU 2024-02, Codification Improvements*. Oden stated that this agenda proposes removing references to FASB concept statements from the codification. He stated that NAIC staff recommend exposing revisions to reject this within *Appendix-D— Nonapplicable GAAP Pronouncements* as not applicable for statutory accounting since these references are not frequently used and are intentionally included when necessary. Oden stated that the exposure would end Sept. 27 to allow for consideration at the Fall National Meeting.

Draft Pending Adoption

Attachment One
Accounting Practices and Procedures (E) Task Force
8/14/24

6. Considered Maintenance Agenda – Active Listing

A. Agenda Item 2023-28

Bruggeman directed the Working Group to agenda item *2023-28: Collateral Loan Reporting*. Gann stated that NAIC staff are proposing a new reporting line for collateral loans. Currently, collateral loans do not go through asset valuation reserve (AVR) but are reported directly. She stated that some companies report them in different AVR reporting lines for improved RBC. Gann stated that NAIC staff are proposing more granular reporting lines and note disclosures for collateral loans based on underlying collateral. The goal is to have this change in effect by Jan. 1, 2026. She stated that NAIC staff intend to expose this proposal and get feedback before adoption and that NAIC staff recommend exposure of this agenda item with a request for comments on potential Schedule BA collateral loan reporting lines. She stated that, with exposure, NAIC staff recommend sponsoring a blanks proposal to begin detailing the revisions to Schedule BA and AVR that would occur with these changes. As the resulting AVR and RBC factors would be contingent on the actions of the Capital Adequacy (E) Task Force (and its RBC working groups), NAIC staff recommend that the Working Group direction notify those groups of this action.

Walker made a motion, seconded by Clark, to expose agenda item 2023-28, which includes sponsoring a blanks proposal to begin detailing the revisions to Schedule BA and AVR that would occur with these changes.

7. Discussed Other Matters

A. Review of U.S. GAAP Exposures

Stultz identified one GAAP item currently exposed by the FASB (Attachment One-M). He stated that comments are not recommended at this time and that NAIC staff recommend a review of the final issued ASUs under the SAP Maintenance Process as detailed in *Appendix F—Policy Statements*.

B. Update on Valuation Manual Adoptions

Marcotte stated that none of the revisions reported in the memorandum as adopted updates to the *Valuation Manual* by the Life Actuarial (A) Task Force require Working Group coordination under the NAIC Policy Statement on Coordination with the Valuation Manual (Attachment One-N).

C. Update on the IMR Ad Hoc Subgroup

Gann stated preliminary assessments have occurred to review how companies treated the admitted negative IMR in cash flow testing (CFT). From this limited review, companies are not consistently reflecting negative IMR in CFT. Information was shared with the chief financial regulators on examples of correct, incorrect, and potential misreporting, which has been noted to assist with the review of domiciliary companies. She stated that state insurance regulators are requested to contact NAIC staff with any questions (Attachment One-O).

D. Update on the Bond Project Implementation/Bond Small Group

Gann stated that the adopted statutory accounting and reporting revisions related to the principles-based bond definition are effective Jan. 1, 2025. She stated that an NAIC-provided self-study educational program is available to all participants without a course fee for 2024, and a course fee is expected for non-regulators in 2025. Gann stated that the course is designed to begin any Monday, and anyone wanting to register must do so no later than

Draft Pending Adoption

Attachment One
Accounting Practices and Procedures (E) Task Force
8/14/24

the Wednesday prior to the Monday on which they would like to start the course. She stated that the course must be completed within the week and is estimated to take approximately three hours. Gann said the enrollment link can be found on the NAIC Education & Training website. Gann stated that a small group comprised predominantly of state insurance regulators and AICPA representatives, with a few other interested parties, was formed to discuss application questions of the bond definition on specific investment designs or characteristics. The small group's discussions have resulted in a proposed Q&A Implementation Guide that was exposed for comment earlier under the hearing agenda. She stated that, as deemed necessary, further discussions may expand the Q&A.

E. Update on the IAIS AAWG

Gann stated that the International Association of Insurance Supervisors (IAIS) has released a draft application paper on public disclosure and supervisory reporting on climate risk and draft supporting materials on macroprudential and group supervisory issues and climate risk. She stated that feedback on these materials is invited by Sept. 30, and a public background session will be held Aug. 27. Gann stated that this update simply intends to inform Working Group members and interested parties of these ongoing NAIC staff actions to monitor and participate in the IAIS Audit and Accounting Working Group (AAWG). She stated that state insurance regulators can contact NAIC staff if they have any questions on discussions or if additional information is required.

Having no further business, the Statutory Accounting Principles (E) Working Group adjourned.

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2024 summer/summary and minutes/minutes/sapwg/att-one-sapwg minutes 8-13-2024.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/apptf/2024%20summer/summary%20and%20minutes/minutes/sapwg/att-one-sapwg%20minutes%208-13-2024.docx)

Draft: 5/22/24

Statutory Accounting Principles (E) Working Group
Virtual Meeting
May 15, 2024

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force met May 15, 2024. The following Working Group members participated: Dale Bruggeman, Chair (OH); Kevin Clark, Vice Chair (IA); Sheila Travis and Richard Russell (AL); Kim Hudson (CA); Michael Estabrook (CT); Rylynn Brown (DE); Cindy Andersen (IL); Melissa Gibson and Stewart Guerin (LA); Judy Weaver and Steve Mayhew (MI); Doug Bartlett (NH); Bob Kasinow (NY); Jamie Walker (TX); Jennifer Blizzard and Doug Stolte (VA); and Amy Malm (WI).

1. Discussed Comments on Exposed Items

The Working Group met to review comments received (Attachment One-A1) on items exposed during its Feb. 20 meeting and the Spring National Meeting.

A. Agenda Item 2023-16

Bruggeman directed the Working Group to agenda item 2023-16: Schedule BA Reporting Categories. Julie Gann (NAIC) stated that after considering comments on the exposed blanks proposal 2023-12BWG, the Working Group exposed this agenda item at its Feb. 20 meeting and directed a modified Working Group sponsored blanks proposal to be shared with the Blanks (E) Working Group for consideration. The modified proposal was exposed for a public comment period that ended April 23, with a follow-up meeting scheduled for May 23 to consider adoption. She stated that this agenda item does not result in statutory accounting revisions.

Gann stated that interested parties have submitted comments to the Blanks (E) Working Group on the exposure, including proposing to remove the maturity date column from Schedule BA. She stated that NAIC staff oppose this change and instead propose to clarify what should be captured in that column. Gann stated that NAIC staff recommend the Working Group adopt this agenda item and sponsor modifications to the Blanks (E) Working Group to be considered part of the package for adoption on May 23. She reiterated that these revisions related to Schedule BA would be effective Jan. 1, 2025, to incorporate the non-bond risk security reporting lines related to the previously adopted bond project.

Tip Tipton (Thrivent), representing interested parties, stated that interested parties have no concerns over the additional wording or date.

Hudson made a motion, seconded by Walker, to adopt the agenda item and support the adoption of the modified blanks proposal 2023-12BWG with the additional modifications discussed (Attachment One-A2). The motion passed unanimously.

B. Agenda Item 2023-28

Bruggeman directed the Working Group to agenda item 2023-28: Collateral Loan Reporting. Gann stated that on Feb. 20, the Working Group adopted a new collateral loan disclosure for year-end 2024 and exposed proposed reporting lines to Schedule BA for collateral loans. She stated that the Working Group also exposed proposed reporting lines to collect more granular data on Schedule BA. Gann stated that the Working Group also requested feedback from industry regarding how the collateral loans lines should map through for risk-based capital (RBC) purposes.

Gann stated that several interested parties' comments were received with regard to those reporting lines, with the most relevant comment having to do with the collateral loan lines with underlying characteristics of mortgage loans. Gann stated that some collateral loans with underlying characteristics of mortgage loans or backed by mortgage loans were not being captured in the collateral loan line but instead in the non-registered private fund line, which is being eliminated. She stated that interested parties provided comments suggesting a temporary change to the life RBC calculation that would allow collateral loans, with mortgage loans as collateral, to still be reported on the collateral loan line and allow them to map through with this RBC treatment for year-end until the more granular reporting lines of collateral loans are added.

Gann stated that a proposal was sent to the Life Risk-Based Capital (E) Working Group, incorporating this change for RBC purposes. She stated that NAIC staff are recommending two actions: 1) for the Working Group to direct NAIC staff to prepare a memorandum to the Blanks (E) Working Group to incorporate a change to the instructions and allow the collateral loans backed by mortgage loans to flow through as other invested assets with underlying characteristics; and 2) to direct NAIC staff to move forward with sponsoring a blanks proposal for the reporting of collateral loans, using the collateral loan lines that were shown in the agenda item and to work with state insurance regulators and interested parties in the interim regarding how these would flow through to RBC.

Donna Kiernan (MetLife) asked about the time allowance for the Life Risk-Based Capital (E) Working Group to make a decision on this. She also asked whether the existing Schedule BA would be available until the new format is adopted for 2026. Gann stated that the Life Risk-Based Capital (E) Working Group does not currently have a meeting scheduled before the Summer National Meeting. She also stated that the current Schedule BA will be available until the new format is adopted.

Tipton stated that interested parties are supportive of the first item. He stated that interested parties are waiting for the Blanks (E) Working Group discussion of the second item and will respond to that exposure.

Bruggeman directed NAIC staff to prepare a memorandum to the Blanks (E) Working Group. He also directed NAIC staff to proceed with sponsoring a blanks proposal for the reporting of collateral loans, using the reporting lines shown in the agenda item, modified to reflect interested parties' comments.

C. Agenda Item 2024-13

Bruggeman directed the Working Group to agenda item 2024-13: Update SSAP No. 107 Disclosures. Robin Marcotte (NAIC) stated that at the Spring National Meeting, the Working Group exposed revisions to *Statement of Statutory Accounting Principle (SSAP) No. 107—Risk-Sharing Provisions of the Affordable Care Act*. She stated that the transitional reinsurance program and the risk corridors program have both expired, and the related disclosures are proposed for deletion. Marcotte stated that the roll forward illustration in Exhibit B was also proposed to be revised to delete the sections related to the transitional reinsurance program and the risk corridors program. She stated that blanks proposal 2024-10BWG was concurrently exposed to allow for the disclosures to be considered for removal beginning with the year-end 2024 financial statements.

Marcotte stated that the comments from interested parties support the exposed revisions and recommend additional deletion of SSAP No. 107, paragraph 62, which would also impact two related items in blanks proposal 2024-10BWG. She stated support for these revisions because SSAP No. 107, paragraph 62 was originally related to the risk corridors program. She stated that NAIC staff recommend that the Working Group adopt the exposed revisions with modifications to incorporate interested parties' comments effective for year-end 2024. Marcotte stated that the Blanks (E) Working Group received the same comments and received comments regarding additional edits to the Supplemental Health Care Exhibit. She stated that when NAIC staff analyzed the data, there

was still information being reported on those lines, possibly erroneously, and that NAIC staff recommend that those edits be addressed by a separate blanks proposal to allow for additional investigation prior to being deleted. This would still delete the disclosures for SSAP No. 107 for year-end 2024.

Tipton stated that interested parties are supportive of moving forward with this agenda item and the changes.

Hudson made a motion, seconded by Malm, to expose revisions with modifications that incorporate interested parties' comments effective year-end 2024. The motion passed unanimously.

2. Exposed the Issue Paper Related to the Principle-Based Bond Project

Gann stated that agenda item 2019-21 is the issue paper related to the principle-based bond project. She stated that the issue paper documents the historical discussions and conclusions and has been previously exposed. She stated that issue papers are historical documents that detail background and discussions when a new statutory accounting principle (SAP) concept is adopted. She stated that issue papers are not authoritative and are strictly for historical reference. Gann stated that NAIC staff recommend exposure of the issue paper with a public comment period ending June 21.

Clark made a motion, seconded by Weaver, to expose the *Statutory Issue Paper No. 1XX—Principles-Based Bond Definition* for a public comment period ending June 21. The motion passed unanimously.

Having no further business, the Statutory Accounting Principles (E) Working Group adjourned.

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National Meetings/A. National Meeting Materials/2024/08-13-24 Summer National Meeting/Hearing/02 - May 15, 2024 Meeting Minutes.docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National%20Meetings/A.%20National%20Meeting%20Materials/2024/08-13-24%20Summer%20National%20Meeting/Hearing/02%20-%20May%2015,%202024%20Meeting%20Minutes.docx)

D. Keith Bell, CPA
Senior Vice President
Accounting Policy
Corporate Finance
The Travelers Companies, Inc.
860-277-0537; FAX 860-954-3708
Email: d.keith.bell@travelers.com

Rose Albrizio, CPA
Vice President
Accounting Practices
Equitable
201-743-7221
Email: Rosemarie.Albrizio@equitable.com

April 19, 2024

Mr. Dale Bruggeman, Chairman
Statutory Accounting Principles Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

RE: Interested Parties Comments on the Items Exposed for Comment by the Statutory
Accounting Principles Working Group with Comments due April 19th

Dear Mr. Bruggeman:

Interested parties appreciate the opportunity to comment on the following items that were exposed for comment by the Statutory Accounting Working Group (the Working Group) during the NAIC National Meeting in Phoenix with comments due April 19th.

Ref #2023-16: Schedule BA Reporting

The Working Group reviewed the comments received on this item as well as comments received on the exposed blanks proposal 2023-12BWG. After some discussion, the Working Group exposed this agenda item and directed a modified SAPWG-sponsored blanks proposal (2023-12BWG) to recommend for exposure during the February 21, 2024, Banks (E) Working Group conference call. (This agenda item does not propose any SSAP revisions.)

The following key modifications are reflected in the modified Schedule BA blanks proposal and for documentation within this agenda item:

- 1) Schedule BA has a clear statement that all investments shall be reported in the dedicated reporting line. Investments that do not fit within any specific reporting line shall be captured as an “Any Other Class of Asset.”
- 2) The Schedule BA reporting category for investments in “Joint Ventures, Partnerships and Limited Liability Companies” has been clarified to identify that investments captured within

this reporting category shall be in scope of SSAP No. 48. With this clarification, the revisions proposed by industry to clarify the “underlying characteristics of bonds” subcategory to include “collateral that has contractual principal and/or interest payments, excluding mortgage loans,” as well as the other proposed industry descriptions for other subcategories, has been retained. One exception to the SSAP No. 48 restriction has been included to reference structured settlement payment rights in scope of *SSAP No. 21R—Other Admitted Assets* that have an SVO-Assigned designation. This inclusion is consistent with the guidance in SSAP No. 21R. The Schedule BA blanks proposal maintains the recommendation to eliminate the “non-registered private fund” reporting category as those items shall be reported in the “joint ventures, partnerships and limited liabilities companies” reporting category if in scope of SSAP No. 48.

- 3) The Schedule BA reporting category for residuals has been modified to refer to SSAP No. 21R for the residual definition, pursuant to agenda item 2019-21. As such, the proposed revisions offered by industry in their January 22, 2024, comment letter have not been reflected. Beginning Jan. 1, 2025, all residuals shall be captured in scope of SSAP No. 21R, regardless of the investment form.

Since this item was exposed along with a modified SAPWG-sponsored Blanks Working Group proposal (2023-12BWG), interested parties have focused on providing specific comments on the BWG item, which are primarily editorial in nature. Our comments will be provided by separate comment letter (April 23) to the Blanks Working Group.

Ref #2023-28: Collateral Loan Reporting

The Working Group took the following two actions:

- 1) The Working Group adopted the exposed revisions to SSAP No. 21R incorporating a collateral loan disclosure for year-end 2024. With this adoption, the Working Group sponsored a blanks proposal to data-capture the disclosure. Adopted revisions to SSAP No. 21R are shown below:

5. Collateral loans shall be reported based on the type of qualifying investment that secures the loan. An aggregate note disclosure shall identify the total amount of collateral loans, and the collateral loans admitted and nonadmitted by qualifying investment type.

- 2) The Working Group also exposed proposed reporting lines to Schedule BA for collateral loans with a comment deadline of April 19, 2024. Although the exposure does not contain AVR reporting revisions, the Working Group is specifically requesting feedback from regulators and industry on whether collateral loans backed by certain types of collateral should flow through AVR for RBC impact. Additionally, the Working Group directed a referral to the Life Risk-Based Capital (E) Working Group on the proposed reporting lines and the AVR mapping/RBC impact for collateral loans.

Interested parties have the following comments on Ref #2023-28 as a Blanks Working Group exposure draft is developed for changes to the Collateral Loan category on Schedule BA:

- Remove the reference to SSAPs on the face of Schedule BA and, for the Collateral Loan sub-categories that have an SSAP reference, incorporate instructions similar to those in the Residual Tranche category. For example, the Cash, Cash Equivalents & Short-Term Investments sub-category would have instructions as follows:
 - Include: Investments with underlying collateral which, if held individually, would be reported on Schedule E – Part 1 – Cash; Schedule E – Part 2 – Cash Equivalents; Schedule DA – Short-Term Investments.
- Rename the sub-category “*Bonds and Asset-Backed Securities*” to “*Bonds (Issuer Credit Obligations and Asset-Backed Securities)*” as it better reflects reporting terminology.
- Under the “*Joint Ventures, Partnerships or Limited Liability Company Companies*” sub-category, refer to “*Fixed Income Investments*” as “*Bonds*”, which is consistent throughout Schedule BA; the Fixed Income Investments category has been interpreted to include Preferred Stocks and Mortgage Loans.
- Add a “*Preferred Stocks*” category under the “*Joint Ventures, Partnerships or Limited Liability Company Companies*” sub-category for consistency with the main “*Joint Ventures, Partnerships or Limited Liability Company Companies*” category.
- The following underlined wording appears to have been erroneously deleted in the exposure:
 - Interests in Joint Ventures, Partnerships or Limited Liability Companies (Including Non-Registered Private Funds) with Underlying Assets Having the Characteristics of:
- We also suggest a temporary change to the Life RBC risk factor for Collateral Loans with Mortgage Loans as collateral that secures the loan. We will submit proposed changes to the Life RBC WG and the Blanks WG to support these temporary changes until the Life RBC WG addresses the referral from SAP Working Group to adopt permanent changes to the Life RBC for Collateral Loans in the new Schedule BA reporting structure.
- We have no concerns about adding AVR for Collateral Loans since they currently have an RBC factor; this would better align the AVR to RBC for Collateral Loans. Interested parties look forward to working with NAIC Staff and State Insurance Regulators on developing the various AVR factors (e.g., Basic Contribution, etc.) and the related Life RBC factors based on the referral to the Life RBC Working Group.

Ref #2024-13: SSAP No. 107 Disclosures

The Working Group exposed revisions to *SSAP No. 107—Risk-Sharing Provisions of the Affordable Care Act* which would remove the transitional reinsurance program disclosures and the risk corridor disclosures as both programs have expired. In addition, the roll forward illustration in Exhibit B is also proposed to be updated to remove the portion for the transitional reinsurance program and the risk corridors program. The Working Group also directed NAIC staff to prepare a Blanks proposal, allowing for concurrent consideration, to allow for the disclosures to be removed beginning with the year-end 2024 financial statements.

Interested parties generally support the exposed changes to remove the ACA SSAP No. 107 disclosures related to the transitional reinsurance and risk corridors programs.

However, we note that rather than deleting the outdated disclosures specific to the Risk Corridors program in Note 24E/F(4) and 24E/F(5), the titles in the tables in the disclosure were simply modified to replace "Risk Corridors" with "Risk Adjustment." The disclosures required by Note 24E/F(4) and 24E/F(5) were specifically developed for the ACA Risk Corridors program for years 2014 through 2016. The data elements in these two tables are not applicable to the Risk Adjustment program and/or would be duplicative with the Risk Adjustment information already disclosed in FN 24E/F(2) and 24E/F(3). Similarly, paragraph 62 of SSAP 107 was also modified to replace "Risk Corridor" with "Risk adjustment". However, the disclosure requirements specified in paragraph 62 are specific to the Risk Corridor program. We respectfully request these two Risk Corridors paragraphs be deleted from the Annual Instructions as requested in the Form A submission and paragraph 62 be deleted from SSAP 107.

* * * *

Please feel free to contact either one of us if you have any questions or would like to discuss further.

Sincerely,

D. Keith Bell

Rose Albrizio

cc: Interested parties
NAIC staff

**Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A**

Issue: Schedule BA Reporting Categories

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New Issue or SSAP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Description of Issue: This agenda item has been developed to incorporate more detailed definitions for the annual statement reporting categories of *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* (SSAP No. 48) and residual interests on Schedule BA: Other Long-Term Invested Assets. These investments are reported on designated lines divided by the reporting entity’s classification as to the underlying asset characteristics:

- Bonds/Fixed-Income Instruments*
- Common Stocks
- Real Estate
- Mortgage Loans
- Other

** Bond /fixed-income instruments reported in scope of SSAP No. 48 as non-registered private funds, joint ventures, partnerships, or limited liability companies is divided between investments that have an NAIC designation assigned by the SVO and those that do not have an NAIC designation assigned by the SVO.*

The recent residual discussions have further identified that variations exist across industry on the types of investments that should be captured within each category. It has also been noted that the Annual Statement Instructions are limited with guidance and examples for determining reporting classification.

This agenda item has been drafted to propose revisions to the reporting category descriptions in the Annual Statement Instructions to improve consistency in reporting for both ease of industry classifications and for regulator assessment of the type and volume of investment types. The proposed revisions from the Statutory Accounting Principles (E) Working Group will be used to sponsor a blanks annual statement instruction change. The revisions within this agenda item will not result in statutory accounting revisions.

Existing Authoritative Literature:

A/S Instructions – Life, Accident and Health/Fraternal Companies

Reporting Categories on Schedule BA:

Non-Registered Private Funds with Underlying Assets Having Characteristics of:

Bonds

NAIC Designation Assigned by the Securities Valuation Office (SVO)

Unaffiliated.....0799999

Affiliated.....0899999

NAIC Designation Not Assigned by the Securities Valuation Office (SVO)

	Unaffiliated.....	0999999
	Affiliated.....	1099999
Mortgage Loans		
	Unaffiliated.....	1199999
	Affiliated.....	1299999
Other Fixed Income Instruments		
	Unaffiliated.....	1399999
	Affiliated.....	1499999

Joint Venture, Partnership or Limited Liability Company Interests with Underlying Assets Having the Characteristics of:

Fixed Income Instruments		
NAIC Designation Assigned by the Securities Valuation Office (SVO)		
	Unaffiliated.....	1599999
	Affiliated.....	1699999
NAIC Designation Not Assigned by the Securities Valuation Office (SVO)		
	Unaffiliated.....	1799999
	Affiliated.....	1899999
Common Stocks		
	Unaffiliated.....	1999999
	Affiliated.....	2099999
Real Estate		
	Unaffiliated.....	2199999
	Affiliated.....	2299999
Mortgage Loans		
	Unaffiliated.....	2399999
	Affiliated.....	2499999
Other		
	Unaffiliated.....	2599999
	Affiliated.....	2699999

Residual Tranches or Interests with Underlying Assets Having Characteristics of:

Fixed Income Instruments		
	Unaffiliated.....	4699999
	Affiliated.....	4799999
Common Stock		
	Unaffiliated.....	4899999
	Affiliated.....	4999999
Preferred Stock		
	Unaffiliated.....	5099999
	Affiliated.....	5199999
Real Estate		
	Unaffiliated.....	5299999
	Affiliated.....	5399999
Mortgage Loans		
	Unaffiliated.....	5499999

	Affiliated	5599999
Other		
	Unaffiliated	5699999
	Affiliated	5799999

Schedule BA Classification Instructions/Guidance:

Non-Registered Private Funds with Underlying Assets Having Characteristics of a Bond, Mortgage Loan or Other Fixed Income Instrument

Include: Fixed income instruments that are not corporate or governmental unit obligations (Schedule D) or secured by real property (Schedule B).

Any investments deemed by the reporting entity to possess the underlying characteristics of a bond or other fixed income instrument that has been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for this category. Report these investments on Lines 0799999 and 0899999.

Any investments deemed by the reporting entity to possess the underlying characteristics of a bond or other fixed income investment that has not been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for this category. Report these investments on Lines 0999999, 1099999, 1199999, 1299999, 1399999 and 1499999.

Joint Ventures, Partnership or Limited Liability Company Interests with Underlying Assets Having the Characteristics:

Fixed Income Instruments

Include: Leveraged Buy-out Fund.

A fund investing in the “Z” strip of Collateralized Mortgage Obligations.

Any investments deemed by the reporting entity to possess the underlying characteristics of fixed income instruments that has been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for this category. Report these investments on Lines 1599999 and 1699999.

Any investments deemed by the reporting entity to possess the underlying characteristics of fixed income instruments that has not been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for this category. Report these investments on Lines 1799999 and 1899999.

Common Stocks

Include: Venture Capital Funds.

Real Estate

Include: Real estate development interest. Reporting should be consistent with the detailed property analysis appropriate for the corresponding risk-based capital factor for

this investment category. If the requisite details are not available for reporting, report under “Other” subcategory.

Mortgage Loans

Include: Mortgage obligations. Reporting should be consistent with the detailed property analysis appropriate for the corresponding risk-based capital factor for this investment category. If the requisite details are not available for reporting, report under “Other” subcategory.

Other

Include: Limited partnership interests in oil and gas production.

Forest product partnerships.

Investments within the Joint Venture and Partnership Interests category that do not qualify for inclusion in the “Fixed Income Instruments,” “Common Stocks,” “Real Estate” or “Mortgage Loans” subcategories.

Reporting should be consistent with the corresponding risk-based capital factor for this investment category (i.e., Other Long-Term Assets).

Residual Tranches or Interests with Underlying Assets Having Characteristics of:

Investment in Residual Tranches or Interests should be assigned to the subcategory with the highest underlying asset concentration. There shouldn't be any bifurcation of the underlying assets among the subcategories.

Include: Residual tranches or interests captures securitization tranches and beneficial interests as well as other structures captured in scope of *SSAP No. 43R – Loan-Backed and Structured Securities*, that reflect loss layers without any contractual payments, whether interest or principal, or both. Payments to holders of these investments occur after contractual interest and principal payments have been made to other tranches or interests and are based on the remaining available funds. See *SSAP No. 43R* for accounting guidance.

Fixed Income Instruments

Include: Investments with underlying collateral which, if held individually, would be reported on *Schedule D – Part 1 – Long-Term Bonds*

Common Stocks

Include: Investments with underlying collateral which, if held individually, would be reported on *Schedule D – Part 2 – Section 2 – Common Stocks*

Preferred Stocks

Include: Investments with underlying collateral which, if held individually, would be reported on *Schedule D – Part 2 – Section 1 – Preferred Stocks*

Real Estate

Include: Investments with underlying collateral which, if held individually, would be reported on *Schedule A – Real Estate Owned*

Mortgage Loans

Include: Investments with underlying collateral which, if held individually, would be reported on *Schedule B – Mortgage Loans*

Other

Include: Items that do not qualify for inclusion in the above subcategories.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups):

- Bond Project: Under the principle-based bond definition project, revisions are proposed to combine the non-registered provide funds within the reporting category for joint ventures, partnerships and limited liability companies as those items would also be in scope of SSAP No. 48. With that change the category of “fixed income instruments” would be retained.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:
None

Convergence with International Financial Reporting Standards (IFRS): NA

Recommendation:

NAIC staff recommend that the Working Group include this item on their maintenance agenda as a SAP clarification/potential blanks reporting change and expose this agenda item with a request for industry and regulator feedback to further define and provide examples for the investments captured as non-registered private funds, joint ventures, partnerships or limited liability companies, or residual interests and reported based on the underlying characteristics of assets. Specifically, comments are requested on what should be captured as investments with underlying asset characteristics of:

- Fixed-Income Instruments
- Common Stocks
- Real Estate
- Mortgage Loans
- Other

As detailed in the current A/S instructions, descriptions are included for non-registered private funds, joint ventures, partnerships, and limited liability companies, whereas references to the SSAP the underlying assets would be captured in are included for residual interests.

This agenda item is only intended to improve the annual statement instructions and examples for the allocation of investments based on the above underlying characteristics of assets. If needed, and preferred by the Working Group, this agenda item could be expanded to propose new reporting lines (structural changes) to Schedule BA. As noted within ‘Activity to Date,’ revisions are currently being considered to combine and rearrange broad reporting lines under the bond project. Those revisions currently do not expand on the instructions for reporting based on underlying characteristics of assets. The proposed revisions from the Statutory Accounting Principles (E) Working Group will be used to sponsor a blanks annual statement instruction change. The revisions within this agenda item will not result in actual statutory accounting revisions.

Staff Review Completed by: Julie Gann - NAIC Staff, May 2023

Status:

On August 13, 2023, the Statutory Accounting Principles (E) Working Group moved this agenda item to the active listing, categorized as a SAP clarification and exposed this agenda item to further define for consistency purposes the investments captured as non-registered private funds, joint ventures, partnerships or limited liability companies, or residual interests and reported based on the underlying characteristics of assets.

On December 1, 2023, the Statutory Accounting Principles (E) Working Group exposed additional revisions, as detailed below, to further define the investments captured on Schedule BA along with the continued proposed to combine non-registered private funds within the proposed reporting lines for joint ventures, partnerships, or limited liability companies. The Working Group also requested additional regulator and industry feedback on whether more specificity is needed since the existing Schedule BA descriptions are fairly broad.

Proposed Interested Parties' Edits to the Schedule BA Instructions from Separate Attachment:

Non-Registered Private Funds with Underlying Assets Having Characteristics of a Bond, Mortgage Loan or Other Fixed Income Instrument

Include: Fixed income instruments that are not corporate or governmental unit obligations (Schedule D) or secured by real property (Schedule B).

Any investments deemed by the reporting entity to possess the underlying characteristics of a bond or other fixed income instrument that has been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for this category. Report these investments on Lines 0799999 and 0899999.

Any investments deemed by the reporting entity to possess the underlying characteristics of a bond or other fixed income investment that has not been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for this category. Report these investments on Lines 0999999, 1099999, 1199999, 1299999, 1399999 and 1499999.

Joint Ventures, Partnership or Limited Liability Company Interests with Underlying Assets Having the Characteristics:

Fixed Income Instruments

Include: [Investments with underlying collateral which include contractual principal and/or interest payments, excluding mortgage loans](#)~~Leveraged Buy-out Fund.~~

~~A fund investing in the "Z" strip of Collateralized Mortgage Obligations.~~

Any investments deemed by the reporting entity to possess the underlying characteristics of fixed income instruments that has been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for this category. Report these investments on Lines 1599999 and 1699999.

Any investments deemed by the reporting entity to possess the underlying characteristics of fixed income instruments that has not been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the*

NAIC Investment Analysis Office for this category. Report these investments on Lines 1799999 and 1899999.

Common Stocks

Include: Venture Capital Funds [or other underlying equity investments](#).

Real Estate

Include: Real estate development interest. Reporting should be consistent with the detailed property analysis appropriate for the corresponding risk-based capital factor for this investment category. If the requisite details are not available for reporting, report under “Other” subcategory.

Mortgage Loans

Include: Mortgage obligations. Reporting should be consistent with the detailed property analysis appropriate for the corresponding risk-based capital factor for this investment category. If the requisite details are not available for reporting, report under “Other” subcategory.

Other

Include: Limited partnership interests in oil and gas production.

Forest product partnerships.

Investments within the Joint Venture and Partnership Interests category that do not qualify for inclusion in the “Fixed Income Instruments,” “Common Stocks,” “Real Estate” or “Mortgage Loans” subcategories.

~~Reporting should be consistent with the corresponding risk-based capital factor for this investment category (i.e., Other Long-Term Assets).~~

Residual Tranches or Interests with Underlying Assets Having Characteristics of:

Investment in Residual Tranches or Interests should be assigned to the subcategory with the highest underlying asset concentration. There shouldn't be any bifurcation of the underlying assets among the subcategories.

Include: Residual tranches or interests from securitization tranches and beneficial interests as well as other structures captured in scope of *SSAP No. 43R – Loan-Backed and Structured Securities* Investments in joint ventures, partnerships and limited liability companies captured in scope of *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* that represent residual interests or that predominantly hold residual interests.

This category shall also include residual interests or residual security tranches within investment structures that are not captured in scope of *SSAP No. 43R* or *SSAP No. 48* but that reflect, in substance, residual interests or residual security tranches.

Fixed Income Instruments

Include: -Investments with underlying collateral which include contractual principal and/or interest payments, excluding mortgage loans, ~~if held individually, would be reported on Schedule D—Part 1—Long-Term Bonds.~~

Common Stocks

Include: Investments with underlying collateral which are securities that represent a subordinate equity ownership, ~~if held individually, would be reported on Schedule D—Part 2—Section 2—Common Stocks~~

Preferred Stocks

Include: Investments with underlying collateral which is a security that represents ownership of a corporation and gives the holder a claim prior to the claim of common stockholders on earnings and also generally on assets in the event of liquidation, ~~if held individually, would be reported on Schedule D—Part 2—Section 1—Preferred Stocks~~

Real Estate

Include: Investments with underlying collateral which is defined as directly-owned real estate properties and single real estate property investments that are directly and wholly-owned through a limited liability company, ~~if held individually, would be reported on Schedule A—Real Estate Owned~~

Mortgage Loans

Include: Investments with underlying collateral which is secured by a mortgage on real estate, ~~if held individually, would be reported on Schedule B—Mortgage Loans~~

Other

Include: Items that do not qualify for inclusion in the above subcategories.

On February 20, 2024, the Statutory Accounting Principles (E) Working Group reviewed the comments received on this item as well as comments received on the exposed blanks proposal 2023-12BWG. After the discussion, the Working Group exposed this agenda item and directed a modified SAPWG-sponsored blanks proposal (2023-12BWG) to recommend for exposure during the February 21, 2024, Banks (E) Working Group conference call. (This agenda item does not propose any SSAP revisions.)

The following key modifications are reflected in the modified Schedule BA blanks proposal and for documentation within this agenda item:

- 1) Schedule BA has a clear statement that all investments shall be reported in the dedicated reporting line. Investments that do not fit within any specific reporting line shall be captured as an “Any Other Class of Asset.”
- 2) The Schedule BA reporting category for investments in “Joint Ventures, Partnerships and Limited Liability Companies” has been clarified to identify that investments captured within this reporting category shall be in scope of SSAP No. 48. With this clarification, the revisions proposed by industry to clarify the “underlying characteristics of bonds” subcategory to include “collateral that has contractual principal and/or interest payments, excluding mortgage loans,” as well as the other proposed industry descriptions for other subcategories, has been retained. One exception to the SSAP No. 48 restriction has been included to reference structured settlement payment rights in scope of *SSAP No. 21R—Other Admitted Assets* that have an SVO-Assigned designation. This inclusion is consistent with the guidance in SSAP No. 21R. The Schedule BA blanks proposal maintains the recommendation to eliminate the “non-registered private fund” reporting category as

those items shall be reported in the “joint ventures, partnerships and limited liabilities companies” reporting category if in scope of SSAP No. 48.

- 3) The Schedule BA reporting category for residuals has been modified to refer to SSAP No. 21R for the residual definition, pursuant to agenda item 2019-21. As such, the proposed revisions offered by industry in their January 22, 2024, comment letter have not been reflected. Beginning Jan. 1, 2025, all residuals shall be captured in scope of SSAP No. 21R, regardless of the investment form.

On May 15, 2024, the Statutory Accounting Principles (E) Working Group reviewed the comments received on this item as well as comments received on the exposed blanks proposal 2023-12BWG, which is proposed to be effective on January 1, 2025. After the discussion, the Working Group adopted this agenda item, resulting in no SSAP revisions, the adoption is to communicate support for the adoption of 2023-12BWG with the following three additional modifications to the blanks proposal:

- 1) Rename “Fixed Income Instruments” to “Bonds”:

Residual Tranches or Interests with Underlying Assets Having Characteristics of:

Investment in Residual Tranches or Interests should be assigned to the subcategory with the highest underlying asset concentration. There should not be any bifurcation of the underlying assets among the subcategories.

Include: Residual tranches or interests captured in scope of *SSAP No. 21R – Other Admitted Assets*. The scope of SSAP No. 21R includes all in-substance residuals regardless of the investment form. Therefore, this category shall include investments that reflect in-substance residuals in the form of 1) an investment in a securitization tranche or beneficial interest, 2) an investment in a joint venture, partnership or limited liability company, 3) an investment in preferred stock 4) an investment in common stock, or 5) any other investment structure.

~~Fixed Income Instruments~~ Bonds

Include: Investments with underlying collateral which, if held individually, would be reported as issuer credit obligations on Schedule D – Part 1 – ~~Long-Term Bonds~~ Section 1, or as asset-backed securities on Schedule D – Part 1 – Section 2. Residual tranches from collateralized loan obligations (CLOs) shall be captured within this reporting line.

Other

Include: Items that do not qualify for inclusion in the above subcategories. Examples include, but are not limited to, residual tranches from investments with underlying assets of student loans, auto loans, aircraft leases or train car leases.

- 2) Clarify Guidance for Schedule BA, Column 26 – Maturity Date

Column 26 – Maturity Date

The maturity date shall be reported for all investments on Schedule BA that have a stated maturity date. This is anticipated to include, but not be limited to, all investments captured as non-bond debt securities, surplus notes, capital notes, collateral loans, non-collateral loans, and investments

in tax credits. However, this list should not be considered all-inclusive for investments captured on other reporting lines with stated maturity dates.

~~Use only for securities included in the following subtotal lines.
State the date the mortgage loan matures.~~

- 3) Correct Joint Venture, Partnerships and LLCs Reporting Line. (Change from exposure is shaded.)

As Exposed: Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) ~~Interests with Underlying Assets Having the Characteristics of:~~

With Correction: Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) ~~Interests~~ with Underlying Assets Having the Characteristics of:

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2024/05-15-24/Adoptions/23-16 - Schedule BA Categories_1.docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2024/05-15-24/Adoptions/23-16-ScheduleBACategories_1.docx)

**Statutory Accounting Principles (E) Working Group
Summer National Meeting
Comment Letters Received**

TABLE OF CONTENTS

COMMENTS / DOCUMENT	PAGE REFERENCE
Comment Letters Received for Items Exposed for the Summer National Meeting	
ACLI – April 17, 2024 <ul style="list-style-type: none"> ○ Ref #2024-04: Conforming Repurchase Agreements 	2-5
Claire Thinking, Inc. – May 30, 2024 <ul style="list-style-type: none"> ○ Ref #2024-06: Risk Transfer Analysis on Combination Reinsurance Contracts 	6-7
Interested Parties – May 31, 2024 <ul style="list-style-type: none"> ○ Ref #2022-12: Review of <i>INT 03-02: Modification to an Existing Intercompany Pooling Arrangement</i> ○ Ref #2023-26: <i>ASU 2023-06, Disclosure Improvements</i> ○ Ref #2024-01: Bond Definition – Debt Securities Issued by Funds ○ Ref #2024-02: <i>ASU 2023-01, Leases (Topic 842), Common Control Arrangements</i> ○ Ref #2024-03: <i>ASU 2023-08, Accounting for and Disclosure of Crypto Assets</i> ○ Ref #2024-04: Conforming Repurchase Agreements ○ Ref #2024-05: A-791 Paragraph 2.c. ○ Ref #2024-06: Risk Transfer Analysis on Combination Reinsurance Contracts ○ Ref #2024-07: Reporting of Funds Withheld and Modco Assets ○ Ref #2024-08: Consistency Revisions for Residuals ○ Ref #2024-09: SSAP No. 2R – Clarification ○ Ref #2024-10: SSAP No. 56 – Book Value Separate Accounts ○ Ref #2024-11: ASU 2023-09, Improvements to Income Tax Disclosures ○ Ref #2024-12: Updates to SSAP No. 27 ○ Ref #2024-14EP: Accounting Practices and Procedures Manual Editorial 	8-20
Interested Parties – June 21, 2024 <ul style="list-style-type: none"> ○ Ref #2019-21: Issue Paper – Bond Project 	21-22

Brian Bayerle
Chief Life Actuary
202-624-2169
BrianBayerle@accli.com

Colin Masterson
Policy Analyst
202-624-2463
ColinMasterson@accli.com

April 17, 2024

Dale Bruggeman
Chair, NAIC Statutory Accounting Principles (E) Working Group (SAPWG)

Re: SAPWG 2024-04 (Conforming Repurchase Agreements)

Dear Chair Bruggeman:

The American Council of Life Insurers (ACLI) appreciates the opportunity to respond to SAPWG's March 16th exposure of its report on conforming repurchase agreements (repo). The exposure requests that industry address three issues:

1. Inconsistent reporting of reinvested asset detail between conforming securities lending and conforming repo
2. While the RBC Instructions provide guidance on the criteria to establish conforming securities lending and repo programs, similar guidance should be provided in the Annual Instructions
3. Regulators are unsure about whether the limitations on "acceptable collateral" apply to:
 - a. Securities being lent by the insurer
 - b. Cash or cash equivalents received by the insurer
 - c. Assets within the reinvestment pool
 - d. Some combination of the 3 categories above

Below are ACLI's responses to each of these three issues.

Reinvested Asset Detail

NAIC staff are correct in pointing out that, while reinvested assets for conforming securities lending programs are listed CUSIP-by-CUSIP in Schedule DL, ACLI is not proposing a similarly detailed

American Council of Life Insurers | 101 Constitution Ave, NW, Suite 700 | Washington, DC 20001-2133

The American Council of Life Insurers is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 275 member companies represent 93 percent of industry assets in the United States.

accli.com

asset listing for conforming repo programs. Instead, ACLI believes that the following disclosures should provide regulators sufficient comfort in the integrity of the reinvested assets:

1. Reinvested assets must conform to the Investment Guidelines established within the conforming repo program
2. Reinvestment assets must be dedicated and sufficient to satisfy a potential run-off of the repo liability. As a demonstration, both the book value and fair (market) value of the reinvested assets for conforming repo programs are reported in Footnote 5F(10) of Quarterly/Annual Statements. A full listing of the nine Footnotes related to conforming repo programs is listed as Appendix 1.

ACLI believes that these disclosures provide regulators with a more fulsome overview of the integrity of reinvested assets than a simple CUSIP-by-CUSIP asset listing.

Annual Statement Instructions

In the 2024-04 exposure, NAIC staff proposes that guidelines for conforming securities lending and conforming repo programs should appear in the Annual Statement Instructions as well as the RBC Instructions. In Appendix 2, ACLI proposes expanded Annual Statement Instructions incorporating guidelines for conforming securities lending and conforming repurchase agreement programs.

Scope of “Acceptable Collateral”

It can often be difficult to define the scope of the word “collateral.” ACLI would like to clarify that the restrictive limitations on “acceptable collateral” apply *only* to the collateral received by an insurer when the insurer posts securities to the counterparty. “Acceptable collateral” limitations should *not* be applied to either securities lent or to assets in the reinvestment pool:

1. Securities lent are subject to restrictions in the binding written legal agreement between borrower and insurer
2. Assets in the reinvestment pool or portfolio are subject to restrictions in the Investment Guidelines

Securities lent, as well as assets in the reinvest pool, typically have a broader range of asset types than cash within “acceptable collateral.” It should not be surprising, therefore, that assets in conforming securities lending reinvestment portfolios can fall outside the restrictive asset classes within “acceptable collateral.”

Thank you once again for the consideration of our comments and we look forward to further discussion on this topic at a future meeting of SAPWG.

Sincerely,



Colin Masterson

cc: Julie Gann, Robin Marcotte, Jake Stultz, Jason Farr and Wil Oden, NAIC

APPENDIX 1

5F(3) shows the bands of maturity for the repo liability itself – both maximums and “as of” for each quarter within each band

5F (4) discloses if any securities involved were in default

5F(5) shows the FV of the securities that are out on repo- both maximums and “as of” for each quarter. Only at YE do we need to disclose the book values (hence “XXX” in the quarters)

5F (6) shows FV and BV of securities out on repo by NAIC rating by asset class as of the current quarter end

5F (7) shows the value of the “collateral” received by type (cash vs securities) both “as of” and maximum for each quarter

5F (8) shows the bv/fv of the collateral received by type and NAIC rating as of the current quarter end

5F (9) shows the FV of the securities on loan +free collateral securities by remaining maturity.

5F (10) shows the BV (amortized cost) and FV of the Reinvested collateral by remaining contractual maturity as of the current quarter

5F (11) in aggregate displays the maximum liability and as of liability

APPENDIX 2

From the Official NAIC Annual Statement Instructions, insertion of conforming repurchase agreement program and subsequent reordering would be applied to the relevant portion of the General Interrogatories, Investment section, beginning on page 322.

- 25.04 *For the reporting entity's securities lending program, report amount for collateral for confirming program as outlined in the Risk-Based Instructions.*
- 25.05 *For the reporting entity's securities lending program, report amount of collateral for other programs.*
- 25.06 *For the reporting entity's repurchase agreement program, report amount of collateral for conforming programs as outlined in the footnote 5 F (7), Repurchase Agreements Transactions Accounted for as Secured Borrowing.*
- 25.07 *For the reporting entity's repurchase agreement program, report amount of overcollateralization for conforming programs, as the difference between footnote 5 F (5) and 5 F (7), Repurchase Agreements Transactions Accounted for as Secured Borrowing.*
- 25.08 *For the reporting entity's repurchase agreement program, report amount of collateral for other programs.*

May 30, 2024

Dale Bruggeman
Chair, Statutory Accounting Principles (E) Working Group
National Association of Insurance Commissioners

Re: Exposure 2024-06; Risk Transfer Analysis on Combination Reinsurance Contracts

Dear Mr. Bruggeman:

Thank you for the opportunity to provide comments to the NAIC's Statutory Accounting Practices Working Group regarding Exposure 2024-06. Please note that my comments only reflect my own opinion and not necessarily those of my past or present employer or of any professional organization.

Regarding Exposure 2024-06, I agree that a reinsurance agreement that is comprised of interdependent reinsurance arrangements (such as coinsurance and YRT) needs to be evaluated as a single agreement to determine risk transfer compliance. One of the primary intentions of Appendix A-791 of the Accounting Practices and Procedures Manual is to require, in order to qualify for reinsurance credit, that there generally not be a possibility that a ceding company's surplus could be adversely impacted by the performance of the ceded business. If a coinsurance agreement on its own would comply with Appendix A-791, but the reinsurance agreement it is part of **obligates** the ceding company to cede business under a YRT reinsurance arrangement, then that obligation needs to be considered in evaluating compliance with Appendix A-791.

In the drafting of the Life and Health Reinsurance Agreements Model Regulation and Appendix A-791, insurance regulators were primarily concerned about reinsurance agreements that provided surplus relief to the ceding company. These teams of insurance regulators believed that surplus relief should not be recognized if it was not permanent, thus the idea that the ceding company's surplus should not be adversely impacted at any future time by the ceded business. This includes the payment of any risk charge, which can only be paid from the income of the ceded policies and not from the surplus of the ceding company.

The Summary of Exposure 2024-06 frequently mentions experience refunds. The existence of an experience refund (which actually should benefit the ceding company) is generally not the concern. Rather, an experience refund may be typical of the types of reinsurance agreements that combine coinsurance with YRT reinsurance and charge YRT reinsurance premiums that are higher than what they would be otherwise, with the "excess" expected to be returned to the ceding company as part of an experience refund but which would provide a buffer to the reinsurer for at least some of the losses in the case that actual experience is sufficiently adverse. Such a reinsurance agreement should be evaluated in its entirety to determine if this buffer can result in a reduction of the ceding

company's surplus. It should not matter whether a potential reduction of the ceding company's surplus is due to the coinsurance premiums exceeding policy premiums or due to YRT reinsurance premiums exceeding policy charges for the mortality risk, since the two reinsurance arrangements are connected.

In summary, the determination of a reinsurance agreement's compliance with Appendix A-791 of the NAIC Accounting Practices and Procedures Manual should include consideration of all obligations of the ceding company under the reinsurance agreement.

Sincerely,

Sheldon Summers, FSA, MAAA
Claire Thinking, Inc.
Actuary

CC: Kevin Clark, Vice Chair; Julie Gann, NAIC; Robin Marcotte, NAIC

D. Keith Bell, CPA
Senior Vice President
Accounting Policy
Corporate Finance
The Travelers Companies, Inc.
860-277-0537; FAX 860-954-3708
Email: d.keith.bell@travelers.com

Rose Albrizio, CPA
Vice President
Accounting Practices
Equitable
201-743-7221
Email: Rosemarie.Albrizio@equitable.com

May 31, 2024

Mr. Dale Bruggeman, Chairman
Statutory Accounting Principles Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

RE: Interested Parties Comments on the Items Exposed for Comment by the Statutory
Accounting Principles Working Group with Comments due May 31st

Dear Mr. Bruggeman:

Interested parties appreciate the opportunity to comment on the following items that were exposed for comment by the Statutory Accounting Working Group (the Working Group) during the NAIC National Meeting in Phoenix with comments due May 31st.

Ref #2022-12: Review of INT 03-02: *Modification to an Existing Intercompany Pooling Arrangement*

The Working Group exposed its intent to nullify INT 03-02, and exposed revisions to *SSAP No. 25—Affiliates and Other Related Parties* and *SSAP No. 63—Underwriting Pools* to address transfers of assets when modifying intercompany pooling agreements. The exposed revisions were based on interested parties' comments with minor edits proposed by NAIC staff.

The exposed Revisions to SSAP No. 25 and SSAP No. 63 are illustrated below.

SSAP No. 25—Affiliates and Other Related Parties

4. If a company transfers assets or liabilities to effectuate a modification to an existing intercompany pooling arrangement, the transaction, including the transfer of assets, shall be accounted for and valued in accordance with the guidance in *SSAP No. 63—Underwriting Pools*. The guidance in *SSAP No. 63* regarding the transfers of assets or liabilities to effectuate a modification of an intercompany pooling arrangements shall not be applied or analogized to other transactions involving transfers of assets and liabilities.

SSAP No. 63—Underwriting Pools (only impacted paragraph are reflected.)

1. This statement establishes statutory accounting principles for underwriting pools and associations, including intercompany pooling arrangements.

8. Insurance groups that utilize intercompany pooling arrangements often modify these arrangements from time to time for various business reasons. These business reasons commonly include mergers, acquisitions, dispositions, or a restructuring of the group’s legal entity structure. In order to effectuate a relatively simple modification, such as changing pooling participation percentages without changing the pool participants, companies often simply amend the existing pooling agreement. Alternatively, in order to effectuate a more complex modification, such as changing (by adding or removing) the number of pool participants, a company may commute the existing pooling agreement and execute a new pooling agreement(s). In conjunction with executing the appropriate intercompany pooling agreements, a transfer of assets and liabilities amongst the impacted affiliates may also be required in order to implement the new pooling agreement(s). The following subparagraphs provide guidance specific to modifications of intercompany pooling arrangements and shall not be applied to an analogous transaction or event.

- a. The appropriate valuation basis to be used for assets and liabilities that are transferred among affiliates in conjunction with the execution of a new intercompany pooling agreement(s) that serves to substantively modify an existing intercompany pooling arrangement is statutory book value for assets and statutory value for liabilities.
- b. The net amount of the assets and liabilities being moved among entities as a result of a modification to an intercompany pooling shall be used to settle the intercompany payable/receivable (i.e., the assets that are transferred in conjunction with the modification) to minimize the amount of assets transferred in the modification.

12. Note that other applicable reinsurance guidance from SSAP No. 61R—Life, Deposit Type and Accident and Health Reinsurance or SSAP No. 62R—Property and Casualty Reinsurance, depending on the type of business, applies to intercompany pooling arrangements and voluntary and involuntary pools. This includes the SSAP No. 62R guidance in paragraphs 33 through 39 regarding retroactive reinsurance.

New disclosure in paragraph 13

13.i For modifications to an existing intercompany pooling arrangement that involve the transfer of assets with fair values that differ from cost or amortized cost, the statement value and fair value of assets received or transferred by the reporting entity.

Interested parties agree with and support adoption of the proposed changes. For purposes of clarity, we recommend that the wording following the comma in the new disclosure in paragraph 13 of SSAP No. 63 be moved to the beginning of the sentence to read as follows: The statement value and fair value of assets received or transferred by the reporting entity for modifications to an existing

intercompany pooling arrangement that involved the transfer of assets with fair value that differ from costs or amortized cost.

Ref #2023-26: ASU 2023-06, Disclosure Improvements

The Working Group exposed revisions to adopt, with modification, certain disclosures from *ASU 2023-06, Disclosure Improvements, Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*, for statutory accounting within *SSAP No. 15—Debt and Holding Company Obligations* and *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. The Working Group also requested input from regulators and interested parties on whether the derivative cash flow accounting policy disclosure, described in ASC 230-10-50-9, would provide useful information to regulators.

Interested parties have no comments on this item.

Ref #2024-01: Bond Definition – Debt Securities Issued by Funds

The Working Group re-exposed this item with a request for regulators and industry to provide comment on the proposed language that assists with clarifying the scope of guidance and to the types of debt securities issued by funds that should be considered as operating entities, and the proposed language to better define the extent of debt that may be issued to fund operations. This re-exposure and request for clarification intends to address interpretations from the original exposure that the revised guidance would permit feeder funds (and other structures that raise debt capital) to be classified as issuer credit obligations.

This agenda item was developed to clarify guidance in the principles-based bond definition on the treatment on debt securities issued by funds, particularly to eliminate inconsistent application between similar funds and to better align with the recently adopted definition of residual tranches. In the adopted bond definition, bonds issued by business development corporations (BDCs), closed-end funds (CEFs), or similar operating entities are provided as examples of issuer credit obligations (ICOs) when they are registered under the Investment Company Act of 1940 (1940 Act). It has been noted that this guidance is inconsistent with the stated intent of having the bond definition be principles-based as the registration of the fund appears to be the basis of classification as an ICO vs ABS, rather than based on principles. It has been noted that with the current guidance, two funds with issued debt that are virtually identical can have separate SSAP classification of the debt securities (resulting with different accounting/reporting) simply based on whether the fund is registered. Additionally, it would lead to debt securities being classified inconsistently with their equity counterparts. In concept, there should be consistency between the classification of a debt security as an asset-backed security, and the equity of that structure being classified as a residual interest. Using SEC-registration as currently adopted would result in misalignment of these concepts.

The changes captured within this agenda item propose to revise the principles-based bond definition guidance to clarify that debt securities issued by funds representing operating entities qualify as ICOs. This would allow consistent treatment of similar funds regardless of SEC registration status.

Guidance is also proposed to assist with distinguishing whether a fund represents an operating entity or a securitization vehicle.

The original guidance, and the reference to the SEC registration, was an easy approach to determine whether a debt security from a fund qualified as an ICO. This is because SEC registered funds have leverage limits on how much debt can be issued. Although debt securities issued from SEC registered CEFs and BDCs are still permitted as ICOs, the proposed edits permit debt securities from non-registered funds to qualify as ICO if the funds are functioning as operating entities and are not issuing securities for the primary purpose of raising debt capital.

Interested parties reviewed the NAIC Staff proposal and support with the revised language and believe it will achieve the stated objective of greater consistency for debt issued by like funds.

Ref #2024-02: ASU 2023-01, Leases (Topic 842), Common Control Arrangements

The Working Group exposed revisions to adopt, with modification, *ASU 2023-01, Leases (Topic 842), Common Control Arrangements* in *SSAP No. 19—Furniture, Fixtures, Equipment and Leasehold Improvements* and *SSAP No. 73—Health Care Delivery Assets and Leasehold Improvements in Health Care Facilities*. The proposed revisions reject the practical expedient for private companies and not-for-profit entities but recommend adoption of the leasehold improvement guidance from the ASU, with modification to the language to align with existing guidance in *SSAP No. 19* and *SSAP No. 73*.

Interested parties have no comments on this item.

Ref #2024-03: ASU 2023-08, Accounting for and Disclosure of Crypto Assets

The Working Group exposed revisions to adopt, with modification *ASU 2023-08, Accounting for and Disclosure of Crypto Assets* for statutory accounting. The revisions propose to adopt the definition of crypto assets from the ASU but establishes within *SSAP No. 20—Nonadmitted Assets* that directly held crypto assets are nonadmitted assets for statutory accounting. Additionally, the exposure includes the intent to nullify *INT 21-01, Accounting for Cryptocurrencies*. This agenda item does not intend to modify the general interrogatory disclosures that had previously been added to the Annual Statement blanks and instructions.

Interested parties have no comments on this item.

Ref #2024-04: Conforming Repurchase Agreements

The Working Group exposed this agenda item and directed NAIC staff to work with industry in determining current application/interpretation differences on the reporting of securities lending collateral and repurchase agreement collateral for possible consistency revisions.

Interested parties support the ACLI comment letter submitted on April 17, 2024. We look forward to continuing to work with the statutory accounting staff on this topic.

Ref #2024-05: A-791 Paragraph 2.c.

The Working Group exposed revisions to remove the first sentence of *Appendix A-791—Life and Health Reinsurance Agreements (A-791)*, paragraph 2c’s Question and Answer. In addition, the Working Group directed NAIC staff to notify the Valuation Analysis (E) Working Group, the Life Actuarial (A) Task Force and the Reinsurance (E) Task Force of the exposure.

Interested parties have no comments on this item.

Ref #2024-06: Risk Transfer Analysis on Combination Reinsurance Contracts

The Working Group exposed revisions to incorporate guidance to *SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance* that is consistent with the guidance currently in *SSAP No. 62R—Property and Casualty Reinsurance*, Exhibit A - Implementation Questions and Answers, question 10. This guidance requires risk transfer to be evaluated in aggregate for contracts with interrelated contract features such as experience rating refunds. The revisions also add a reference in *Appendix A-791 Life and Health Reinsurance Agreements (A-791)*, paragraph 6 regarding the entirety of the contract. In addition, the Working Group directed NAIC staff to notify the Valuation Analysis (E) Working Group, the Life Actuarial (A) Task Force and the Reinsurance (E) Task Force of the exposure.

Overview

While the exposed language is characterized as a clarification, it is unclear that the proposed changes are strictly clarifications as there is confusion regarding the potential interpretation and resulting implications of these changes. Specifically, interested parties are concerned that the exposed language could lead to broader interpretive changes by regulators, auditors, and companies than is currently intended, which could cause confusion and inconsistency in approach across the industry. Interested parties suggest that further discussion between industry participants, the NAIC, and regulators on this important topic would ensure mutual understanding of intent.

Comments

Reinsurance agreements that combine coinsurance and yearly renewable term (YRT) coverage are not uncommon in the industry and have been historically interpreted (at least by some regulators and audit firms) as appropriately providing quota share credit on the coinsured policies and a YRT credit for the YRT component. We believe it would be in the interest of both regulators and the industry to fully understand the impact that the adoption of the exposed changes would have at the industry level before proceeding further with these changes.

The exposure states that “the substance of this interdependent agreement design is more akin to the risk transferred under a nonproportional reinsurance agreement. This is because in aggregate, proportionate amounts of the risk are not transferred.” We believe that the determination of a contract being proportional or non-proportional should continue to be based on a careful consideration of the specific contractual terms of the reinsurance agreement(s) in question and the

resulting reinsurance coverage provided to the ceding entity rather than the adoption of any automatic and universal conclusion for all combination coinsurance / YRT arrangements. Such belief is supported by the currently codified statutory guidance. SSAP 61R separately defines coinsurance, modified coinsurance, YRT and non-proportional reinsurance arrangements and provides applicable risk transfer guidance for each. Specifically, a non-proportional reinsurance arrangement is defined as follows:

These arrangements provide for financial protection to the ceding entity for aggregate losses rather than providing indemnification for an individual policy basis as described in the preceding three reinsurance arrangements [i.e., coinsurance, modified coinsurance and YRT]. Catastrophic and stop loss reinsurance are written on an annual basis to protect the ceding entity from excessive aggregate losses. Usually, the coverage does not extend over the life of the underlying policy nor is there any requirement on the ceding entity to renew the arrangement.

The combination of coinsurance and YRT arrangements should not be automatically deemed non-proportional as many of these arrangements provide indemnification for losses on an individual policy basis, consistent with the current definition of proportional reinsurance under SSAP 61R. For many such arrangements, each component individually and in combination provides coverage over the life of the underlying policies and offers indemnification on an individual policy basis; and neither the coinsurance nor the YRT component, whether considered independently or in combination, constitutes a non-proportional arrangement.

In addition, the exposure states that “taking a full proportional reserve credit on the coinsured component is not reflective of the actual risk being transferred.” While interested parties agree that combination arrangements can be structured in ways that do not meet statutory risk transfer requirements, we believe that combination arrangements can also be structured to meet these requirements and taking a full proportional reserve credit on the coinsured component would be considered appropriate.

Any risk transfer assessment of combination coinsurance / YRT arrangements should be conducted in the context of applicable SAP guidance and based on the facts and circumstances of the relevant reinsurance agreement(s). SAP guidance should be applied both individually to each of the coinsurance and YRT components of the agreement(s) and, in addition, an overall assessment of the combined agreement should be performed consistent with the requirement that “the agreement shall constitute the entire agreement between the parties with respect to the business being reinsured thereunder[.]” Interested parties agree that if any individual component of a combination coinsurance / YRT arrangement does not pass statutory risk transfer, then the aggregate transaction would not pass statutory risk transfer regardless of how it is structured. This overall assessment should include, among other things, an evaluation of (i) the coinsured business to ensure that all significant risks inherent in the reinsured business are transferred, and (ii) the YRT arrangement to ensure that the agreement does not violate any of the conditions described in Appendix A-791, paragraphs 2.b., 2.c., 2.d., 2.h., 2.i., 2.j. or 2.k.

Interested parties agree that transactions that inappropriately preclude any possibility of reinsurance losses being incurred as a result of excessive YRT premiums would be of concern from a statutory risk transfer perspective. In evaluating whether this is the case, YRT premium levels should be assessed using statutory principles as any resulting reserve credit will also have been established using statutory principles. In applying statutory principles, statutory valuation assumptions can serve as an acceptable benchmark. More specifically:

- YRT reinsurance results in the assumption of mortality risk for the lifetime of the underlying business. In such a context, the statutory valuation framework already defines a reasonably prudent valuation mortality basis for direct writers when reserving for such risks. As such, this same valuation mortality basis should also serve as a reasonable and prudent benchmark for reinsurers to consider when committing to the assumption of mortality risk for the lifetime of the underlying business.
- The determination of reserve credit relates to the underlying statutory reserves that are held by the ceding entity and determined based on statutory principles and assumptions. It would be inconsistent to determine a reserve credit using GAAP principles and assumptions in relation to underlying reserves that are computed using statutory principles and assumptions.

The exposure also states that SSAP 61R, paragraph 36, notes that the reinsurance credit is only for the risk reinsured. The exposure references this as a reason that it is not appropriate for a ceding company to take a proportional reserve credit that reflects the transfer of all actuarial risks when not all actuarial risks are transferred. This is a misinterpretation of paragraph 36. That section of the paragraph refers to coinsurance and states “It [the credit] is, of course, only for the percentage of the risk that was reinsured.” As such, paragraph 36 refers to the quota share of risk and does not imply that coinsurance agreements satisfying risk transfer requirements could be subject to “partial risk transfer”. Historically, risk transfer testing for life insurance, accident and health insurance, and annuity contracts has been performed on a pass/fail basis where companies evaluate the contractual terms of their reinsurance agreements and assess the substance of the transaction based upon SAP risk transfer guidance. Once the risk transfer assessment has been completed, full reserve credit is established for contracts deemed to have successfully satisfied risk transfer. For agreements not successfully demonstrating risk transfer, deposit accounting is utilized. No framework currently exists for assessing an appropriate level of partial reserve credit.

Summary Conclusion

There are established differences in the approach to evaluating risk transfer under SAP and GAAP. It is recognized that there are life reinsurance contracts that satisfy SAP risk transfer rules for life reinsurance but are not considered to have transferred the reasonable possibility of a significant loss to the reinsurer, as required under GAAP. Different types of reinsurance (i.e., coinsurance, YRT, and non-proportional) follow different risk transfer rules under SAP. Applying GAAP standards when evaluating risk transfer / reserve credit for life reinsurance is not appropriate as statutory life reserves are based on prudent assumptions, correspondingly reserve credit should be established on a consistent basis.

A substantive change from pass/fail risk transfer assessment and full reserve credit recognition to a separate assessment of partial reserve credit requires significant changes to SAP, is inconsistent with the current risk transfer assessment framework and would need to be tested further to understand resulting consequences (i.e., intended and unintended).

Interested parties do not believe that the SAPWG exposure pertaining to risk transfer represents a clarification but instead is a significant departure from the currently accepted practices for evaluating risk transfer for life reinsurance contracts under SAP guidance. Therefore, if the exposure remains unchanged, the resulting consequences could be material, and insurers may not be able to unilaterally renegotiate existing agreements even if they desired to do so. Thus, in addition to the broader concerns with the proposal, retroactively changing the historical accounting treatment for existing reinsurance agreements would be inappropriate.

Additional discussion between interested parties, the NAIC, and regulators on this important topic would be greatly beneficial.

We note there are several concurrent efforts at the NAIC related to reinsurance. We suggest the NAIC take a broader view to address these concerns, and ensure coordination of the efforts at LATF, SAPWG, and other NAIC groups working on these issues. Such an approach avoids duplication of work, promotes consistency, and ensures concerns are addressed and understood broadly.

Ref #2024-07: Reporting of Funds Withheld and Modco Assets

The Working Group exposed a project which proposes to add a new part to the reinsurance Schedule S in the Life/Fraternal and Health annual statement blanks and Schedule F in the Property/Casualty (P/C) and Title annual statement blanks, which is similar in structure to Schedule DL and would include all assets held under a funds withheld arrangement and would include a separate signifier for modified coinsurance assets.

Interested parties acknowledge the importance of transparency in financial reporting with respect to assets backing funds withheld and modco reinsurance transactions and regulators' preference to be able to understand the assets supporting these contracts. We look forward to working with the Working Group as it further refines its proposal.

Having reviewed the exposure, interested parties have several comments that relate to the effort. These include: a) sensitivities concerning the potential exposure of competitive information, b) the impracticability of providing such information in commonplace cases where specifically identifiable assets require are not ring-fenced as part of a funds held arrangement, and c) any new asset schedule would considerable resources, which are currently constrained by the bond definition project.

Granularity of reporting may expose proprietary competitive information

While we support giving regulators the information they need to regulate properly, there are issues of commercial sensitivity with having funds withheld and modco assets made public. Concerns

have been expressed about the level of granularity that will be required. Investment strategy is a critical component of reinsurance pricing, which is considered proprietary, and the level of reporting could force companies to share this information publicly. Requiring public disclosure of such proprietary information may reduce the availability of funds withheld collateralized deals in the marketplace. Interested parties urge the Working Group to consider other non-public alternatives which would provide regulators with the information they require while maintaining the confidentiality of proprietary competitive information.

Identifying specific assets under Funds Withheld arrangements without trust accounts is not truly possible

The proposal to report assets held under funds withheld arrangements is also problematic for funds that are not held in trust accounts. Interested parties note that for property casualty companies in particular, many funds withheld arrangements do not require funds to be held in trust accounts. Rather, the funds are maintained by the insurer in their own cash or short-term investment accounts and are allowed to be co-mingled with other cash or invested assets of the insurer. The agreements that govern such funds withheld may specify an interest rate that is applied to the funds withheld for purposes of crediting the funds with interest, but there is no specific invested asset associated with the funds held. Therefore, it would not be possible to identify and report specific assets deemed to be the “funds withheld” under these arrangements.

In addition, interested parties note that for property casualty insurers, the amounts of funds held under reinsurance treaties are already reported in Schedule F Part 3 Column 20 of the annual statement by individual reinsurance treaty. We believe the current reporting in Column 20 was designed to accommodate both funds held agreements with and without trust accounts. For those arrangement where a trust account is used, regulators can easily confirm the invested assets held in the trust accounting during a financial examination.

A new asset schedule will require significant time, effort, and cost to build

A new schedule will increase the complexity of asset reporting requirements. To facilitate the required reporting, commercial annual statement reporting vendors will need to build the new schedule into their software. Beyond that, many companies note additional work may be required to modify their investment and/or accounting systems to populate the proposed new schedules with the assets associated with funds withheld or modco agreements. Others may not have the ability to make changes to their investment and/or accounting systems and would need to create manual processes including appropriate controls to meet the reporting obligations. Allocation processes may need to be established for situations where an asset is backing more than one agreement. This will all require significant time, effort, and cost. Additionally, in a significant part of the industry, the staff and vendor resources that would be involved in implementing the necessary changes for the funds withheld and modco asset schedule are currently heavily involved in the new Bond Definition project that is set to be effective reporting year 2025. Having both issues active at the same time would cause significant resource strain across the industry.

Finally, we note there are several concurrent efforts at the NAIC related to reinsurance. We suggest the NAIC take a broader view to address these concerns and ensure coordination of the efforts at LATF, the Working Group, and other NAIC groups working on these issues. Such an approach

avoids duplication of work, promotes consistency, and ensures concerns are addressed and understood broadly.

We recognize the importance of this issue and want to be helpful and work collaboratively to address the Working Group's objectives of having full visibility of investments, specifically in funds withheld and modco agreements.

Ref #2024-08: SSAP No. 21R, 26R, 30R, 32R, 43R, & 48 – Consistency Revisions for Residuals

The Working Group exposed consistency revisions for residuals so that *SSAP No. 26R—Bonds* (Effective 2025), *SSAP No. 30R—Unaffiliated Common Stock*, *SSAP No. 32R—Preferred Stock*, *SSAP No. 43R—Asset-Backed Securities* (Effective January 1, 2025), and *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* refer directly to *SSAP No. 21R—Other Admitted Assets* for the formal definition and accounting and reporting guidance.

This agenda item was developed to incorporate consistency revisions for residual tranches and residual security interests. Over the last couple of years, a variety of revisions have been incorporated for residual interests. These began with revisions to clarify the reporting on Schedule BA (instead of Schedule D-1) along with the residual definition and guidance within each investment SSAP to highlight that residuals shall be captured on Schedule BA. Although these revisions were necessary to immediately address the reporting of residuals, the discussion that accompanied these revisions have noted that conforming revisions would be needed coinciding with the effective date of the principles-based bond definition guidance to have consistency of guidance location, terminology and definitions.

With the revisions to *SSAP No. 21R—Other Admitted Assets* to provide the accounting and reporting for residuals, all residuals, regardless of investment structure, shall follow the guidance detailed in SSAP No. 21R and be reported on Schedule BA.

To ensure consistency in definitions and guidance, this agenda item proposes to centralize the guidance in SSAP No. 21R and use a consistent approach in the other investment SSAPs to exclude residuals from the scope of those investment SSAPs and refer directly to SSAP No. 21R.

Interested parties support the proposed changes.

Ref #2024-09: SSAP No. 2R – Clarification

The Working Group exposed revisions to *SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments* to eliminate lingering references that imply that asset-backed securities, mortgage loans, or other Schedule BA items are permitted to be reported as cash equivalents or short-term investments.

Interested parties have no comments on this item.

Ref #2024-10: SSAP No. 56 – Book Value Separate Accounts

The Working Group exposed this agenda item and directed NAIC staff to work with industry in determining current application and differences in the treatment of book value assets within the separate account and to prepare suggested revisions to codify an approach within *SSAP No. 56—Separate Accounts*.

Interested parties is currently working with NAIC staff and the IMR Adhoc Working Group on this agenda item.

Ref #2024-11: ASU 2023-09, Improvements to Income Tax Disclosures

The Working Group is proposing expanded statutory income tax disclosures by adopting, with modification, *ASU 2023-09, Improvements to Income Tax Disclosures*. The additional disclosures primarily focus on tax jurisdictional information, impacting both taxes paid and the rate reconciliation. Interested Parties does not believe the additional disclosures as written provide useful or better information on a company's tax position in the context of statutory financial statements.

Interested parties appreciate the Working Group's partnership on the proposal, including various meetings to discuss potential changes to the proposed language. Through these meetings we have provided detailed responses so have only included here a summary of our concerns:

- One of the main changes in ASU 2023-09 is an expanded rate reconciliation, applicable to only public filers. Requiring expanded rate reconciliation disclosures to all insurance companies expands the scope of ASU 2023-09 and will create an additional burden for non-public insurance companies.
- Under paragraph 4 of SSAP No. 101, state income taxes are not accounted for under SSAP No. 101. They are instead accounted for under SSAP 5R and included in taxes, licenses, and fees above the line. During the drafting process of SSAP No. 101 state taxes were intentionally not recorded as part of income tax expense in the statutory financial statements because of the immateriality of this type of tax to insurance companies. Given that insurance companies primarily pay premium taxes in lieu of state income taxes (all but nine states have exempted insurance companies from state income tax), state tax income tax disclosures will have limited value from a statutory reporting perspective. Of the states that charge income tax, several have provisions that significantly reduce the net tax impact, including premium tax credits. State tax disclosures will therefore likely require additional guidance regarding what to report (e.g., before or after any credits for premium tax paid, consideration for mixed group and combined reporting).
- ASU 2023-09 was in part adopted to provide additional foreign tax information to investors to enable them to "understand an entity's exposure to potential changes in jurisdictional tax legislation" over worldwide income. These additional disclosures were also intended to help investors identify where companies operate in low-tax or no-tax jurisdictions. Foreign

subsidiaries and affiliates are not consolidated into statutory statements, so tax jurisdiction information would not be as applicable as it would in consolidated GAAP group reporting. Moreover, Schedule Y already provides regulators with subsidiary information, including the jurisdiction such subsidiaries operate. Material foreign tax amounts will be limited to few insurers who have branches, which are fully taxable in the jurisdictions where they operate as well as in the U.S., with foreign tax credits offsetting the U.S. tax due. This dual taxation results in branches generally having tax rates of at least 21% even if the branch operates in a low or no tax jurisdiction.

Overall, ASU 2023-09 was driven by the investor community, whose disclosure wants and needs are not the same as the regulator focusing on solvency. The current statutory tax footnote provides extensive disclosures, some redundant to those in ASU 2023-09, with a goal of enabling regulators to assess the financial stability of the entity (as it relates to tax). Interested parties thus believe the additional disclosures and requirements under the new ASU 2023-09 would provide limited benefits to the regulators.

Interested parties suggest rejecting adoption of the ASU 2023-09 and all modifications to SSAP No. 101, except for the deletion of SSAP No. 101, paragraph 23b. Interested parties agree the disclosure is no longer necessary given revisions to the Internal Revenue Code.

Ref #2024-12: Updates to SSAP No. 27

The Working Group exposed revisions to *SSAP No. 27— Off-Balance-Sheet and Credit Risk Disclosures Risk and Financial Instruments with Concentrations of Credit Risk* which would remove references to FAS 105 and instead specify the assets excluded from SSAP No. 27.

Additionally, revisions were exposed to the Annual Statement Instructions for Note 16 to add an “other” category to the derivatives tabular disclosure, add a non-derivative financial instrument disclosure and additional narrative disclosure examples for non-derivative financial instruments. The added disclosure would include disclosures regarding loan commitments, standby letters of credit, financial guarantees, and other related items.

Interested parties note that Note 14 of the annual statement already requires disclosures regarding an insurer’s commitments to provide any type of future funding as well as an insurer’s guarantees of the performance of other parties. These disclosures are already very lengthy and detailed. It would seem repetitive to have to include most of the information in Note 16 again.

We recommend that the Working Group evaluate the current disclosure requirements under Note 14 to determine if there is information that should be provided in addition to what is already disclosed instead of having insurers duplicate the information in two different notes.

Ref #2024-14EP: Accounting Practices and Procedures Manual Editorial

The Working Group exposed revisions to the “Revised” and “R” identifiers from SSAP titles and SSAP references throughout the Accounting Practices and Procedures Manual. NAIC staff consider the “Revised” and “R” identifier to no longer be useful.

Interested parties have no comment on this item.

* * *

Please feel free to contact either one of us if you have any questions or would like to discuss further.

Sincerely,

D. Keith Bell

Rose Albrizio

cc: Interested parties
NAIC staff

D. Keith Bell, CPA
Senior Vice President
Accounting Policy
Corporate Finance
The Travelers Companies, Inc.
860-277-0537; FAX 860-954-3708
Email: d.keith.bell@travelers.com

Rose Albrizio, CPA
Vice President
Accounting Practices
Equitable
201-743-7221
Email: Rosemarie.Albrizio@equitable.com

June 21, 2024

Mr. Dale Bruggeman, Chairman
Statutory Accounting Principles Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

RE: Interested Parties Comments on the Item Exposed for Comment by the Statutory Accounting Principles Working Group with Comments due June 21st

Dear Mr. Bruggeman:

Interested parties appreciate the opportunity to comment on the following item that was exposed for comment by the Statutory Accounting Working Group (the Working Group) during the NAIC National Meeting with comments due June 21st.

Ref #2019-21: Issue Paper – Bond Project

The Working Group exposed revisions to the draft issue paper documenting the most recent historical discussions and decisions with the principles-based bond project to reflect the final actions and adoption. The issue paper documenting the discussions and decisions within the principles-based bond project has been updated to reflect the final actions. Additionally, consistency edits and reorganization has been reflected as the authoritative statutory accounting revisions have been adopted.

Interested parties have the following three comments:

- Paragraph 32c – Editorial edits are needed to remove the following language which is included twice, “In contrast, an ABS Issuer has a primary purpose of raising debt capital.....These features support the entity’s primary purpose of raising debt capital.”
- Paragraphs 107, 110, 111, 113, & 115 – The example number cadence is off such that each needs to be reduced by 1 (e.g., in paragraph 107, Example 5 Rationale needs to be shown as Example 4 Rationale, etc.

- Paragraph 59 – SSAP No. 26 discusses that the practical expedient could only be used if less than 50% of the principal relies on sale or refinancing. The Issue Paper (paragraph 59) discusses that the practical expedient could only be used if contractual cash flows at origination are sufficient to cover all interest and at least 50% of the original principal. To avoid confusion, we suggest the following sentence be added to the Issue Paper, paragraph 59 as a last sentence: “That means, as discussed in SSAP 26, paragraph 9b, that the practical expedient can only be used if less than 50% of the principal relies upon sale or refinancing.”

* * *

Please feel free to contact either one of us if you have any questions or would like to discuss further.

Sincerely,

D. Keith Bell

Rose Albrizio

cc: Interested parties
NAIC staff

**Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A**

Issue: ASU 2023-01, Leases (Topic 842), Common Control Arrangements

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New Issue or SSAP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Description of Issue: In March 2023, the Financial Accounting Standards Board (FASB) issued *Accounting Standard Update (ASU) 2023-01, Leases (Topic 842), Common Control Arrangements*. This ASU was issued as part of FASB’s post-implementation review to address issues that have been found during the implementation of the new lease guidance from *ASU 2016-02, Leases (Topic 842)*. As a reminder, ASU 2016-02 was rejected for statutory accounting and the operating lease treatment was retained.

ASU 2023-01 focuses on two issues that are both related to private company stakeholders’ concerns about applying Topic 842 to related party arrangements between entities under common control. The first issue provides a practical expedient for private companies and not-for-profit entities that are not conduit bond obligors to use the written terms and conditions of a common control arrangement to determine 1) whether a lease exists and, if so, 2) the classification of and accounting for that lease. The practical expedient may be applied on an arrangement-by-arrangement basis. If no written terms and conditions exist (including in situations in which an entity does not document existing unwritten terms and conditions in writing upon transition to the practical expedient), an entity is prohibited from applying the practical expedient and must evaluate the enforceable terms and conditions to apply Topic 842. The new U.S. GAAP guidance for this issue is only applicable to non-public entities.

The second issue involves the accounting for leasehold improvements associated with a lease between entities under common control. U.S. GAAP guidance for life of leasehold improvements prior to this update generally agrees to statutory accounting. It was noted in the ASU that private company stakeholders were concerned that amortizing leasehold improvements associated with arrangements between entities under common control determined to be leases (hereinafter referred to as common control leases) over a period shorter than the expected useful life of the leasehold improvements might result in financial reporting that do not faithfully represent the economics of those leasehold improvements, particularly in common control leases with short lease terms. While this issue originally came from private company stakeholder comments, the guidance for this issue is applicable for all lessees that are party to a lease between entities under common control in which there are leasehold improvements.

Existing Authoritative Literature:

The ASUs related to Topic 842 have previously been rejected in *SSAP No. 22R—Leases*. Guidance for leasehold improvements is included in *SSAP No. 19—Furniture, Fixtures, Equipment and Leasehold Improvements* and *SSAP No. 73—Health Care Delivery Assets and Leasehold Improvements in Health Care Facilities*, and guidance for related parties is included in *SSAP No. 25—Affiliates and Other Related Parties*.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:
None

Convergence with International Financial Reporting Standards (IFRS): ASC Topic 842 was the result of a joint project between FASB and the International Accounting Standards Board.

Staff Recommendation:

NAIC staff recommends the Working Group move this item to the active listing of the maintenance agenda categorized as a SAP clarification and expose revisions to adopt, with modification, ASU 2023-01 in SSAP No. 19—*Furniture, Fixtures, Equipment and Leasehold Improvements* and SSAP No. 73—*Health Care Delivery Assets and Leasehold Improvements in Health Care Facilities*, as illustrated in the Form A. The proposed revisions reject the practical expedient for private companies and not-for-profit entities but recommend adoption of the leasehold improvement guidance from the ASU, with modification to the language to align with existing guidance in SSAP No. 19 and SSAP No. 73.

SSAP No. 19—Furniture, Fixtures, Equipment and Leasehold Improvements

5. Leasehold improvements that increase the value and enhance the usefulness of the leased asset meet the definition of assets established in SSAP No. 4. Within that definition, such items also meet the criteria defining nonadmitted assets. Accordingly, such assets shall be reported as nonadmitted assets and charged against surplus. These nonadmitted assets shall be amortized against net income over the shorter of their estimated useful life or the remaining lease term as defined in SSAP No. 22R. [Leasehold improvements associated with a lease between entities under common control shall be amortized over the useful life of those improvements to the holding company group as long as the lessee controls the use of the underlying asset through a lease. If the lessor obtained the right to control the use of the underlying asset through a lease with another entity not within the same holding company group, the amortization period shall not exceed the amortization period of the holding company group.](#) Leasehold improvements that do not meet the definition of assets shall be charged to expense when acquired. The amortization of leasehold improvements (including property improvements and integral equipment) shall cease, with any remaining amount immediately expensed, in any event in which the lease is terminated in advance of the lease term. This includes situations in which leased real estate is acquired by the reporting entity lessee. Such improvements related to the functionality of health care delivery assets shall follow the accounting, reporting and impairment guidance in SSAP No. 73—*Health Care Delivery Assets and Leasehold Improvements in Health Care Facilities*, and an exception to the application of this guidance to leasehold improvements necessary for the functionality of health care delivery assets is included in SSAP No. 73. If leased real estate is acquired, recognition of the real estate shall follow the provisions in SSAP No. 40R—*Real Estate Investments*.

[20. This statement adopts, with modification, ASU 2023-01, Leases \(Topic 842\), Common Control Arrangements. The practical expedient for private companies and not-for-profit entities that are not conduit bond obligors to use the written terms and conditions of a common control arrangement is rejected for statutory accounting. The guidance for lessees that are a party to a lease between entities under common control in which there are leasehold improvements is adopted, with modification to align with existing statutory guidance.](#)

SSAP No. 73—Health Care Delivery Assets and Leasehold Improvements in Health Care Facilities

9. Furniture, medical equipment and fixtures, and leasehold improvements shall be depreciated over their estimated useful lives but for a period not to exceed three years, except for a leasehold improvement which shall be amortized against net income over the shorter of its estimated useful life or the remaining lease term, using methods detailed in SSAP No. 19. [Leasehold improvements associated with a lease between entities under common control shall be amortized over the useful life of those improvements to the holding company group as long as the lessee controls the use of the underlying asset through a lease. If the lessor obtained the right to control the use of the underlying asset through a lease with another entity not within the same holding company group, the amortization period shall not exceed the amortization](#)

[period of the holding company group](#). The amortization of leasehold improvements (including property improvements and integral equipment) shall cease, with any remaining amount immediately expensed, in any event in which the lease is terminated in advance of the lease term. This includes situations in which leased real estate is acquired by the reporting entity lessee but excludes situations where the real estate lease agreement has a purchase option that contains language that allows leasehold improvements necessary for the functionality of specific health care delivery assets to be excluded from the purchase cost of the real estate. Upon acquisition, such leasehold improvements necessary for the functionality of healthcare delivery assets shall follow the guidance for health care delivery assets in this statement. If leased real estate is acquired, recognition of the real estate shall follow the provisions in *SSAP No. 40R—Real Estate Investments*.

[13. This statement adopts, with modification, ASU 2023-01, Leases \(Topic 842\), Common Control Arrangements. The practical expedient for private companies and not-for-profit entities that are not conduit bond obligors to use the written terms and conditions of a common control arrangement is rejected for statutory accounting. The guidance for lessees that are a party to a lease between entities under common control in which there are leasehold improvements is adopted, with modification to align with existing statutory guidance.](#)

Staff Review Completed by: Jake Stultz, NAIC Staff – February 2024

Status:

On March 16, 2024, the Statutory Accounting Principles (E) Working Group exposed revisions to adopt, with modification, *ASU 2023-01, Leases (Topic 842), Common Control Arrangements* in *SSAP No. 19—Furniture, Fixtures, Equipment and Leasehold Improvements* and *SSAP No. 73—Health Care Delivery Assets and Leasehold Improvements in Heath Care Facilities*, as illustrated above. The proposed revisions reject the practical expedient for private companies and not-for-profit entities but recommend adoption of the leasehold improvement guidance from the ASU, with modification to the language to align with existing guidance in *SSAP No. 19* and *SSAP No. 73*.

On August 13, 2024, the Statutory Accounting Principles (E) Working Group adopted the exposed revisions which adopt with modification, as final, *ASU 2023-01, Leases (Topic 842), Common Control Arrangements* in *SSAP No. 19—Furniture, Fixtures, Equipment and Leasehold Improvements* and *SSAP No. 73—Health Care Delivery Assets and Leasehold Improvements in Heath Care Facilities*.

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2024/08-13-24 Summer National Meeting/Adoptions/24-02 - ASU 2023-01 Leases.docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2024/08-13-24SummerNationalMeeting/Adoptions/24-02-ASU2023-01Leases.docx)

**Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A**

Issue: ASU 2023-08, Accounting for and Disclosure of Crypto Assets

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New Issue or SSAP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Description of Issue: In December 2023, the Financial Accounting Standards Board (FASB) issued *Accounting Standard Update (ASU) 2023-08, Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60), Accounting for and Disclosure of Crypto Assets*. This ASU establishes the accounting and reporting for crypto assets, which are defined in U.S. GAAP as assets that:

1. Meet the definition of intangible assets as defined in the Codification.
2. Do not provide the asset holder with enforceable rights to or claims on underlying goods, services, or other assets.
3. Are created or reside on a distributed ledger based on blockchain or similar technology.
4. Are secured through cryptography.
5. Are fungible.
6. Are not created or issued by the reporting entity or its related parties.

ASU 2023-08 also clarified the disclosure of crypto assets in the financial statements, which note that crypto assets are to be reported at fair value, are reported separately from the other intangible assets, describe how they are to be disclosed in the income statement and statement of cash flows, and includes a rollforward of activity and balances on an annual basis.

As background, on May 20, 2021, the Working Group adopted *Interpretation (INT) 21-01: Accounting for Cryptocurrencies*, which established statutory accounting for crypto assets. At that time, NAIC staff had received several questions on the proper treatment of cryptocurrencies, so with the absence of U.S. GAAP guidance, the Working Group adopted INT 21-01. The INT established that directly held cryptocurrencies have not been identified in the *Accounting Practices and Procedures Manual (AP&P Manual)* as an admitted asset, and do not meet the definition of any admitted asset that is defined in the AP&P Manual. Accordingly, by default they are a nonadmitted asset per *SSAP No. 4—Assets and Nonadmitted Assets*, paragraph 3, as they are not specifically identified in the AP&P Manual as an admitted asset. Additionally, a disclosure for crypto assets was added to the general interrogatories of the Annual Statement blanks and instructions.

This agenda item intends to codify the guidance that was adopted in INT 21-01, and formally establish that crypto assets are nonadmitted assets for statutory accounting.

Existing Authoritative Literature:

Accounting for cryptocurrencies is currently addressed by *INT 21-01 Accounting for Cryptocurrencies*, and the Annual Statement blanks included a disclosure in the general interrogatories.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:
None

Convergence with International Financial Reporting Standards (IFRS): None

Staff Recommendation:

NAIC staff recommends that the Working Group move this item to the active listing of the maintenance agenda categorized as a SAP clarification and expose revisions to adopt, with modification ASU 2023-08 for statutory accounting. The agenda item proposes to adopt the definition of crypto assets from the ASU but establishes that directly held crypto assets are nonadmitted assets for statutory accounting. The recommendation is to add guidance to *SSAP No. 20—Nonadmitted Assets* that clarifies that directly-held crypto assets are nonadmitted assets for statutory accounting and to define crypto assets using the definition from ASU 2023-08. This agenda item does not intend to modify the general interrogatory disclosures that had previously been added to the Annual Statement blanks and instructions. Additionally, NAIC staff recommends that the Working Group expose the intent to nullify *INT 21-01, Accounting for Cryptocurrencies*, upon the adoption of this agenda item. The revisions to *SSAP No. 20* are illustrated below.

SSAP No 20—Nonadmitted Assets

Paragraph 4:

f. Crypto assets are defined as intangible digital assets in which transactions are created or reside on a distributed ledger based on blockchain or similar technology and are verified with records maintained by a decentralized system using cryptography, rather than by a centralized authority, and do not provide the asset holder with enforceable rights to or claims on underlying goods, services, or other assets. Directly held crypto assets do not meet the definition of cash in *SSAP No. 2R—Cash, Cash Equivalents, Drafts, and Short-Term Investments*, and due to the volatile nature of the assets and liquidity issues, the assets shall not be considered available to satisfy policyholder obligations.

5. This statement adopts with modification *FASB Emerging Issues Task Force No. 08-7: Accounting for Defensive Intangible Assets* to nonadmit defensible intangible assets. This statement rejects Chapters 3A and 11 of *Accounting Research Bulletin No. 43, Restatement and Revision of Accounting Research Bulletins*. This statement adopts, with modification, ASU 2023-08, *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60), Accounting for and Disclosure of Crypto Assets*, which adopts the definition of crypto assets from the ASU and establishes that directly held crypto assets are nonadmitted assets for statutory accounting.

Staff Review Completed by: Jake Stultz, NAIC Staff—February 2024

Status:

On March 16, 2024, the Statutory Accounting Principles (E) Working Group exposed revisions to adopt, with modification *ASU 2023-08, Accounting for and Disclosure of Crypto Assets* for statutory accounting. The revisions propose to adopt the definition of crypto assets from the ASU but establishes within *SSAP No. 20—Nonadmitted Assets* that directly held crypto assets are nonadmitted assets for statutory accounting. Additionally, the exposure includes the intent to nullify *INT 21-01, Accounting for Cryptocurrencies*. This agenda item does not intend to modify the general interrogatory disclosures that had previously been added to the Annual Statement blanks and instructions.

On August 13, 2024, the Statutory Accounting Principles (E) Working Group adopted the exposed revisions to SSAP No. 20 which with modification, *ASU 2023-08, Accounting for and Disclosure of Crypto Assets* for statutory accounting. Upon adoption, this agenda also nullifies *INT 21-01, Accounting for Cryptocurrencies*.

<https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2024/08-13-24SummerNationalMeeting/Adoptions/24-03-ASU2023-08Crypto.docx>

Interpretation of the Statutory Accounting Principles (E) Working Group

INT 21-01: Accounting for Cryptocurrencies

GUIDANCE NULLIFIED AUGUST 13, 2024

INT 21-01 Dates Discussed

March 15, 2021; May 20, 2021; [August 13, 2024](#)

INT 21-01 References

SSAP No. 2R—Cash, Cash Equivalents, Drafts, and Short-Term Investments

INT 21-01 Issue

1. This interpretation is to address questions regarding statutory accounting treatment for cryptocurrencies, which are defined as a digital currency in which transactions are verified and records maintained by a decentralized system using cryptography, rather than by a centralized authority. Cryptocurrencies are purchased and exchanged using a limited number of unregulated digital currency exchanges and are not held or offered by major banks.
2. The most valuable cryptocurrency as of February 2021 is Bitcoin, which has been in circulation since 2009, and there are approximately 4,000 different cryptocurrencies available on 200 different cryptocurrency exchanges. Cryptocurrencies have seen significant price volatility and have experienced an extreme increase in value over the past year, with the value of the total outstanding cryptocurrencies nearing \$1 trillion as of February 2021. The total market value and increased popularity has led to increased interest in the market by traditional financial institutions and insurance companies.
3. No NAIC Committees or groups have taken any action or established a position on cryptocurrencies. Currently, auditors must rely on guidance provided by the American Institute of Certified Public Accountants through a nonauthoritative practice guide.
4. This Interpretation intends to clarify that directly held cryptocurrencies are nonadmitted assets for statutory accounting.

INT 21-01 Discussion

5. Directly held cryptocurrencies have not been identified in the *Accounting Practices and Procedures Manual* (AP&P Manual) as an admitted asset, and do not meet the definition of any admitted asset that is defined in the AP&P Manual. Accordingly, by default they are a nonadmitted asset per *SSAP No. 4—Assets and Nonadmitted Assets*, paragraph 3, as they are not specifically identified in the *Accounting Practices and Procedures Manual* as an admitted asset.
6. Cash is defined in *SSAP No. 2R—Cash, Cash Equivalents, Drafts, and Short-Term Investments* as a “medium of exchange that a bank or other similar financial institution will accept for deposit and allow an immediate credit to the depositor’s account.” Cryptocurrencies are currently not accepted by major banks and do not operate like a traditional currency, and as such do not meet the definition of cash in *SSAP No. 2R*.

INT 21-01 Consensus

7. The Statutory Accounting Principles (E) Working Group reached a consensus that directly held cryptocurrencies do not meet the definition of an admitted asset and are therefore considered to be a nonadmitted asset for statutory accounting. The Working Group intends to rely on this interpretation for statutory accounting and will address cryptocurrencies further once FASB has provided definitive guidance.

INT 21-01 Status

8. No further discussion is planned.

9. The Statutory Accounting Principles (E) Working Group will continue to monitor the evolution of cryptocurrencies and subsequently review this interpretation as appropriate as part of the normal maintenance process.

**Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A**

Issue: Consistency Revisions for Residuals

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New Issue or SSAP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Description of Issue: This agenda item has been developed to incorporate consistency revisions for residual tranches and residual security interests. Over the last couple of years, a variety of revisions have been incorporated for residual interests. These began with revisions to clarify the reporting on Schedule BA (instead of Schedule D-1) along with the residual definition and guidance within each investment SSAP to highlight that residuals shall be captured on Schedule BA. Although these revisions were necessary to immediately address the reporting of residuals, the discussion that accompanied these revisions have noted that conforming revisions would be needed coinciding with the effective date of the principles-based bond definition guidance to have consistency of guidance location, terminology and definitions.

With the revisions to *SSAP No. 21R—Other Admitted Assets* to provide the accounting and reporting for residuals, all residuals, regardless of investment structure, shall follow the guidance detailed in SSAP No. 21R and be reported on Schedule BA.

To ensure consistency in definitions and guidance, this agenda item proposes to centralize the guidance in SSAP No. 21R and use a consistent approach in the other investment SSAPs to exclude residuals from scope and direct to SSAP No. 21R.

Existing Authoritative Literature: - Key references **bolded** for emphasis.

- ***SSAP No. 21R—Other Admitted Assets (Effective 2025) – Adopted March 16, 2024***

Residual Tranches or Interests/Loss Positions

28. A residual interest or a residual security tranche (collectively referred to as residuals) exists in investment structures that issue one or more classes of debt securities created for the primary purpose of raising debt capital backed by collateral assets. The primary source of debt repayment is derived through rights to the cash flows of a discrete pool of collateral assets. These designs could be backed directly or indirectly through a feeder fund. The collateral assets generate cash flows that provide interest and principal payments to debt holders through a contractually prescribed distribution methodology (e.g., waterfall dictating the order and application of all collateral cash flows). Once those contractual requirements are met, the remaining cash flows generated by (or with the sale of) the collateral assets are provided to the holder of the residual security/residual interest holder. When an asset within the discrete pool of assets does not perform as expected, it impacts the extent to which cash flows will be generated and distributed. The residual holders in the structure continue to receive payments from the collateral so long as there are cash flows in excess of the debt obligations. The payments to the residual holder may vary significantly, both in timing and amount, based on the underlying collateral performance.

29. The structural design of a residual interest or residual security tranche can vary, but the overall concept is that they receive the remaining cash flows after all debt holders receive contractual interest and principal

payments. Determining whether an investment in a structure reflects a residual interest or tranche shall be based on the substance of the investment held rather than its legal form. Common characteristics of residual interests/residual security tranches include the items noted below, but the presence or absence of any of these factors should not be definitive in determination. Classification as a residual should be based on the substance of the investment and how cash flows to the holder are determined. Additionally, it would be expected that the equity position in an ABS Issuer, as defined in SSAP 26R, would be classified as a residual tranche.

- a. Residuals often do not have contractual principal or interest.
- b. Residuals may be structured with terms that appear to be stated principal or interest but that lack substance, and result in receiving the residual cash flows of the underlying collateral. The terms allow for significant variation in the timing and amount of cash flows without triggering a default of the structure.
- c. Residuals do not have credit ratings or NAIC assigned designations. Rather, they are first loss positions that provide subordination to support the credit quality of the typically rated debt tranches.
- d. Residuals may provide payment throughout the investment duration (and not just at maturity), but the payments received continue to reflect the residual amount permitted after debt tranche holders receive contractual principal and interest payments.
- e. Frequently, there are contractual triggers that divert cash flows from the residual holders to the debt tranches if the structure becomes stressed.

30. Residual tranches or interests do not qualify for bond reporting. Residuals shall follow the accounting and admittance guidance within this statement and are required to be reported on Schedule BA: Other Long-Term Invested Assets.

31. As stated in [paragraph 22](#), residuals are permitted to be admitted assets if debt securities from the same structure qualify (or would qualify) as admitted assets. If the debt security from a structure is (or would be) nonadmitted due to the requirements under [paragraph 22](#), then any residual interests or first loss positions held from the same structure also do not qualify as admitted assets and shall be reported as nonadmitted assets.

32. Residuals shall be initially reported at cost, or allocated cost (using proportional fair values if acquired along with debt tranches from the securitization). Subsequent to initial acquisition, residuals shall be reported at either 1) the lower of amortized cost or fair value under the Allowable Earned Yield method detailed in [paragraphs 33-34](#), with temporary reductions in fair value reported as an unrealized loss, or 2) at the calculated practical expedient method detailed in [paragraph 35](#).

33. For purposes of this statement for residuals only, amortized cost shall be defined as the cost to acquire the residual reduced for distributions in excess of the Allowable Earned Yield and other-then-temporary impairments (OTTI). The Allowable Earned Yield shall be established at acquisition as the discount rate that equates the initial best estimate of the residual's cash flows to its acquisition cost. The Allowable Earned Yield is not to be updated after acquisition.

34. Interest income shall be recorded under the effective yield method using the Allowable Earned Yield, capped by the amount of cash distributions received. To the extent that the Allowable Earned Yield, applied to the current amortized cost, exceeds the cash distributions received, such unrecognized interest income may be carried forward to future periods to be recognized when sufficient cash distributions are received. To the extent cash distributions exceed the Allowable Earned Yield (including any unrecognized interest carried forward), the amortized cost shall be reduced by the excess. As a result of this method, the amortized cost shall not be increased unless there is a subsequent investment (i.e., an additional purchase with additional consideration remitted).

35. Reporting entities may elect a practical expedient in lieu of the Allowable Earned Yield detailed in paragraphs 33-34 and calculate Book/Adjusted Carrying Value (BACV) such that all distributions received are treated as a reduction in BACV. With this approach, the reporting entity will not recognize any interest or investment income until the residual tranche has a BACV of zero. Once the residual has a zero BACV, distributions received shall be recognized as interest income.

- a. Reporting entities applying the practical expedient shall continue to report residuals on Schedule BA, including those with a zero BACV. Any subsequent distributions shall be reported as interest income until the structure matures/terminates, is unwound, or no longer meets the definition of a residual.
- b. Reporting entities are required to apply the practical expedient to all residuals held.
- c. Reporting entities that wish to discontinue use of the practical expedient approach and move towards the Allowable Earned Yield method are required to specify and disclose an explicit transition date, and only apply the Allowable Earned Yield method to residuals acquired after that date. Residuals held prior to the disclosed accounting method transition date shall continue to follow the practical expedient until those residuals mature/terminate or are unwound.

36. Residuals shall be assessed for other-than-temporary impairment (OTTI) on an ongoing basis, with required assessment anytime that fair value is less than the reported value.

- a. For residuals measured using the Allowable Earned Yield method, as detailed in paragraphs 33-34, an OTTI shall be considered to have occurred if the present value of expected cash flows discounted by the Allowable Earned Yield, is less than amortized cost. Upon identification of an OTTI, the reporting entity shall recognize a realized loss equal to the difference between the amortized cost and the present value of expected cash flows, with the present value of expected cash flows becoming the new amortized cost to which the Allowable Earned Yield is applied. After the OTTI is recognized, distributions received from the residual shall continue to be recorded in accordance with paragraphs 33-34. Subsequent recoveries in cash flows shall not result in increases to the amortized cost.
- b. For residuals measured under the practical expedient, as detailed in paragraph 35, an OTTI shall be considered to have occurred if the fair value of the residual is less than the BACV. The reporting entity shall recognize a realized loss equal to the difference between the fair value and the BACV, with the fair value becoming the new BACV. After the OTTI is recognized, distributions received from the residual shall continue to be recorded in accordance with paragraph 35. Subsequent recoveries in cash flows shall not result in increases to the BACV.

37. Residuals recognized on Schedule BA as of December 31, 2024, and accounted for under a different SSAP, shall follow the following measurement transition guidance as of January 1, 2025:

- a. Reporting entity shall determine whether they will follow the Allowable Earned Yield method detailed in paragraphs 33-34, or the practical expedient detailed in paragraph 35, for all residuals.
- b. Residuals previously accounted for under SSAP No. 26R or SSAP No. 43R shall prospectively apply the Allowable Earned Yield measurement method elected under this Statement using the amortized cost as of December 31, 2024 as the starting point in the calculation. Residuals that will follow the practical expedient shall be recognized on January 1, 2025 at the lower of amortized cost or fair value as of December 31, 2024, realizing any unrealized loss existing at that date.
- c. Residuals reported under the equity method or fair value as of December 31, 2024 (as they were previously captured in scope of SSAP No. 30R, 32R or 48) with unrealized gains or losses recognized, shall recognize any unrealized position as realized, with the reported value as of

December 31, 2024 becoming the January 1, 2025 cost basis for subsequent measurement under this statement.

Effective Date and Transition

40. This statement is effective for years beginning January 1, 2001. A change resulting from the adoption of this statement shall be accounted for as a change in accounting principle in accordance with *SSAP No. 3—Accounting Changes and Corrections of Errors*. The guidance for structured settlements when the reporting entity acquires the legal right to receive payments is effective December 31, 2018.

41. Revisions adopted March 16, 2024, to add guidance for “Debt Securities That Do Not Qualify as Bonds” and for “Residual Tranches or Interests/Loss Positions” are initially effective Jan. 1, 2025, to correspond with the effective date of the principles-based bond definition. The guidance for residual tranches is permitted for early application. Reporting entities that apply this guidance in 2024 shall continue to follow the transition guidance in paragraph 37 using the modified dates that correspond to the reporting entity’s application date.

- ***SSAP No. 26R—Bonds (Effective 2025)***

4. This statement excludes:

- a. Mortgage loans and other real estate lending activities made in the ordinary course of business. These investments are addressed in *SSAP No. 37—Mortgage Loans* and *SSAP No. 39—Reverse Mortgages*.
- b. Investments that qualify within the principles-based definition as an ABS. These investments shall follow the guidance in *SSAP No. 43R—Asset-Backed Securities*.
- c. Securities that provide varying principal or interest based on underlying equity appreciation or depreciation, an equity-based derivative, real estate or other non-debt variable, as described in paragraph 6.d.
- d. Securities that do not qualify as bonds pursuant to the principles-based bond definition, including first loss positions that lack contractual payments or substantive credit enhancement. These investments shall follow the appropriate guidance in *SSAP No. 21R— Other Admitted Assets*.
- e. Replication (synthetic asset) transactions addressed in *SSAP No. 86—Derivatives*. The admissibility, classification and measurement of a replication (synthetic asset) transactions are not preemptively determined by the principles-based bond definition and should be evaluated in accordance with the guidance on replication (synthetic asset) transactions within *SSAP No. 86*.
- f. Investments that are captured specifically within other SSAPs. For example, reporting entity acquired structured settlements are captured in scope of *SSAP No. 21R—Other Admitted Assets*, held surplus notes are captured in scope of *SSAP No. 41R—Surplus Notes* and working capital finance investments are captured in scope of *SSAP No. 105—Working Capital Finance Investments*. Investments captured in scope of other SSAPs are subject to the measurement and admittance provisions of those SSAPs. Furthermore, investments that have specific reporting lines on dedicated schedules (such as with both surplus notes and WCFI) shall be reported on their dedicated lines.

10. The holder of a debt instrument issued by an ABS Issuer is in a different economic position than if the holder owned the ABS Issuer’s assets directly. The holder of the debt instrument is in a different economic

position if such debt instrument benefits from substantive credit enhancement through guarantees (or other similar forms of recourse), subordination and/or overcollateralization.

- a. **Substantive Credit Enhancement:** The intent of the criteria requiring the holder to be in a different economic position is to distinguish qualifying bonds from instruments with equity-like characteristics or where the substance of the transaction is more closely aligned with that of the underlying collateral. To qualify as an ABS under this standard, there is a requirement that there are substantive credit enhancements within the structure that absorb losses before the debt instrument being evaluated would be expected to absorb losses. This is inherent in the context of an issuer credit obligation in scope of SSAP No. 26R as the owners of the equity in the operating entity are the first to absorb any variability in performance of the operating entity. The same concept applies to asset-backed securities. If substantive credit enhancement did not exist, the substance of the debt instrument being evaluated would be more closely aligned with that of the underlying collateral than that of a bond. Credit enhancement that is merely nominal or lacks economic substance does not put a holder in a different economic position. The substantive credit enhancement required to be in a different economic position is specific to each transaction; determined at origination; and refers to the level of credit enhancement a market participant (i.e., knowledgeable investor transacting at arm's length) would conclude is substantive.
- b. **The first loss position may be issued as part of a securitization in the form of a debt or equity interest, or it may be retained by the sponsor and not issued as part of the securitization. If the first loss position (or a more senior position(s), if the first loss position(s) lacks contractual payments along with a substantive credit enhancement) is issued as part of the securitization, and does not have contractual principal and interest payments along with substantive credit enhancement and is held by a reporting entity, the investment(s) does not qualify for reporting as a bond and shall be reported on Schedule BA: Other Long-Term Invested Assets at the lower of amortized cost or fair value consistent with the treatment for residuals. (These items are further addressed in SSAP No. 21R—Other Admitted Assets.)**

- ***SSAP No. 30R—Unaffiliated Common Stock***

1. This statement establishes statutory accounting principles for common stocks.
2. Investments in common stock of subsidiaries, controlled or affiliated entities (investments in affiliates) are not within the scope of this statement. They are addressed in SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities.
3. **Investments in the form of common stock that are in substance residual interests or a residual security tranche, as defined in SSAP No. 43R or SSAP No. 48, shall be reported on Schedule BA: Other Long-Term Assets in the dedicated reporting lines for residuals.**

- ***SSAP No. 32R—Preferred Stock***

1. This statement establishes statutory accounting principles for preferred stock.
2. Investments in preferred stock of entities captured in SSAP No. 97—*Investments in Subsidiaries, Controlled or Affiliated Entities* or SSAP No. 48—*Joint Ventures, Partnerships and Limited Liability Companies* as well as preferred stock interests of certified capital companies per INT 06-02: *Accounting and Reporting for Investments in a Certified Capital Company* (CAPCO) are included within the scope of this statement. The requirement to file investments in preferred stock of certain subsidiaries, controlled or affiliated entities with the NAIC pursuant to SSAP No. 97 does not affect the application of the accounting, valuation or admissibility under this statement. In addition to the provisions of this statement, preferred stock investments in SCAs are also subject to the

provisions of *SSAP No. 25—Affiliates and Other Related Parties* and *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*.

3. Investments in the form of preferred stock that are in substance residual interests or a residual security tranche, as defined in SSAP No. 43R or SSAP No. No. 48, shall be reported on Schedule BA: Other Long-Term Assets in the dedicated reporting lines for residuals.

- ***SSAP No. 43R—Asset-Backed Securities (Effective 2025)***

4. This statement excludes:

- a. Securities captured in scope of *SSAP No. 26R—Bonds*.
- b. Mortgage loans in scope of *SSAP No. 37—Mortgage Loans* that qualify under an SVO structural assessment as SVO-Identified Credit Tenant Loans. These investments are excluded as these are captured as issuer credit obligations under *SSAP No. 26R*.
- c. **Securities that do not qualify as Asset-Backed Securities per the bond definition in *SSAP No. 26R—Bonds*. This exclusion includes residual or interests, as well as first loss positions, that do not have contractual payments or substantive credit enhancement. Debt securities that do not qualify and residual interests shall follow guidance in *SSAP No. 21R—Other Admitted Assets*.**

11. After initial recognition, the carrying value shall be determined in accordance with the reported NAIC designation. The determination of NAIC designations shall be in accordance with the requirements detailed in the Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual):

- a. For reporting entities that maintain an Asset Valuation Reserve (AVR), asset-backed securities, **excluding residual tranches or interests**, shall be reported at amortized cost, except for those with an NAIC designation of 6, which shall be reported at the lower of amortized cost or fair value. 3
- b. For reporting entities that do not maintain an AVR, asset-backed securities designated highest-quality and high-quality (NAIC designations 1 and 2, respectively), **excluding residual tranches or interests**, shall be reported at amortized cost; loan-backed and structured securities that are designated medium quality, low quality, lowest quality and in or near default (NAIC designations 3 to 6, respectively) shall be reported at the lower of amortized cost or fair value.
- c. **For residual tranches or interests⁴, all reporting entities shall report the item on Schedule BA: Other Long-Term Invested Assets at the lower of amortized cost or fair value. Changes in the reported value from the prior period shall be recorded as unrealized gains or losses. For reporting entities that maintain an AVR, the accounting for unrealized gains and losses shall be in accordance with *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve*. These items are captured in *SSAP No. 21R—Other Admitted Assets* and subject to admittance restrictions detailed in that statement.**

Footnote 4: Reference to “residual tranches or interests” intends to capture securitization tranches and beneficial interests as well as other structures that reflect loss layers without any contractual payments, whether principal or interest, or both. Payments to holders of these investments occur after contractual interest and principal payments have been made to other tranches or interests and are based on the remaining available funds. Although payments to holders can occur throughout an investment’s duration (and not just at maturity), such instances still reflect the residual amount permitted to be distributed after other holders have received contractual interest and principal payments.

Residual Tranches or Interests

27. A residual interest or a residual security tranche (collectively referred to as residuals) exists in investment structures that issue one or more classes of debt securities created for the primary purpose of raising debt capital backed by collateral assets. The primary source of debt repayment is derived through rights to the cash flows of a discrete pool of collateral assets. These designs could be backed directly or indirectly through a feeder fund. The collateral assets generate cash flows that provide interest and principal payments to debt holders through a contractually prescribed distribution methodology (e.g., waterfall dictating the order and application of all collateral cash flows). Once those contractual requirements are met, the remaining cash flows generated by (or with the sale of) the collateral assets are provided to the holder of the residual security/residual interest holder. When an asset within the discrete pool of assets does not perform as expected, it impacts the extent to which cash flows will be generated and distributed. The residual holders in the structure continue to receive payments from the collateral so long as there are cash flows in excess of the debt obligations. The payments to the residual holder may vary significantly, both in timing and amount, based on the underlying collateral performance.

28. The structural design of a residual interest or residual security tranche can vary, but the overall concept is that they receive the remaining cash flows after all debt holders receive contractual interest and principal payments. Determining whether an investment in a structure reflects a residual interest or tranche shall be based on the substance of the investment held rather than its legal form. Common characteristics of residual interests/residual security tranches include the items noted below, but the presence or absence of any of these factors should not be definitive in determination. Classification as a residual should be based on the substance of the investment and how cash flows to the holder are determined.

- a. Residuals often do not have contractual principal or interest.
 - b. Residuals may be structured with terms that appear to be stated principal or interest but that lack substance, and result in receiving the residual cash flows of the underlying collateral. The terms allow for significant variation in the timing and amount of cash flows without triggering a default of the structure.
 - c. Residuals do not have credit ratings or NAIC assigned designations. Rather, they are first loss positions that provide subordination to support the credit quality of the typically rated debt tranches.
 - d. Residuals may provide payment throughout the investment duration (and not just at maturity), but the payments received continue to reflect the residual amount permitted after debt tranche holders receive contractual principal and interest payments.
 - e. Frequently, there are contractual triggers that divert cash flows from the residual holders to the debt tranches if the structure becomes stressed.
- *SSAP No. 48R—Joint Ventures, Partnerships and Limited Liability Companies*

Residual Interests and Reporting

18. Investments in scope of this statement are reported on *Schedule BA: Other Long-Term Assets*. Schedule BA includes dedicated reporting categories for joint ventures, partnerships, and limited liability company investments as well as for residual interests, both with reporting lines in accordance with underlying asset characteristics. Investments within scope of this standard shall be divided within these reporting categories, with investments that reflect residual interests, or that predominantly hold residual interests captured in the residual interest reporting category.

19. A residual interest or a residual security tranche (collectively referred to as residuals) exists in investment structures that issue one or more classes of debt securities created for the primary purpose of raising debt capital backed by collateral assets. The primary source of debt repayment is derived through rights to the cash flows of a discrete pool of collateral assets. These designs could be backed directly or indirectly through a feeder fund. The collateral assets generate cash flows that provide interest and principal payments to debt holders through a contractually prescribed distribution methodology (e.g., waterfall dictating the order and application of all collateral cash flows). Once those contractual requirements are met, the remaining cash flows generated by (or with the sale of) the collateral assets are provided to the holder of the residual security/residual interest holder. When an asset within the discrete pool of assets does not perform as expected, it impacts the extent to which cash flows will be generated and distributed. The residual holders in the structure continue to receive payments from the collateral so long as there are cash flows in excess of the debt obligations. The payments to the residual holder may vary significantly, both in timing and amount, based on the underlying collateral performance.

20. The structural design of a residual interest or residual security tranche can vary, but the overall concept is that they receive the remaining cash flows after all debt holders receive contractual interest and principal payments. Determining whether an investment in a structure reflects a residual interest or tranche shall be based on the substance of the investment held rather than its legal form. Common characteristics of residual interests/residual security tranches include the items noted below, but the presence or absence of any of these factors should not be definitive in determination. Classification as a residual should be based on the substance of the investment and how cash flows to the holder are determined.

- a. Residuals often do not have contractual principal or interest.**
- b. Residuals may be structured with terms that appear to be stated principal or interest but that lack substance and result in receiving the residual cash flows of the underlying collateral. The terms allow for significant variation in the timing and amount of cash flows without triggering a default of the structure.**
- c. Residuals do not have credit ratings or NAIC assigned designations. Rather, they are first loss positions that provide subordination to support the credit quality of the typically rated debt tranches.**
- d. Residuals may provide payment throughout the investment duration (and not just at maturity), but the payments received continue to reflect the residual amount permitted after debt tranche holders receive contractual principal and interest payments.**
- e. Frequently, there are contractual triggers that divert cash flows from the residual holders to the debt tranches if the structure becomes stressed.**

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups):

- Agenda Item 2021-15 – SSAP No. 43R – Residual Tranches, was adopted November 10, 2021, to incorporate accounting guidance for residuals and clarify that residuals shall be reported on Schedule BA.
- Agenda item 2023-12 – Residuals in SSAP No. 48 Investments, was adopted September 21, 2023 to define residuals consistently between *SSAP No. 43R—Asset-Backed Securities* and *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* and to add Annual Statement Instructions for the Schedule BA residual reporting category.

- Agenda Item 2023-23 – Residuals in Preferred Stock and Common Stock Structures was adopted during the 2023 Fall National Meeting to exclude residual interests from *SSAP No. 30R—Unaffiliated Common Stock* and *SSAP No. 32R—Preferred Stock*.
- Principles-Based Bond Definition – During the 2023 Summer National Meeting, the Working Group adopted the principles-based bond definition in a revised *SSAP No. 26R—Bonds* and *SSAP No. 43R—Asset-Backed Securities*. Subsequent to this adoption, revisions to *SSAP No. 21R—Other Admitted Assets* were exposed to capture accounting and reporting guidance for non-bond debt securities as well as residual interests. The revisions to *SSAP No. 21R* for debt securities that do not qualify as bonds to prescribe the measurement method and accounting provisions for residual interests was adopted March 16, 2024 during the 2024 Spring National Meeting.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:
None

Convergence with International Financial Reporting Standards (IFRS): N/A

Staff Recommendation:

NAIC staff recommend that the Working Group move this item to the active listing of the maintenance agenda categorized as a SAP clarification and expose revisions to incorporate consistency revisions for residuals so that all SSAPs refer to *SSAP No. 21R* for the formal definition and accounting and reporting guidance. This recommendation involves revisions to *SSAP No. 26R—Bonds (Effective 2025)*, *SSAP No. 30R—Unaffiliated Common Stock*, *SSAP No. 32R—Preferred Stock*, *SSAP No. 43R—Asset-Backed Securities (Effective 2025)*, and *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies*.

Staff Review Completed by: Julie Gann, NAIC Staff—February 2024

Status:

On March 16, 2024, the Statutory Accounting Principles (E) Working Group exposed consistency revisions for residuals so that *SSAP No. 26R—Bonds (Effective 2025)*, *SSAP No. 30R—Unaffiliated Common Stock*, *SSAP No. 32R—Preferred Stock*, *SSAP No. 43R—Asset-Backed Securities (Effective January 1, 2025)*, and *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* refer directly to *SSAP No. 21R—Other Admitted Assets* for the formal definition and accounting and reporting guidance.

Proposed Revisions:

SSAP No. 26R—Bonds (Effective Jan. 1, 2025)

4. This statement excludes:
 - a. Mortgage loans and other real estate lending activities made in the ordinary course of business. These investments are addressed in *SSAP No. 37—Mortgage Loans* and *SSAP No. 39—Reverse Mortgages*.
 - b. Investments that qualify within the principles-based definition as an ABS. These investments shall follow the guidance in *SSAP No. 43R—Asset-Backed Securities*.
 - c. Securities that provide varying principal or interest based on underlying equity appreciation or depreciation, an equity-based derivative, real estate or other non-debt variable, as described in paragraph 6.d.

- d. Securities that do not qualify as bonds pursuant to the principles-based bond definition, including first loss positions that lack ~~contractual payments or~~ substantive credit enhancement as described in paragraph 10.b., as those items are residual interests. All investments that are in substance residual interests or that is a residual security tranche, as defined in SSAP No. 21R—Other Admitted Assets. ~~These investments~~ shall follow the appropriate guidance in SSAP No. 21R—~~Other Admitted Assets.~~
- e. Replication (synthetic asset) transactions addressed in *SSAP No. 86—Derivatives*. The admissibility, classification and measurement of a replication (synthetic asset) transactions are not preemptively determined by the principles-based bond definition and should be evaluated in accordance with the guidance on replication (synthetic asset) transactions within SSAP No. 86.
- f. Investments that are captured specifically within other SSAPs. For example, reporting entity acquired structured settlements are captured in scope of *SSAP No. 21R—Other Admitted Assets*, held surplus notes are captured in scope of *SSAP No. 41R—Surplus Notes* and working capital finance investments are captured in scope of *SSAP No. 105—Working Capital Finance Investments*. Investments captured in scope of other SSAPs are subject to the measurement and admittance provisions of those SSAPs. Furthermore, investments that have specific reporting lines on dedicated schedules (such as with both surplus notes and WCFI) shall be reported on their dedicated lines.

10. The holder of a debt instrument issued by an ABS Issuer is in a different economic position than if the holder owned the ABS Issuer's assets directly. The holder of the debt instrument is in a different economic position if such debt instrument benefits from substantive credit enhancement through guarantees (or other similar forms of recourse), subordination and/or overcollateralization.

- a. Substantive Credit Enhancement: The intent of the criteria requiring the holder to be in a different economic position is to distinguish qualifying bonds from instruments with equity-like characteristics or where the substance of the transaction is more closely aligned with that of the underlying collateral. To qualify as an ABS under this standard, there is a requirement that there are substantive credit enhancements within the structure that absorb losses before the debt instrument being evaluated would be expected to absorb losses. This is inherent in the context of an issuer credit obligation in scope of SSAP No. 26R as the owners of the equity in the operating entity are the first to absorb any variability in performance of the operating entity. The same concept applies to asset-backed securities. If substantive credit enhancement did not exist, the substance of the debt instrument being evaluated would be more closely aligned with that of the underlying collateral than that of a bond. Credit enhancement that is merely nominal or lacks economic substance does not put a holder in a different economic position. The substantive credit enhancement required to be in a different economic position is specific to each transaction; determined at origination; and refers to the level of credit enhancement a market participant (i.e., knowledgeable investor transacting at arm's length) would conclude is substantive.
- b. The first loss position may be issued as part of an securitization-ABS structure in the form of a debt or equity interest, or it may be retained by the sponsor and not issued as part of the ~~securitization structure~~. If the first loss position (or a more senior position(s), if the first loss position(s) lacks ~~contractual payments along with a~~ substantive credit enhancement) is issued as part of the ~~securitization structure~~, and does not have ~~contractual principal and interest payments along with~~ substantive credit enhancement and is held by a reporting entity, the investment(s) does not qualify

for reporting as a bond as it is a residual interest. All residual interests shall follow the accounting and reporting guidance in SSAP No. 21R—Other Admitted Assets. ~~and shall be reported on Schedule BA: Other Long-Term Invested Assets at the lower of amortized cost or fair value consistent with the treatment for residuals. (These items are further addressed in SSAP No. 21R—Other Admitted Assets.)~~

- **SSAP No. 30R—Unaffiliated Common Stock**

1. This statement establishes statutory accounting principles for common stocks.
2. Investments in common stock of subsidiaries, controlled or affiliated entities (investments in affiliates) are not within the scope of this statement. They are addressed in *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*.
3. Investments in the form of common stock that are in substance residual interests or a residual security tranche, as defined in SSAP No. 21R—Other Admitted Assets ~~SSAP No. 43R or SSAP No. 48~~, shall follow the accounting and reporting guidance in SSAP No. 21R with reporting ~~be reported~~ on *Schedule BA: Other Long-Term Assets* in the dedicated reporting lines for residuals.

- **SSAP No. 32R—Preferred Stock**

1. This statement establishes statutory accounting principles for preferred stock.
2. Investments in preferred stock of entities captured in *SSAP No. 97—Investments in Subsidiaries, Controlled or Affiliated Entities* or *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* as well as preferred stock interests of certified capital companies per *INT 06-02: Accounting and Reporting for Investments in a Certified Capital Company (CAPCO)* are included within the scope of this statement. The requirement to file investments in preferred stock of certain subsidiaries, controlled or affiliated entities with the NAIC pursuant to *SSAP No. 97* does not affect the application of the accounting, valuation or admissibility under this statement. In addition to the provisions of this statement, preferred stock investments in SCAs are also subject to the provisions of *SSAP No. 25—Affiliates and Other Related Parties* and *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*.
3. Investments in the form of preferred stock that are in substance residual interests or a residual security tranche, as defined in ~~SSAP No. 43R or SSAP No. No. 48~~ SSAP No. 21R—Other Admitted Assets, shall follow the accounting and reporting guidance in SSAP No. 21R with reporting ~~be reported~~ on *Schedule BA: Other Long-Term Assets* in the dedicated reporting lines for residuals.

- **SSAP No. 43R—Asset-Backed Securities (Effective 2025)**

4. This statement excludes:
 - a. Securities captured in scope of *SSAP No. 26R—Bonds*.
 - b. Mortgage loans in scope of *SSAP No. 37—Mortgage Loans* that qualify under an SVO structural assessment as SVO-Identified Credit Tenant Loans. These investments are excluded as these are captured as issuer credit obligations under *SSAP No. 26R*.
 - c. Securities that do not qualify as Asset-Backed Securities per the bond definition in *SSAP No. 26R—Bonds* and residual interests as defined in SSAP No. 21R—Other Admitted Assets. ~~This exclusion~~

~~includes residual or interests, as well as first loss positions, that do not have contractual payments or substantive credit enhancement. These securities Debt securities that do not qualify and residual interests shall follow the accounting and reporting guidance in SSAP No. 21R. —Other Admitted Assets~~

11. After initial recognition, the carrying value shall be determined in accordance with the reported NAIC designation. The determination of NAIC designations shall be in accordance with the requirements detailed in the Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual):

a. For reporting entities that maintain an Asset Valuation Reserve (AVR), asset-backed securities, ~~excluding residual tranches or interests~~, shall be reported at amortized cost, except for those with an NAIC designation of 6, which shall be reported at the lower of amortized cost or fair value. 3

b. For reporting entities that do not maintain an AVR, asset-backed securities designated highest-quality and high-quality (NAIC designations 1 and 2, respectively), ~~excluding residual tranches or interests~~, shall be reported at amortized cost; loan-backed and structured securities that are designated medium quality, low quality, lowest quality and in or near default (NAIC designations 3 to 6, respectively) shall be reported at the lower of amortized cost or fair value.

~~c. — For residual tranches or interests⁴, all reporting entities shall report the item on Schedule BA: Other Long-Term Invested Assets at the lower of amortized cost or fair value. Changes in the reported value from the prior period shall be recorded as unrealized gains or losses. For reporting entities that maintain an AVR, the accounting for unrealized gains and losses shall be in accordance with SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve. These items are captured in SSAP No. 21R—Other Admitted Assets and subject to admittance restrictions detailed in that statement.~~

~~Footnote 4: Reference to “residual tranches or interests” intends to capture securitization tranches and beneficial interests as well as other structures that reflect loss layers without any contractual payments, whether principal or interest, or both. Payments to holders of these investments occur after contractual interest and principal payments have been made to other tranches or interests and are based on the remaining available funds. Although payments to holders can occur throughout an investment’s duration (and not just at maturity), such instances still reflect the residual amount permitted to be distributed after other holders have received contractual interest and principal payments.~~

~~Residual Tranches or Interests~~

~~27. — A residual interest or a residual security tranche (collectively referred to as residuals) exists in investment structures that issue one or more classes of debt securities created for the primary purpose of raising debt capital backed by collateral assets. The primary source of debt repayment is derived through rights to the cash flows of a discrete pool of collateral assets. These designs could be backed directly or indirectly through a feeder fund. The collateral assets generate cash flows that provide interest and principal payments to debt holders through a contractually prescribed distribution methodology (e.g., waterfall dictating the order and application of all collateral cash flows). Once those contractual requirements are met, the remaining cash flows generated by (or with the sale of) the collateral assets are provided to the holder of the residual security/residual interest holder. When an asset within the discrete pool of assets does not perform as expected, it impacts the extent to which cash flows will be generated and distributed. The residual holders in the structure continue to receive payments from the collateral so long as there are cash flows in excess of the debt obligations. The payments to the residual holder may vary significantly, both in timing and amount, based on the underlying collateral performance.~~

~~28. The structural design of a residual interest or residual security tranche can vary, but the overall concept is that they receive the remaining cash flows after all debt holders receive contractual interest and principal payments. Determining whether an investment in a structure reflects a residual interest or tranche shall be based on the substance of the investment held rather than its legal form. Common characteristics of residual interests/residual security tranches include the items noted below, but the presence or absence of any of these factors should not be definitive in determination. Classification as a residual should be based on the substance of the investment and how cash flows to the holder are determined.~~

- ~~a. Residuals often do not have contractual principal or interest.~~
- ~~b. Residuals may be structured with terms that appear to be stated principal or interest but that lack substance, and result in receiving the residual cash flows of the underlying collateral. The terms allow for significant variation in the timing and amount of cash flows without triggering a default of the structure.~~
- ~~c. Residuals do not have credit ratings or NAIC assigned designations. Rather, they are first loss positions that provide subordination to support the credit quality of the typically rated debt tranches.~~
- ~~d. Residuals may provide payment throughout the investment duration (and not just at maturity), but the payments received continue to reflect the residual amount permitted after debt tranche holders receive contractual principal and interest payments.~~
- ~~e. Frequently, there are contractual triggers that divert cash flows from the residual holders to the debt tranches if the structure becomes stressed.~~

- **SSAP No. 48R—Joint Ventures, Partnerships and Limited Liability Companies**

1. This statement establishes statutory accounting principles for investments in any joint ventures, partnerships, and limited liability companies, including investments in certified capital companies (CAPCO) per *INT 06-02: Accounting and Reporting for Investments in a Certified Capital Company* (CAPCO), whether or not it is considered to be controlled by or affiliated with the reporting entity.

2. This statement excludes:

- a. Single real estate property investments that are wholly-owned by an LLC that is directly and wholly-owned by the reporting entity, and that meet the criteria established in SSAP No. 40R—Real Estate Investments, ~~are excluded from this statement.~~
- b. ~~This statement does not address the accounting for i~~ investments in joint ventures, partnerships and limited liability companies that invest in tax credit programs and are in scope of Low Income Housing Tax Credit Properties as discussed in SSAP No. 93—Investments in Tax Credit Programs~~Low Income Housing Tax Credit Property Investments. However, investments in certain state Low Income Housing Tax Credit Property Investments that do not fall within the scope of SSAP No. 93 are covered by the requirements of this statement. (Staff Note: This text reflects edits proposed to reflect the revised tax credit guidance in SSAP No. 93 exposed under agenda item 2022-14.)~~
- c. Investments that are in substance residual interests or a residual security tranche, as defined in SSAP No. 21R—Other Admitted Assets, shall follow the accounting and reporting guidance in SSAP No. 21R with reporting on Schedule BA: Other Long-Term Assets in the dedicated reporting lines for residuals.

Residual Interests and Reporting

~~18. Investments in scope of this statement are reported on *Schedule BA: Other Long-Term Assets*. Schedule BA includes dedicated reporting categories for joint ventures, partnerships, and limited liability company investments as well as for residual interests, both with reporting lines in accordance with underlying asset characteristics. Investments within scope of this standard shall be divided within these reporting categories, with investments that reflect residual interests, or that predominantly hold residual interests captured in the residual interest reporting category.~~

~~19. A residual interest or a residual security tranche (collectively referred to as residuals) exists in investment structures that issue one or more classes of debt securities created for the primary purpose of raising debt capital backed by collateral assets. The primary source of debt repayment is derived through rights to the cash flows of a discrete pool of collateral assets. These designs could be backed directly or indirectly through a feeder fund. The collateral assets generate cash flows that provide interest and principal payments to debt holders through a contractually prescribed distribution methodology (e.g., waterfall dictating the order and application of all collateral cash flows). Once those contractual requirements are met, the remaining cash flows generated by (or with the sale of) the collateral assets are provided to the holder of the residual security/residual interest holder. When an asset within the discrete pool of assets does not perform as expected, it impacts the extent to which cash flows will be generated and distributed. The residual holders in the structure continue to receive payments from the collateral so long as there are cash flows in excess of the debt obligations. The payments to the residual holder may vary significantly, both in timing and amount, based on the underlying collateral performance.~~

~~20. The structural design of a residual interest or residual security tranche can vary, but the overall concept is that they receive the remaining cash flows after all debt holders receive contractual interest and principal payments. Determining whether an investment in a structure reflects a residual interest or tranche shall be based on the substance of the investment held rather than its legal form. Common characteristics of residual interests/residual security tranches include the items noted below, but the presence or absence of any of these factors should not be definitive in determination. Classification as a residual should be based on the substance of the investment and how cash flows to the holder are determined.~~

- ~~a. Residuals often do not have contractual principal or interest.~~
- ~~b. Residuals may be structured with terms that appear to be stated principal or interest but that lack substance and result in receiving the residual cash flows of the underlying collateral. The terms allow for significant variation in the timing and amount of cash flows without triggering a default of the structure.~~
- ~~c. Residuals do not have credit ratings or NAIC assigned designations. Rather, they are first loss positions that provide subordination to support the credit quality of the typically rated debt tranches.~~
- ~~d. Residuals may provide payment throughout the investment duration (and not just at maturity), but the payments received continue to reflect the residual amount permitted after debt tranche holders receive contractual principal and interest payments.~~
- ~~e. Frequently, there are contractual triggers that divert cash flows from the residual holders to the debt tranches if the structure becomes stressed.~~

On August 13, 2024, the Statutory Accounting Principles (E) Working Group adopted the exposed consistency revisions for residuals with an effective date of January 1, 2025. These revisions result with all noted SSAPs referring to *SSAP No. 21R—Other Admitted Assets* for the formal definition and accounting and reporting guidance.

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2024/08-13-24 Summer National Meeting/Adoptions/06 - 24-08 - Residual Consistency Revisions.docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2024/08-13-24SummerNationalMeeting/Adoptions/06-24-08-ResidualConsistencyRevisions.docx)

**Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A**

Issue: SSAP No. 2R – Clarification

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New Issue or SSAP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Description of Issue: This agenda item has been developed to update the guidance in *SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments* to remove a lingering reference to items that have been removed from scope pursuant to the principles-based bond definition project (asset-backed securities) or from agenda item 2023-17 (mortgage loans and Schedule BA assets). The edits are focused on the guidance that addresses ‘rolling’ cash equivalents and short-term investments in which there is a continued reference for SSAP No. 43R investments and ‘other Invested assets.’ This guidance has been revised to only reflect items in scope of SSAP No. 2R.

Existing Authoritative Literature:

- ***SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments***
 7. Regardless of maturity date, related party or affiliated investments that would be in scope of *SSAP No. 26R—Bonds, SSAP No. 43R—Loan-Backed and Structured Securities*, or that would be reported as “Other Invested Assets” shall be reported as long-term investments if any of the following conditions apply,¹ unless the reporting entity has re-underwritten the investment, maintained appropriate re-underwriting documentation, and each participating party had the ability to independently review the terms and can terminate the transaction prior to renewal.
 - a. The reporting entity does not reasonably expect the investment to terminate on the maturity date. This provision includes investments that are expected to be renewed (or rolled) with a maturity date that ends subsequent to the initial 90-day timeframe.
 - b. The investment was previously reported as a cash equivalent investment and the initial maturity timeframe has passed. If an investment is reported as a cash equivalent and it is unexpectedly renewed/rolled, the reporting entity is not permitted to continue to report the held security as a cash equivalent, regardless of the updated maturity date, and shall report the security as a long-term investment. An investment is only permitted to be reported as a cash equivalent for one quarter reporting period. Meaning, if an investment was reported as a cash equivalent in the first quarter, it is not permitted to be reported as a cash equivalent in the second quarter.
 - c. The reporting entity reacquired the investment (or a substantially similar investment) within one year after the original security matured or was terminated. These reacquired securities shall be

¹ Cash equivalents subject to the provisions of paragraph 7 are not permitted to be subsequently reported as short-term investments, even if the updated/reacquired maturity date is within one year. These investments shall be reported as long-term investments. To avoid changes in reporting schedules, reporting entities are permitted to report securities as long-term investments at initial acquisition, regardless of the initial maturity date.

reported as long-term investments. (These securities are also not permitted to be reported as short-term investments, regardless of the maturity date of the reacquired investment.)

15. Regardless of maturity date, related party or affiliated investments in scope of *SSAP No. 26R—Bonds*, *SSAP No. 43R—Loan-Backed and Structured Securities*, or that would be reported as “Other Invested Assets” shall be reported as long-term investments if any of the following conditions apply,^{2, 3} unless the reporting entity has re-underwritten the investment, maintained appropriate re-underwriting documentation, and each participating party had the ability to independently review the terms and can terminate the transaction prior to renewal.
- a. The reporting entity does not reasonably expect the investment to terminate on the maturity date. This provision includes investments that are expected to be renewed (or rolled) with a maturity date that ends subsequent to the initial “less than one year” timeframe.
 - b. The investment was previously reported as a short-term investment and the initial maturity timeframe has passed. If an investment is reported as a short-term investment and it is unexpectedly renewed/rolled, the reporting entity is not permitted to continue to report the held security as a short-term investment (or as a cash equivalent) regardless of the updated maturity date and shall report the security as a long-term investment. An investment is only permitted to be reported as a short-term investment for one annual reporting period. Meaning, if an investment was reported as a short-term investment as of December 31, 2018, it is not permitted to be reported as short-term investment as of December 31, 2019.
 - c. The reporting entity reacquired the investment (or a substantially similar investment) within one year after the original security matured or was terminated. These reacquired securities shall be reported as long-term investments. (These securities are also not permitted to be reported as cash equivalent investments regardless of the maturity date of the reacquired investment.)

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups):

- *SSAP No. 26R—Bonds* and *SSAP No. 43R—Asset-Backed Securities*, reflecting new guidance to incorporate a principles-based bond definition were adopted during the 2023 Summer National Meeting. This guidance is effective Jan. 1, 2025. Pursuant to the revisions adopted, all ABS are required to be reported as long-term investments on Schedule D-1-2 and are not permitted for cash equivalent or short-term reporting.
- Agenda item 2023-17 – Short-Term Investments, was adopted during the 2023 Fall National Meeting and removes mortgage loans and all Schedule BA investments from being reported as cash equivalents or short-term investments.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:
None

² Reverse repurchase transactions are excluded from these provisions if admitted in accordance with collateral requirements pursuant to *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*.

³ Short-term investments subject to the provisions of paragraph 15 are not permitted to be subsequently reported as cash equivalents, even if the updated/reacquired maturity date is within 90 days. These investments shall be reported as long-term investments. To avoid changes in reporting schedules, reporting entities are permitted to report securities as long-term investments at initial acquisition, regardless of the initial maturity date.

Convergence with International Financial Reporting Standards (IFRS): N/A

Staff Recommendation:

NAIC staff recommend that the Working Group move this item to the active listing of the maintenance agenda categorized as a SAP Clarification and expose revisions to *SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments* to eliminate lingering references that imply that asset-backed securities, mortgage loans, or other Schedule BA items are permitted to be reported as cash equivalents or short-term investments.

Staff Review Completed by: Julie Gann, NAIC Staff—February 2024

Status:

On March 16, 2024, the Statutory Accounting Principles (E) Working Group exposed revisions to *SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments* to eliminate lingering references that imply that asset-backed securities, mortgage loans, or other Schedule BA items are permitted to be reported as cash equivalents or short-term investments.

Proposed Revisions to SSAP No. 2R—Bonds (Effective Jan. 1, 2025)

7. Regardless of maturity date, related party or affiliated investments that would be in scope of [this statement pursuant to paragraph 6](#) ~~*SSAP No. 26R—Bonds, SSAP No. 43R—Loan Backed and Structured Securities, or that would be reported as “Other Invested Assets”*~~ shall be reported as long-term investments if any of the following conditions apply,⁴ unless the reporting entity has re-underwritten the investment, maintained appropriate re-underwriting documentation, and each participating party had the ability to independently review the terms and can terminate the transaction prior to renewal.
 - a. The reporting entity does not reasonably expect the investment to terminate on the maturity date. This provision includes investments that are expected to be renewed (or rolled) with a maturity date that ends subsequent to the initial 90-day timeframe.
 - b. The investment was previously reported as a cash equivalent investment and the initial maturity timeframe has passed. If an investment is reported as a cash equivalent and it is unexpectedly renewed/rolled, the reporting entity is not permitted to continue to report the held security as a cash equivalent, regardless of the updated maturity date, and shall report the security as a long-term investment. An investment is only permitted to be reported as a cash equivalent for one quarter reporting period. Meaning, if an investment was reported as a cash equivalent in the first quarter, it is not permitted to be reported as a cash equivalent in the second quarter.
 - c. The reporting entity reacquired the investment (or a substantially similar investment) within one year after the original security matured or was terminated. These reacquired securities shall be reported as long-term investments. (These securities are also not permitted to be reported as short-term investments, regardless of the maturity date of the reacquired investment.)
15. Regardless of maturity date, related party or affiliated investments in scope of [this statement pursuant to paragraph 14](#) ~~*SSAP No. 26R—Bonds, SSAP No. 43R—Loan Backed and Structured Securities, or that would be reported as “Other Invested Assets”*~~ shall be reported as long-term investments if any of the

⁴ Cash equivalents subject to the provisions of paragraph 7 are not permitted to be subsequently reported as short-term investments, even if the updated/reacquired maturity date is within one year. These investments shall be reported as long-term investments. To avoid changes in reporting schedules, reporting entities are permitted to report securities as long-term investments at initial acquisition, regardless of the initial maturity date.

following conditions apply,^{5, 6} unless the reporting entity has re-underwritten the investment, maintained appropriate re-underwriting documentation, and each participating party had the ability to independently review the terms and can terminate the transaction prior to renewal.

- a. The reporting entity does not reasonably expect the investment to terminate on the maturity date. This provision includes investments that are expected to be renewed (or rolled) with a maturity date that ends subsequent to the initial “less than one year” timeframe.
- b. The investment was previously reported as a short-term investment and the initial maturity timeframe has passed. If an investment is reported as a short-term investment and it is unexpectedly renewed/rolled, the reporting entity is not permitted to continue to report the held security as a short-term investment (or as a cash equivalent) regardless of the updated maturity date and shall report the security as a long-term investment. An investment is only permitted to be reported as a short-term investment for one annual reporting period. Meaning, if an investment was reported as a short-term investment as of December 31, 2018, it is not permitted to be reported as short-term investment as of December 31, 2019.
- c. The reporting entity reacquired the investment (or a substantially similar investment) within one year after the original security matured or was terminated. These reacquired securities shall be reported as long-term investments. (These securities are also not permitted to be reported as cash equivalent investments regardless of the maturity date of the reacquired investment.)

On August 13, 2024, the Statutory Accounting Principles (E) Working Group adopted the exposed revisions to *SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments* with an effective date of January 1, 2025. These revisions eliminate lingering references that imply that asset-backed securities, mortgage loans, or other Schedule BA items are permitted to be reported as cash equivalents or short-term investments.

<https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2024/08-13-24SummerNationalMeeting/Adoptions/24-09-SSAPNo.2RClarification.docx>

⁵ Reverse repurchase transactions are excluded from these provisions if admitted in accordance with collateral requirements pursuant to *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*.

⁶ Short-term investments subject to the provisions of paragraph 15 are not permitted to be subsequently reported as cash equivalents, even if the updated/reacquired maturity date is within 90 days. These investments shall be reported as long-term investments. To avoid changes in reporting schedules, reporting entities are permitted to report securities as long-term investments at initial acquisition, regardless of the initial maturity date.

**NAIC Accounting Practices and Procedures Manual
Editorial and Maintenance Update
March 16, 2024**

Maintenance updates provide revisions to the *Accounting Practices and Procedures Manual* (Manual) such as editorial corrections, reference changes and formatting.

SSAP/Appendix	Description/Revision
Removal of “Revised” and “R” identifiers from SSAP titles and references within the Manual.	Remove “Revised” and “R,” previously intended to identify a SSAP that has been substantively revised, from SSAP titles and SSAP references within the Manual. NAIC staff consider the “Revised” and “R” identifiers to no longer be useful as several SSAPs have now had multiple substantive revisions after their initial adoption.

Staff Recommendation:

NAIC staff recommend that the Statutory Accounting Principles (E) Working Group move this agenda item to the active listing, categorize as a SAP Clarification, and expose editorial revisions as illustrated within.

Removal of “R” identifier from SSAP titles and references within the AP&P Manual

Remove the “Revised” and “R” identifiers from SSAP titles and SSAP references throughout the Manual. NAIC staff consider the “Revised” and “R” identifier to no longer be useful. The following SSAPs currently have an “Revised” and “R” identifier in the title.

- SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments
- SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets
- SSAP No. 16R—Electronic Data Processing Equipment and Software
- SSAP No. 21R—Other Admitted Assets
- SSAP No. 22R—Leases
- SSAP No. 26R—Bonds
- SSAP No. 30R—Unaffiliated Common Stock
- SSAP No. 32R—Preferred Stock
- SSAP No. 35R—Guaranty Fund and Other Assessments
- SSAP No. 40R—Real Estate Investments
- SSAP No. 41R—Surplus Notes
- SSAP No. 43R—Loan-Backed and Structured Securities
- SSAP No. 51R—Life Contracts
- SSAP No. 54R—Individual and Group Accident and Health Contracts
- SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance
- SSAP No. 62R—Property and Casualty Reinsurance
- SSAP No. 94R—Transferable and Non-Transferable State Tax Credits
- SSAP No. 100R—Fair Value
- SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities
- SSAP No. 104R—Share-Based Payments
- SSAP No. 105R—Working Capital Finance Investments

Status:

On March 16, 2024, the Statutory Accounting Principles (E) Working Group exposed editorial revisions to the Accounting Practices and Procedures Manual to remove the “Revised” and “R” identifiers from SSAP titles and SSAP references throughout the Manual.

On August 13, 2024, the Statutory Accounting Principles (E) Working Group adopted, as final, the proposed editorial revisions to the Accounting Practices and Procedures Manual to remove the “Revised” and “R” identifiers from SSAP titles and SSAP references throughout the Manual.

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National Meetings/A. National Meeting Materials/2024/08-13-24 Summer National Meeting/Adoptions/24-14EP Spring 2024.docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National%20Meetings/A.%20National%20Meeting%20Materials/2024/08-13-24%20Summer%20National%20Meeting/Adoptions/24-14EP%20Spring%202024.docx)

**Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A**

Issue: ASU 2023-06, Disclosure Improvements

Check (applicable entity):

	P/C	Life	Health
Modification of existing SSAP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New Issue or SSAP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Description of Issue: In October 2023, FASB issued *ASU 2023-06, Disclosure Improvements, Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative*, in response to a referral from SEC Release No. 33-10532, *Disclosure Update and Simplification*, issued August 17, 2018. The changes detailed in the ASU seek to clarify or improve disclosure and presentation requirements of a variety of Topics. Many of the amendments allow users to more easily compare entities subject to the SEC’s existing disclosures with those entities that were not previously subject to the SEC’s requirements, while others represent miscellaneous clarifications or technical corrections of the current disclosure requirements. Two of the more significant items from the SEC referral is the requirement for companies to disclose their the weighted-average interest rate of debt and provide repurchase agreement (repo) counterparty risk disclosures. FASB elected to only require the weighted-average interest rate disclosure for publicly traded companies due to concerns regarding the complexity of the calculation for private companies. It was also noted by Staff that the effective date of ASU 2023-06 is unusual as both its timing, and ultimately its implementation within the Codification, is dependent on whether the SEC removes the related disclosures from Regulation S-X, or Regulation S-K becomes effective, prior to June 30, 2027. For this agenda item, Staff believes that the occurrence, or non-occurrence, of future SEC actions is not relevant to discussion concerning the proposed disclosures' merits for inclusion in the statutory accounting framework. If needed, the Working Group will address the effective date of adoption at a later stage.

Existing Authoritative Literature:

The table starting on page six summarizes the updates in this ASU, as well as defines the recommended actions for statutory accounting.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups):

Agenda item 2024-04: Conforming Repurchase Agreements was developed in in response to the American Council of Life Insurers (ACLI) request to modify the treatment of repurchase agreements in the life risk-based capital (RBC) formula to converge with treatment for securities lending programs.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:

None.

Convergence with International Financial Reporting Standards (IFRS):

None.

Staff Recommendation – Spring National Meeting:

NAIC staff recommends that the Working Group expose revisions to adopt, with modification, certain disclosures from *ASU 2023-06, Disclosure Improvements, Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative*, for statutory accounting within *SSAP No. 15—Debt and*

Holding Company Obligations and SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. The disclosure revisions we have recommended are:

- Certain disclosures for unused commitments and lines of credit, disaggregated by short-term and long-term.
- Disclosure of accrued interest from repos and securities borrowing, separate disclosure of significant (10% of admitted assets) reverse repos, and counterparty disclosures for significant (10% of adjusted capital and surplus) repos and reverse repos.

NAIC staff also requests regulator and interested party input on whether the accounting policy disclosure for cash flows associated with derivatives, ASC 230-10-50-9, should also be adopted for statutory accounting purposes. This would require companies to provide an accounting policy disclosure for where cash flows associated with derivative instruments and their related gains and losses are presented in the statement of cash flows.

Staff Recommendation – Summer National Meeting:

NAIC staff recommends that the Working Group adopt, with modification, certain disclosures from ASU 2023-06, *Disclosure Improvements, Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative*, for statutory accounting within SSAP No. 15—*Debt and Holding Company Obligations* and SSAP No. 86—*Derivatives*. The disclosure revisions we have recommended are:

- Certain disclosures for unused commitments and lines of credit, disaggregated by short-term and long-term.
- Disclosure of the derivative cash flow accounting policy

In addition, NAIC staff recommend that the previously exposed revisions to adopt, with modification, certain disclosures from ASU 2023-06 within No. 103R—*Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* be combined with agenda item 2024-04: Conforming Repurchase Agreements. These disclosure revisions include:

- Disclosure of accrued interest from repos and securities borrowing, separate disclosure of significant (10% of admitted assets) reverse repos, and counterparty disclosures for significant (10% of adjusted capital and surplus) repos and reverse repos.

Agenda item 2024-04 is intended to review and revise current statutory guidance for repos and secured lending, as such adoption of additional repo disclosures should be considered as a part of that project.

Staff Review Completed by:

NAIC Staff – William Oden, February 2024

Status:

On December 1, 2023, the Statutory Accounting Principles (E) Working Group deferred exposure of this agenda item as some items were noted which require further consideration.

On March 16, 2024, the Statutory Accounting Principles (E) Working Group exposed revisions to adopt, with modification, certain disclosures from ASU 2023-06, *Disclosure Improvements, Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative*, for statutory accounting within SSAP No. 15—*Debt and Holding Company Obligations* and SSAP No. 103R—*Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. The Working Group also requested input from regulators and interested parties on whether the derivative cash flow accounting policy disclosure, described in ASC 230-10-50-9, would provide useful information to regulators.

Exposed Revisions to SSAP No. 15—Debt and Holding Company Obligations – Adopted

22. For unused commitments and lines of credit, the reporting entity shall separately disclose the following, disaggregated by short-term and long-term, in the notes to financial statements:

- a. The amount and terms of unused commitments for financing arrangements (including commitment fees and the conditions under which commitments may be withdrawn).
- a.b. The amount and terms of unused lines of credit for financing arrangements (including commitment fees and the conditions under which lines may be withdrawn) and the amount of those lines of credit that support commercial paper borrowing arrangements or similar arrangements.

Relevant Literature

32. This statement adopts, with modification, ASU 2023-06, Disclosure Improvements, Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative. Statutory modifications include:

- a. Extending the disclosure requirements to both short-term and long-term unused commitments and lines of credit, whereas ASU 2023-06 only required these disclosures for long-term unused commitments and short-term lines of credit.
- b. The requirement to disclose the weighted-average interest rate of short-term borrowings was rejected for statutory accounting purposes.

Exposed revisions to SSAP No. 86—Derivatives – Adopted

Disclosure Requirements

63. Reporting entities shall disclose the following for all derivative contracts used:

- a. General disclosures:
 - i. A description of the reporting entity’s objectives for using derivatives, i.e., hedging, income generation or replication;
 - ii. A description of the context needed to understand those objectives and its strategies for achieving those objectives;
 - iii. The description for hedging objectives shall identify the category, e.g., fair value hedges, cash flow hedges, or foreign currency hedges, and for all objectives, the type of instrument(s) used;
 - iv. A description of the accounting policies for derivatives including the policies for recognizing (or reasons for not recognizing) and measuring the derivatives used, and when recognized, where those instruments and related gains and losses are reported;
 - v. Identification of whether the reporting entity has derivative contracts with financing premiums. (For purposes of this term, this includes scenarios in which the premium cost is paid at the end of the derivative contract or throughout the derivative contract.);

- vi. The net gain or loss recognized in unrealized gains or losses during the reporting period representing the component of the derivative instruments' gain or loss, if any, excluded from the assessment of hedge effectiveness; ~~and~~
- vii. The net gain or loss recognized in unrealized gains or losses during the reporting period resulting from derivatives that no longer qualify for hedge accounting. For portfolio layer method hedges, disclose circumstances that led to the breach; and
- ~~vii.~~viii. The reporting entity shall disclose its accounting policy for where cash flows associated with derivative instruments and their related gains and losses are presented in the statement of cash flow.

Relevant Literature

74. This statement adopts, with modification, ASU 2023-06, Disclosure Improvements, Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative. The adopted guidance requires the reporting entity to disclose its accounting policy for where cash flows associated with derivative instruments are presented in the statement of cash flow.

Not adopted - The following Revisions to were exposed SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities – Are To be Combined with Agenda Item 2024-04 (not adopted in August 2024)

28. A reporting entity shall disclose the following^{fn}:

- a. For Repurchase and Reverse Repurchase Agreements:
 - i. If the entity has entered into repurchase or reverse repurchase agreements, information regarding the company policy or strategies for engaging in repo programs, policy for requiring collateral, as well as whether transactions have been accounted for as secured borrowings or as sale transactions. This disclosure shall include the terms of reverse repurchase agreements whose amounts are included in borrowing money. The following information shall be disclosed by type of agreement:
 - (a) Whether repo agreements are bilateral and/or tri-party trades;
 - (b) Maturity time frame divided by the following categories: open or continuous term contracts for which no maturity date is specified, overnight, 2 days to 1 week, from 1 week to 1 month, greater than 1 month to 3 months, greater than 3 months to 1 year, and greater than 1 year^{fn};
 - (c) Aggregate narrative disclosure of the fair value of securities sold and/or acquired that resulted in default. (This disclosure is not intended to capture "failed trades," which are defined as instances in which the trade did not occur as a result of an error and was timely corrected. Rather, this shall capture situations in which the non-defaulting party exercised their right to terminate after the defaulting party failed to execute.)
 - (d) If as of the date of the most recent balance sheet the aggregate carrying amount of reverse repurchase agreements (securities or other assets purchased under agreements to resell) exceeds 10% of total admitted assets, the assets shall be separately disclosed. The entity shall also disclose whether there are any provisions, beyond the collateral requirements in paragraph 113, to ensure that the

[market value of the underlying assets remains sufficient to protect the entity in the event that the counterparty defaults and, if so, the nature of those provisions.](#)

Staff Note 2: *The Supplemental Investment Risks Interrogatories (Appendix A-001) does require reporting of the amount and percentage of admitted assets subject to reverse repurchase agreements. Staff is of the opinion that if the assets subject to reverse repurchase agreements exceeded 10% then this fact is significant enough to also be included in the notes the financial statements.*

- ii. For repurchase transactions accounted for as secured borrowings^{fn}, the maximum amount and end balance as of each reporting period (quarterly and annual) for the following:
 - (a) Fair value of securities sold. (Book adjusted carrying value shall be provided as an end balance only.) This information is required in the aggregate, and by type of security categorized by NAIC designation, with identification of nonadmitted assets. Although legally sold as a secured borrowing, these assets are still reported by the insurer and shall be coded as restricted pursuant to the annual statement instructions, disclosed in accordance with *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures*, reported in the general interrogatories, and included in any other statutory schedules or disclosure requirements requesting information for restricted assets.
 - (b) Cash collateral and the fair value of security collateral (if any) received. This information is required in the aggregate and by type of security categorized by NAIC designation with identification of collateral securities received that do not qualify as admitted assets.
 - (1) For collateral received, aggregate allocation of the collateral by the remaining contractual maturity of the repurchase agreements (gross): overnight and continuous, up to 30 days, 30-90 days, greater than 90 days. This disclosure shall also include a discussion of the potential risks associated with the agreements and related collateral received, including the impact arising changes in the fair value of the collateral received and/or the provided security and how those risks are managed.
 - (2) For cash collateral received that has been reinvested, the total reinvested cash and the aggregate amortized cost and fair value of the invested asset acquired with the cash collateral. This disclosure shall be reported by the maturity date of the invested asset: under 30 days, 60 days, 90 days, 120 days, 180 days, less than 1 year, 1-2 years, 2-3 years and greater than 3 years. To the extent that the maturity dates of the liability (collateral to be returned) does not match the invested assets, the reporting entity shall explain the additional sources of liquidity to manage those mismatches.
 - (c) Liability recognized, [including accrued interest](#), to return cash collateral, and the liability recognized to return securities received as collateral as required pursuant to the terms of the secured borrowing transaction.
- iii. For reverse repurchase transactions accounted for as secured borrowings^{fn}, the maximum amount and end balance as of each reporting period (quarterly and annual) for the following:
 - (a) Fair value of securities acquired. This information shall be reported in the aggregate, and by type of security categorized by NAIC designation, with identification of whether acquired assets would not qualify as admitted assets.

- (b) Cash collateral and the fair value of security collateral (if any) provided. (If security collateral was provided, book adjusted carrying value shall be provided as an end balance only.) Disclosure shall identify the book adjusted carrying value of any nonadmitted securities provided as collateral. For collateral pledged, the aggregate allocation of the collateral by the remaining contractual maturity of the reverse-repurchase agreements (gross): overnight and continuous, up to 30 days, 30-90 days, greater than 90 days. This disclosure shall also include a discussion of the potential risks associated with the agreements and related collateral pledged, including obligations arising from a decline in the fair value of the collateral pledged and how those risks are managed.
 - (c) Recognized receivable for the return of collateral. (Generally cash collateral, but including securities provided as collateral as applicable under the terms of the secured borrowing transaction. Receivables are not recognized for securities provided as collateral if those securities are still reported as assets of the reporting entity.)
 - (d) Recognized liability, including accrued interest, to return securities acquired under the reverse-repurchase agreement as required pursuant to the secured borrowing transaction. (Generally, a liability is required if the acquired securities are sold.)
- iv. For repurchase transactions accounted for as a sale^{fn}, the maximum amount and end balance as of each reporting period (quarterly and annual) for the following:
- (a) Fair value of securities sold (derecognized from the financial statements). (Book adjusted carrying value shall be provided as an end balance only, reflecting the amount derecognized from the sale transaction.) This information is required in the aggregate, and by type of security categorized by NAIC designation, with information on the book adjusted carrying value of nonadmitted assets sold.
 - (b) Cash and the fair value of securities (if any) received as proceeds and recognized in the financial statements. This information is required in the aggregate and by type of security categorized by NAIC designation, with identification of received assets nonadmitted in the financial statements. All securities received shall be coded as restricted pursuant to the annual statement instructions, disclosed in accordance with SSAP No. 1, reported in the general interrogatories, and included in any other statutory schedules or disclosure requirements requesting information for restricted assets.
 - (c) The forward repurchase commitment recognized to return the cash or securities received. Amount reported shall reflect the stated repurchase price under the repurchase transaction.
- v. For reverse repurchase transactions accounted for as sale^{fn}, the maximum amount and end balance as of each reporting period (quarterly and annual):
- (a) Fair value of securities acquired and recognized on the financial statements. (Book adjusted carrying value shall be provided as an end balance only.) This information shall be reported in the aggregate, and by type of security categorized by NAIC designation. The disclosure also requires the book adjusted carrying value of nonadmitted assets acquired.
 - (b) Cash collateral and the fair value of security collateral (if any) provided. (If security collateral was provided, book adjusted carrying value shall be provided as an end

balance only.) Disclosure shall also identify whether any nonadmitted assets were provided as collateral (derecognized from the financial statements).

- vi. If as of the date of the most recent balance sheet the amount at risk under repurchase agreements or the amount at risk under reverse repurchase agreements with any individual counterparty or group of related counterparties exceeds 10% of adjusted capital and surplus, an entity shall disclose the name(s) of those counterparties or group of related counterparties, the amount at risk with each, and the weighted-average maturity of the repurchase agreements or reverse repurchase agreements with each.
 - (a) For the purposes of this statement, the amount at risk under repurchase agreements is the excess of the carrying amount (or market value, if higher than the carrying amount or if there is no carrying amount) of the securities or other assets sold under agreement to repurchase, including accrued interest plus any cash or other assets on deposit to secure the repurchase obligation, over the amount of the repurchase liability (adjusted for accrued interest).
 - ~~(a)~~(b) For the purposes of this statement, the amount at risk under reverse repurchase agreements is the excess of the carrying amount of the reverse repurchase agreements over the market value of assets delivered in accordance with the agreements by the counterparty to an entity (or to a third-party agent that has affirmatively agreed to act on behalf of the entity) and not returned to the counterparty, except in exchange for their approximate market value in a separate transaction.

Relevant Literature

135. This statement adopts, with modification, ASU 2023-06, *Disclosure Improvements, Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. Statutory modifications include:

- a. It is not feasible to require separate reporting of assets subject to reverse repurchase agreements in excess of 10% of total assets. Instead, this was modified to require separate disclosure and the threshold was modified to be "10% of total admitted assets."
- b. The disclosure threshold for the amount at risk under repurchase agreements or reverse repurchase agreements was modified to be 10% of adjusted capital and surplus, rather than 10% of total equity.
- c. The requirement to disclose the weighted-average interest rate of repurchase liabilities and related repurchase liabilities was rejected for statutory accounting purposes.

On August 13, 2024, the Statutory Accounting Principles (E) Working Group adopted, with modification, as final, certain disclosures from *ASU 2023-06, Disclosure Improvements, Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*, for statutory accounting within *SSAP No. 15—Debt and Holding Company Obligations* and *SSAP No. 86—Derivatives*. The partial adoption of ASU 2023-06 only includes the previously exposed disclosures on unused commitments, lines of credit, and derivative cash flows accounting policy. The Working Group also directed NAIC staff to incorporate the previously exposed disclosures from ASU 2023-06 concerning repos, reverse repos and securities borrowing into agenda item 2024-04: Conforming Repurchase Agreements for further consideration as part of the ongoing project looking at the statutory accounting treatment of repos and securities lending. The adopted revisions are reflected below.

Adopted Revisions to SSAP No. 15—Debt and Holding Company Obligations – Adopted

22. For unused commitments and lines of credit, the reporting entity shall separately disclose the following, disaggregated by short-term and long-term, in the notes to financial statements:

- a. The amount and terms of unused commitments for financing arrangements (including commitment fees and the conditions under which commitments may be withdrawn).
- a.b. The amount and terms of unused lines of credit for financing arrangements (including commitment fees and the conditions under which lines may be withdrawn) and the amount of those lines of credit that support commercial paper borrowing arrangements or similar arrangements.

Relevant Literature

32. This statement adopts, with modification, ASU 2023-06, Disclosure Improvements, Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative. Statutory modifications include:

- a. Extending the disclosure requirements to both short-term and long-term unused commitments and lines of credit, whereas ASU 2023-06 only required these disclosures for long-term unused commitments and short-term lines of credit.
- b. The requirement to disclose the weighted-average interest rate of short-term borrowings was rejected for statutory accounting purposes.

Proposed revisions to SSAP No. 86—Derivatives – Adopted

Disclosure Requirements

63. Reporting entities shall disclose the following for all derivative contracts used:

- b. General disclosures:
 - i. A description of the reporting entity’s objectives for using derivatives, i.e., hedging, income generation or replication;
 - ii. A description of the context needed to understand those objectives and its strategies for achieving those objectives;
 - iii. The description for hedging objectives shall identify the category, e.g., fair value hedges, cash flow hedges, or foreign currency hedges, and for all objectives, the type of instrument(s) used;
 - iv. A description of the accounting policies for derivatives including the policies for recognizing (or reasons for not recognizing) and measuring the derivatives used, and when recognized, where those instruments and related gains and losses are reported;
 - v. Identification of whether the reporting entity has derivative contracts with financing premiums. (For purposes of this term, this includes scenarios in which the premium cost is paid at the end of the derivative contract or throughout the derivative contract.);

- vi. The net gain or loss recognized in unrealized gains or losses during the reporting period representing the component of the derivative instruments' gain or loss, if any, excluded from the assessment of hedge effectiveness; ~~and~~
- vii. The net gain or loss recognized in unrealized gains or losses during the reporting period resulting from derivatives that no longer qualify for hedge accounting. For portfolio layer method hedges, disclose circumstances that led to the breach; and
- ~~vii.~~viii. The reporting entity shall disclose its accounting policy for where cash flows associated with derivative instruments and their related gains and losses are presented in the statement of cash flow.

Relevant Literature

74. This statement adopts, with modification, ASU 2023-06, Disclosure Improvements, Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative. The adopted guidance requires the reporting entity to disclose its accounting policy for where cash flows associated with derivative instruments are presented in the statement of cash flow.

<https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2024/08-13-24SummerNationalMeeting/Adoptions/23-26-ASU2023-06-DisclosureImprovements.docx>

The last column lists the status of the GAAP source literature for statutory accounting and the recommended action.

<u>Topic</u>	<u>Codification</u>	<u>Abbreviated Summary of Change</u>	<u>Related Paragraphs</u>	<u>SAP Status/Recommendation</u>
Statement of Cash Flows—Overall	230-10	Requires an accounting policy disclosure in annual periods of where cash flows associated with derivative instruments and their related gains and losses are presented in the statement of cash flows.	50-9	<p>NAIC staff noted that this disclosure may be duplicative of <i>SSAP No. 86—Derivatives</i>, paragraph 63a.iv. However, this disclosure does not specifically require disclosure of the accounting policy for the presentation of cash flows from derivatives and the statutory statement of cash flows does not currently break out cash flows from derivatives.</p> <p>No comments were received from regulators and Interested Parties had no comments on adoption of this disclosure.</p> <p>Staff recommends adoption of this disclosure for statutory accounting purposes.</p>
Accounting Changes and Error Corrections—Overall	250-10	Requires that when there has been a change in the reporting entity, the entity disclose any material prior-period adjustment and the effect of the adjustment on retained earnings in interim financial statements.	50-6	<p>This disclosure is duplicative of <i>SSAP No. 3—Accounting Changes and Corrections of Errors</i>, paragraph 13.</p> <p>This update is not applicable – no action required.</p>
Earnings Per Share—Overall	260-10	Requires disclosure of the methods used in the diluted earnings-per-share computation for each dilutive security and clarifies that certain	50-1 55-51 55-52	<p>This update is not applicable – no action required.</p>

<u>Topic</u>	<u>Codification</u>	<u>Abbreviated Summary of Change</u>	<u>Related Paragraphs</u>	<u>SAP Status/Recommendation</u>
		disclosures should be made during interim periods. Amends illustrative guidance to illustrate disclosure of the methods used in the diluted earnings-per-share computation.		
Interim Reporting—Overall	270-10	Conforms to the amendments made to Topic 250.	45-12 45-19 50-1	This update is not applicable – no action required.
Commitments—Overall	440-10	Requires disclosure of assets mortgaged, pledged, or otherwise subject to lien and the obligations collateralized.	50-1	This disclosure is duplicative of <i>SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures</i> , paragraph 23b. This update is not applicable – no action required.
Debt—Overall	470-10	Requires disclosure of amounts and terms of unused lines of credit and unfunded commitments and the weighted-average interest rate on outstanding short-term borrowings. Entities that are not public business entities are not required to provide information about the weighted-average interest rate.	15-1 50-6 5-7	Staff do not recommend adoption of the weighted-average interest rate calculation for statutory accounting purposes. Due to the complexity of this computation, this this disclosure is only required for public entities under GAAP. As SAP does not have the public/private entity distinction, adoption of this disclosure would be applicable to all insurance entities. This disclosure is not considered necessary in light of existing debt SAP disclosures and does not provide enough benefit to offset the cost of implementing such a potentially complex calculation. We recommend adoption, with modification, of the disclosures

<u>Topic</u>	<u>Codification</u>	<u>Abbreviated Summary of Change</u>	<u>Related Paragraphs</u>	<u>SAP Status/Recommendation</u>
				unused LOC and commitment disclosures.
Equity—Overall	505-10	Requires entities that issue preferred stock to disclose preference in involuntary liquidation if the liquidation preference is other than par or stated value.	50-4	This disclosure is duplicative of <i>SSAP No. 72—Surplus and Quasi-Reorganizations</i> , paragraph 22b. This update is not applicable – no action required.
Derivatives and Hedging—Overall	815-10	Adds inter-codification reference to 230-10-50-9 for disclosure of cash flows associated with derivative instruments.	50-8C	This update is not applicable – no action required.
Transfers and Servicing—Secured Borrowing and Collateral	860-30	Requires: a. That accrued interest be included in the disclosure of liabilities incurred in securities borrowing or repurchase or resale transactions. b. Separate presentation of the aggregate carrying amount of reverse repurchase agreements on the face of the balance sheet if that amount exceeds 10 percent of total assets. c. Disclosure of the weighted-average interest rates of repurchase liabilities for public business entities. d. Disclosure of amounts at risk with an individual counterparty if that amount exceeds more than 10 percent of stockholder’s equity. e. Disclosure for reverse repurchase agreements that exceed 10 percent of total assets on whether there are any provisions in a reverse repurchase agreement to ensure that the market value of the underlying assets remains sufficient to protect against	15-1 45-2 45-2A 45-3 50-7 50-9 thru 12 55-4	We recommend adoption, with modification, of the disclosures in bullets a., b., d., and e. (see Abbreviated Summary of Changes) The disclosure in bullet c. is not recommended for adoption within SAP – no action required.

<u>Topic</u>	<u>Codification</u>	<u>Abbreviated Summary of Change</u>	<u>Related Paragraphs</u>	<u>SAP Status/Recommendation</u>
		counterparty default and, if so, the nature of those provisions.		
Extractive Activities— Oil and Gas—Notes to Financial Statements	932-235	Requires that paragraphs 932-235-50-3 through 50-36 be applicable for each annual period presented in the financial statements.	50-2A	This update is not applicable – no action required.
Financial Services— Investment Companies— Investment Company Activities	946-20	Requires that investment companies disclose the components of capital on the balance sheet.	50-11 50-12	This update is not applicable – no action required.
Real Estate—Real Estate Investment Trusts— Overall	974-10	Requires disclosure for annual reporting periods of the tax status of distributions per unit (for example, ordinary income, capital gain, and return of capital) for a real estate investment trust.	50-1	This update is not applicable – no action required.
Generally Accepted Accounting Principles— Overall	105-10	Adds in transition and open effective date information.	65-7 65-8	This update is not applicable – no action required.

Statutory Issue Paper No. 169

Principles-Based Bond Definition

STATUS

Adopted –August 13, 2024

Original SSAP: SSAP No. 26 and SSAP No. 43

Current Authoritative Guidance: SSAP No. 21, SSAP No. 26 and SSAP No. 43

Type of Issue:

Common Area

SUMMARY OF ISSUE

1. The guidance within this issue paper details the new statutory accounting concept revisions to *SSAP No. 26—Bonds* (SSAP No. 26), *SSAP No. 43—Loan-backed and Structured Securities* (SSAP No. 43) and *SSAP No. 21—Other Admitted Assets* (SSAP No. 21) pursuant to the Statutory Accounting Principles (E) Working Group’s (Working Group) Investment Classification Project as well as in response to expanding investment structures that have been reported on Schedule D-1: Long-Term Bonds. The revisions and discussions detailed within reflects a comprehensive review, referred to as the “Principles-Based Bond Project,” to establish principal concepts for determining whether a debt security qualifies for reporting as a bond. Although SSAP No. 26 was previously revised pursuant to the Investment Classification Project in 2017, it was identified that some entities were classifying securities issued from special purpose vehicles (SPVs) in scope of SSAP No. 26 instead of SSAP No. 43. As the focus of this Principles-Based Bond Project is on the substance of investments, regardless of whether they include an SPV for issuance, this project includes all debt securities and encompasses both SSAP No. 26 and SSAP No. 43.

SUMMARY CONCLUSION

2. Investments eligible for reporting as bonds on Schedule D-1¹ shall comply with the principles-based definition of a bond or be specifically noted in scope of SSAP No. 26 or SSAP No. 43. Revisions to reflect the principles-based bond definition have been incorporated to SSAP No. 26, with SSAP No. 43 revised for accounting and reporting guidance for investments that qualify as asset-backed securities under the SSAP No. 26 bond definition. SSAP No. 21 has been revised to detail accounting and reporting guidance for debt securities that do not qualify as bonds under SSAP No. 26 and to provide guidance for the accounting and reporting of residual interests. Lastly, various revisions to other SSAPs have been incorporated to update guidance and/or references to the bond guidance. The final adopted SSAPs and other revisions are shown in the exhibits to this issue paper.

DISCUSSION

3. The discussion of this issue originally began in August 2019 with agenda item 2019-21: SSAP No. 43 – Equity Investments. This agenda item was drafted to consider clarification to SSAP No. 43 particularly

¹ Pursuant to reporting changes adopted in response to the principles-based bond definition, issuer credit obligations (ICO) in scope of *SSAP No. 26—Bonds* will be reported on *Schedule D-1-1: Bonds* and asset-backed security (ABS) investments that qualify as bonds under SSAP No. 26 but follow *SSAP No. 43—Asset-Backed Securities* for accounting and reporting will be reported on *Schedule D-1-2: Asset-Backed Securities*. Throughout this issue paper, these bond investments (both ICO and ABS) are collectively referred to as bonds reported on Schedule D-1.

with regards to collateralized fund obligations and similar structures that reflect underlying equity interests. In response to the discussion of comment letters in January 2020, this project was expanded to include a comprehensive review of SSAP No. 43 under the Working Group's Investment Classification Project, with NAIC staff directed to prepare a discussion document for subsequent review.

4. A preliminary discussion document was exposed for comment on March 18, 2020. Although there were no proposed recommendations in that exposed document, it captured the following:

- a. History of the definition / scope development of SSAP No. 43. (This history has been retained in this issue paper, beginning with paragraph 124.)
- b. Definitions of asset backed securities (ABS) from the Code of Federal Regulations (CFR), the Securities Exchange Act of 1934 and NAIC Model 280, Investments of Insurers Model Act (Defined Limits Version).
- c. Potential options for the accounting and reporting of ABS based on whether they were considered traditional securitizations in accordance with the Code of Federal Regulations (CFR) (17 CFR 229.1101(c)) definition of an ABS or non-traditional securitizations that did not comply with the CFR definition.

5. In response to this initial exposure, a detailed comment letter dated July 31, 2020, was received from interested parties. Although a variety of elements were noted, two key issues were the primary focus:

- a. Separation between SSAP No. 26 and SSAP No. 43: Pursuant to the comments, it was identified that many insurers had different interpretations of the adopted 2010 revisions that separated investments between SSAP No. 26 and SSAP No. 43 due to the presence of a "trust" or an "SPV" structure. As such, investment designs that had been identified as concerning due to the underlying investments in the SPV (e.g., equity-driven investments) believed by some to be limited to SSAP No. 43 were, under some interpretations, eligible to be captured in scope of SSAP No. 26.
- b. Defining an asset backed security: The comments received focused heavily on whether the 17 CFR definition captured securities within the 1933 or 1934 Securities Act. The proposed use of the 17 CFR definition, which is the ABS definition used by the SEC as a nationally recognized statistical ratings organization (NRSRO) registered for asset-backed securities, was intended to allow consistency in ABS items permitted for NRSRO designations. Furthermore, it was only the first "broad brush" in determining whether an investment would be initially captured in scope of SSAP No. 43. Regardless, based on the comments received, which noted variations between the 1933 and 1934 Securities Act, differences of assessments based on whether an entity is the issuer or acquirer, the legal scrutiny that may be required in determining whether an investment complies with the definition, as well as a recommendation for independent principles for determining an investment as an asset backed security, it was identified that further discussion should occur before utilizing the CFR definition of an asset-backed security.

6. After considering the interested parties' July 31, 2020, comments, the Working Group directed that a small group of industry work with Iowa representatives and NAIC staff to define what should be considered a bond for reporting on Schedule D-1. It was identified that some investment designs, which have been previously captured on Schedule D-1 or are proposed for inclusion on that schedule, may be well-performing assets, but are not bonds and should not be captured on Schedule D-1. It was also noted that regulators are not anticipating these sorts of investment structures when reviewing D-1 and assessing

investment risk. These small group discussions began December 1, 2020, and continued until the bond proposal was initially exposed for public comment on May 20, 2021.

7. After considering the comment letters from the May 2021 exposure, on August 26, 2021, the Working Group affirmed the direction of the principle-based bond concepts and directed NAIC staff to utilize those concepts in proposing statutory accounting revisions. With this explicit direction, it was noted that all elements of the principles-based bond proposal, and the reflection of those concepts in statutory accounting guidance, is subject to continued discussion and deliberation. Revised guidance for Schedule D-1 investment classification will not be considered authoritative statutory guidance until the specific effective date detailed in adopted authoritative SSAP. With the direction to proceed with the development of statutory guidance to reflect the principle-based concepts, the Working Group directed that NAIC staff continue to work with the small group of regulators and industry to discuss concepts, review proposed language and consider innovating investment designs. (During this meeting, the small group was repurposed and referred to as the “study” group with additional regulators participating.)

8. From September 2021 through January 2022, the study group of regulators and industry met to continue discussions on the bond proposal definition. Key elements discussed during this timeframe included 1) the requirement for a credit enhancement that puts the holder of an ABS in a different economic position from holding the underlying collateral directly, 2) the contractual stapling restriction, and 3) guidance for when a debt instrument is issued from an SPV that owns a portfolio of equity interests. Revisions from these discussions, as well as other aspects to clarify the definition and an initial issue paper were presented to the Statutory Accounting Principles (E) Working Group on March 2, 2022, and exposed. Subsequently, the full Working Group discussed and exposed revisions to the draft guidance until adoption.

9. This issue paper intends to provide information on discussions that occurred when considering the principles-based bond definition and the statutory accounting revisions to specify the types of investments that shall be reported on Schedule D-1: Long-Term Bonds. A summary of the exposure periods and adoption actions are detailed below:

- a. On March 2, 2022, this issue paper, along with the principles-based bond definition, was exposed, with comments due May 6, 2022. The Working Group heard comments on July 18, 2022, and directed limited edits to be reflected while also deciding not to incorporate revisions for a number of industry-proposed comments.
- b. On August 10, 2022, this issue paper, along with the principles-based bond definition, and proposed revisions to SSAP No. 26 and SSAP No. 43 was exposed, with comments due October 7, 2022. Comments were received from Interested Parties, Fermat Capital and the industry Lease-Backed Securities Working Group. After considering comments, the Working Group incorporated certain revisions.
- c. On November 16, 2022, after considering comments from the August 2022 exposure, the Working Group exposed revisions to SSAP No. 26 and SSAP No. 43. The Working Group also exposed revisions to other SSAPs that will be impacted with the bond project revisions. These edits included revisions to detail the short-term and cash equivalent restriction for ABS in *SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments* as well as guidance for debt securities that do not qualify as bonds in SSAP No. 21. This guidance was exposed until February 10, 2023.
- d. On March 22, 2023, during the 2023 Spring National Meeting, the Working Group considered comments received and exposed updated guidance, with a comment period ending June 9, 2023, to reflect most of the interested party comments.

- e. On August 13, 2023, during the 2023 Summer National Meeting, the Working Group adopted the exposed revisions to SSAP No. 26, SSAP No. 43 and the document detailing revisions to other SSAPs with an effective date of January 1, 2025. With this action, it was noted that no comments had been received on these exposed items. Also on August 13, 2023, the Working Group considered comments on the exposed SSAP No. 21 on the guidance for non-bond debt securities that do not qualify as bonds and on residual interests and exposed a revised SSAP No. 21 until September 29, 2023.
- f. On December 1, 2023, during the 2023 Fall National Meeting, the Working Group considered comments received on SSAP No. 21, predominantly focused on the accounting and measurement of residual interests and exposed an updated SSAP No. 21 until January 22, 2024.
- g. On February 20, 2024, the Working Group received a revised SSAP No. 21 that was updated to reflect interested parties' comments during the interim. The Working Group exposed the revised SSAP No. 21 for a shortened comment period ending March 7, 2024, to allow for possible adoption consideration during the 2024 Spring National Meeting.
- h. On March 16, 2024, during the 2024 Spring National Meeting, the Working Group adopted new statutory accounting guidance within SSAP No. 21 for "Debt Securities That Do Not Qualify as Bonds" and for "Residual Tranches or Interests/Loss Positions." The new sections are effective January 1, 2025, but reporting entities may elect to adopt the residual guidance for year-end 2024. With this action, all planned statutory accounting guidance for the principles-based bond definition was adopted.

Discussion of Principles-Based Bond Concepts

10. Pursuant to the "small group" discussions comprised of industry, Iowa regulators and NAIC staff, the broad principle-based bond concepts discussed on August 26, 2021, reflected the following key concepts:

- a. Definition of a bond requires a security structure, representing a creditor relationship, that is considered an Issuer Credit Obligation (ICO) or an Asset Backed Security (ABS).
- b. The assessment of whether a security represents a creditor relationship requires consideration of the substance, rather than the legal form of the document, as well as consideration of other investments owned in the investee and other contractual arrangements. A security that possesses equity-like characteristics or that represents an ownership interest in the issuer in substance does not represent a creditor relationship.
- c. An ABS is a bond issued by an entity created for the primary purpose of raising debt capital backed by financial assets or cash generating non-financial assets owned by the ABS Issuer, whereby repayment is primarily derived from the cash flows associated with the underlying defined collateral rather than the cash flows of an operating entity.
- d. There are two defining characteristics that must be present for a security to meet the definition of an ABS: 1) The holder of a debt instrument issued by an ABS issuer is in a different economic position than if the holder owned the ABS Issuer's assets directly, and 2) When the assets owned by the ABS are non-financial assets, the assets are expected to generate a meaningful level of cash flows towards repayment of the bond other than through the sale or refinancing of the non-financial assets.

11. Various discussions and components were addressed in the establishment of these broad concepts and throughout the development of the principles-based bond definition. Specific elements and discussion points are detailed within this issue paper.

Security Structure Representing a Creditor Relationship

12. Similar to long-standing guidance in defining a bond, the principles-based bond concepts only permit security structures to be considered eligible for Schedule D-1 reporting. Although the concepts continue reference to the adopted security definition from U.S. GAAP, the guidance is expanded to require that the evaluation of the structure under the security definition considers the substance of the instrument rather than solely its legal form.

13. The consideration of whether a structure reflects a “security” is a key factor in determining the appropriate SSAP for accounting and reporting. A structure with one or more future payments that qualifies as a security has historically been captured as a bond, with measurement and risk-based capital (RBC) charges based on the NAIC designation. Under the prior SSAP guidance, bond securities did not require additional provisions for admittance and would likely only be subject to nonadmittance based on state investment limits. This treatment is distinctly different than a “non-security” structure considered to be a loan under SSAP No. 20—*Nonadmitted Assets* or SSAP No. 21. For these structures, the ability to admit the loan under the SSAP provisions is contingent on the nature of the loan and qualifying collateral or related party assessments. (State investment limits may have additional loan-to-value requirements that impact admittance.) Loans (other than mortgage loans) are captured on Schedule BA: Other Long-Term Invested Assets and are likely limited by state investment limits along with other invested assets reported on Schedule BA. Although the RBC charge for admitted collateral loans is lower than other Schedule BA investments, the RBC charge is still higher than Schedule D-1 investments with most NAIC designations.

14. Over time, since the codification of statutory accounting principles, various industry comments have been received questioning the difference between loans and securities (e.g., bonds), particularly with the different reporting outcomes. This discussion was also revisited as part of the principles-based bond proposal, and it was concluded that structures must meet the security definition to be captured as a bond on Schedule D-1. Although industry requested “loans with recourse” to be added to the bond scope paragraph as well as an explicit reference to “loans” as a type of investment captured in the bond definition, these proposals were not supported for inclusion. This discussion highlighted that the security definition is not a high threshold to meet, and direct loans should not be reflected as bonds if they do not qualify as securities. With this discussion it was noted that an investment could meet the definition of a bond regardless of the legal form (paper) it was written on and/or how it was described (such as a bond, note, obligation, etc.). Although an instrument could be described as a “loan,” if it meets the security definition requirements and other principle concepts, it shall be captured as a bond. The same concept would be true for instruments named as a “bond” but that do not meet the security or other principle-based bond requirements, as they would not be permitted for reporting as a bond on Schedule D-1.

15. The statutory accounting guidance in SSAP No. 26 and *SSAP No. 37—Mortgage Loans* adopts the U.S. GAAP definition of a security as it is used in FASB Codification Topic 320 and 860:

- a. Security: A share, participation, or other interest in property or in an entity of the issuer or an obligation of the issuer that has all of the following characteristics:
 - i. It is either represented by an instrument issued in bearer or registered form or, if not represented by an instrument, is registered in books maintained to record transfers by or on behalf of the issuer.

- ii. It is of a type commonly dealt in on securities exchanges or markets or, when represented by an instrument, is commonly recognized in any area in which it is issued or dealt in as a medium for investment.
- iii. It either is one of a class or series or by its terms is divisible into a class or series of shares, participations, interests, or obligations.

16. The “security/non-security” discussion highlighted that the naming convention of an investment (as a “note,” “bond,” “obligation,” “loan,” or other such term) does not determine the correct underlying SSAP or reporting location. Non-security structures (other than mortgage loans) shall be captured as collateral or non-collateral loans pursuant to SSAP No. 20 or SSAP No. 21 as applicable. To prevent incorrect assumptions that all loans could be captured as issuer credit obligations, the group agreed not to include explicit reference to loan structures within the principles-based bond concepts and instead refer to the substance of the investment structure. Additionally, the following existing guidance was noted as support for this conclusion and to further highlight that the naming convention does not override the structural design of an investment when it comes to reporting or the application of statutory accounting principles.

- a. Existing guidance in SSAP No. 21 states that if an instrument meets the definition of a bond, but has supporting collateral, then the investment is not classified as a collateral loan. This concept was affirmed as part of the principles-based bond discussion, noting that investments that qualify for bond reporting on Schedule D-1 shall not be classified as collateral loans regardless of whether there is collateral backing the investment.
- b. Guidance in *SSAP No. 25—Affiliates and Other Related Parties* applies to all transactions, regardless of the SSAP that governs the underlying accounting and reporting. As such, the provisions in SSAP No. 25 that require assessment of “loans or advances (including debt, public or private)” are intended to apply to all forms of lending from a reporting entity to a related party. As such, this guidance applies regardless of the naming convention of the agreement (e.g., loan, bond, note, obligation, etc.). Investments reported as bonds on Schedule D-1 that reflect related party transactions shall only be admitted if the requirements in SSAP No. 25 are met. In addition to having a specific due date and written agreements, these requirements include specific assessments based on whether the arrangement is with a parent or principal owner or to other related parties.

17. After determining whether a structure represents a security, the next component for the principle-based bond definition is assessing whether the security represents a creditor relationship. Although the reference to a “creditor relationship” may seem very similar to prior guidance in SSAP No. 26, that prior guidance did not explicitly detail the intended meaning of a “creditor relationship” but simply identified that such structures have a fixed schedule for one or more future payments. This prior guidance resulted with interpretations that structures qualified as “bonds” strictly on legal form. With the focus of the principles-based definition, it is explicit that the assessment of a whether a security represents a creditor relationship requires consideration of the substance, rather than just the legal form, along with consideration of other investments owned in the investee and other contractual arrangements.

18. Original regulator concerns with the historical guidance and reporting were in part due to the identification of investments with underlying equity interests that were structured to resemble bond instruments. Discussions that occurred as part of the principles-based bond project identified that there is a significant incentive for insurers to characterize equity exposures, which would traditionally be captured on Schedule BA, as bonds due to the favorable capital treatment. Transferring or acquiring them as debt issued by an SPV (such as through a collateralized fund obligation (CFO) structure) is a mechanism to

reclassify these equity instruments and characterize them as bonds. These discussions noted that the lack of historical safeguards in existing SSAPs also provides significant opportunity for these reclassifications.

19. Equity investments differ from other types of financial assets in that they generally do not have contractual pre-determined principal or interest payments. Distributions are typically at the discretion of whichever decision maker has control of the entity. However, certain types of entities have greater likelihood and predictability of cash flows than others. For example, private equity and debt funds are often designed to have finite lives that begin with a capital raising and investment phase, and once the portfolio is built and seasoned, investments are monetized, returns are realized, and distributed to investors. Therefore, while there can be variability in timing and amounts of cash flows, distributions can be expected with some level of predictability compared to other types of equity investments (e.g., publicly traded companies). Private debt funds are more predictable still given that the underlying investments of the fund have contractual cash flows. If a large, diversified pool of seasoned funds are securitized, (often in the form of a CFO), there can be a level of predictable cash flows that is suited to support a bond, when coupled with the overcollateralization, liquidity facilities, and other protections that are built into the structure.

20. Regulator concerns arise when features that facilitate the production of predictable cash flows are not present. In such situations, when there are not predictable cash flows equipped to service the debt, repayment may rely on sale or refinancing of the underlying equity investments at maturity in order to satisfy the debt. In that case, equity valuation risk may be the primary risk for the non-payment of the issued debt. If repayment predominantly relies on a point-in-time equity valuation (such as at maturity), then the substance of the risk is not consistent with what is expected of a bond reported on Schedule D-1.

21. Although the full disallowance of equity-backed debt would prevent these regulator concerns, there is a position that there are CFO securitizations (or other investments) of well-diversified, seasoned funds for which there is compelling evidence that there will be sufficient cash distributions to amortize the debt and structure protections that minimize the residual equity exposure. The approach to allow such CFO securitizations/investments to be reported as bonds only works when there are appropriate safeguarding principles established, which require a relatively high standard of proof.

22. An investment for which the primary non-payment risk is equity devaluation is not consistent with the substance-intent for what is expected to be reported as a bond on Schedule D-1 under the principles-based definition. Allowing such investments to be reported as bonds on Schedule D-1 could result with the regulatory arbitrage that regulators are concerned about without any real mitigants. This could ultimately result in a situation where industry has taken on significantly more equity risk that they have historically, all while characterizing the investment as a bond exposure. As such, it was noted as critical that appropriate safeguards be incorporated into the principles-based bond definition to address this concern. This is why the guidance reflects a rebuttable presumption that equity-backed ABS do not qualify to be reported as bonds on Schedule D-1 unless a documented analysis supporting the predictability of cash flows is completed that demonstrates bond-like cashflows that supports different treatment from that presumption.

23. The principles-based bond definition is clear that a security that possesses equity-like characteristics or that represents an ownership interest in the issuer in substance does not represent a creditor relationship. Examples of equity investments, equity holdings and equity-like interests include any security ultimately reflecting an ownership or membership interest in an entity (such as common stock, preferred stock, private equity holdings, investments in joint ventures, partnerships, and LLCs) as well as any structure that reflects the performance of an entity (such as dividends or capital gains). Furthermore, examples of equity instruments also include any debt instrument where the risk/reward profile is substantially similar to an equity interest.

24. With the prohibition of equity-like structures or items that represent ownership interests, there is a rebuttable presumption that debt instruments collateralized by equity interests do not qualify as bonds because they do not reflect a creditor relationship in substance. Notwithstanding this rebuttable presumption, it is possible for such a debt instrument to represent a creditor relationship if the characteristics of the underlying equity interests lend themselves to the production of predictable cash flows and the underlying equity risks have been sufficiently redistributed through the capital structure of the issuer.

25. With the establishment of the principles-based bond definition, this rebuttable presumption was specifically discussed, and it was concluded that the determination of whether debt instruments collateralized by equity interests qualify as bonds inherently requires significant judgment and analysis. Unlike debt instruments collateralized with contractual cash flows, or debt instruments collateralized by cash-generating non-financial assets, debt instruments collateralized by equity interests may be dependent on cash flow distributions that are not contractually required to be made, predetermined, and/or may not be controlled by the issuer of the debt. In some instances, sale or refinancing of the underlying equity interests may be the only means of generating cash flows to service the debt instruments. If this is the situation, then it is expected that compensating factors from other characteristics of the structure will be present that supports classifying the investment as a bond. For example, if the source of cash flows is driven from the sale or refinancing, then an appropriate, compensating level of overcollateralization would be required to overcome the presumption that the structure does not qualify as a bond.

26. For debt instruments that are collateralized by equity interests, various factors should be considered in determining whether debt collateralized by equity interests qualify as bonds. Additionally, to overcome the presumption that the structure does not qualify as a bond, it is presumed that reporting entities will have sufficient documentation supporting this conclusion. Factors to consider include, but are not limited to, the following:

- a. Number and diversification of the underlying equity interests
- b. Characteristics of the equity interests
- c. Liquidity facilities
- d. Overcollateralization
- e. Waiting period for the distributions / paydowns to begin
- f. Capitalization of interest
- g. Covenants (e.g., loan-to-value trigger provisions)
- h. Reliance on ongoing sponsor commitments
- i. Source(s) of expected cash flows to service the debt (i.e., dividend distributions from the underlying collateral vs. sale of the underlying collateral)

27. The assessment of equity-backed securities should be looked at, not only in form, but in substance. For example, a common arrangement exists where debt is issued from a feeder fund, and the feeder fund has an equity interest in another fund which predominantly holds debt instruments. The fund passes those fixed-income cash flows through the structure to the ultimate feeder fund debt holder(s), in a way that produces substantially the same risk profile to the debt holders as a collateralized loan obligation (CLO). Accordingly, such an arrangement may have its substance aligned with a debt investment rather than a single equity investment, despite the direct holding being a fund investment. This conclusion would be supported if the terms of the structure ensure that the underlying fixed-income cash flows are passed through. Factors that add additional uncertainty as to the timing and/or amount of the pass-through of cash flows from the underlying debt instruments may call into question a conclusion that a feeder fund structure

is a debt-backed structure in substance. For example, discretion of an underlying fund manager to withhold distribution of the underlying cash flows passed through from underlying debt instruments may create uncertainties as to the timing and/or amount of cash flows in such a manner that is more characteristic of an equity investment. Likewise, a feeder fund structure that is not expected to provide for regular cash interest payments would also call into question the substance as a debt-backed investment. Features that are customary to CLOs and other asset-backed securities would not ordinarily call the investment's substance into question on its own. For example, a waterfall structure dictating the pass-through and order of payments or retaining sufficient funds for covering contractual underlying fund level payments (e.g., investment management fees, legal costs, and other customary fund level expenses) are common to CLOs and other ABS, as are customary payment in kind (PIK) features designed to address temporary liquidity issues where the PIK then gets prioritized in the waterfall structure. These customary features do not constitute manager discretion that would call into question a conclusion that a feeder fund structure is a debt-backed structure in substance.

28. Conversely, if the feeder fund debt ultimately relies on equity interests for repayment (the final fund holds equity interests that generate the pass-through cash flows), the held debt instrument from the feeder fund would have to meet the requirements of [paragraph 26](#) while looking at the substance of equity interests supporting the debt. Regardless of the underlying collateral, feeder fund arrangements would have to meet the other relevant parts of the standard (e.g., have a substantive credit enhancement, etc.) to qualify for bond reporting. Investments that resemble feeder fund structures will require entity review to determine the underlying source of cash flows and identify the uncertainties or vulnerabilities that could impact the cash flows that will be passed through to the reporting entity holder. Ultimately, the conclusion that a structure represents a feeder fund shall not automatically qualify the structure for bond classification but shall not automatically preclude bond classification. Substance over form should be the determining factor in these and similar situations.

Determination of Issuer Credit Obligation or Asset Backed Security (ABS)

29. Security structures that qualify as creditor relationships are divided between ICO and ABS. The initial distinction between ICO and an ABS is a key factor with the principle-based bond concepts. Given their differing characteristics, investments that qualify as ICO are not required to complete assessments for qualifying credit enhancements or meaningful cash flow generation. As such, it is critical to ensure that structures which should be considered ABS or that reflect non-qualifying Schedule D-1 structures, are not classified as ICO to avoid those detailed assessments.

30. Determining whether an investment reflects an ICO or an ABS focuses on the issuer and the primary source of repayment of the instrument. An ICO represents a bond structure where the repayment is supported primarily² by the general creditworthiness of an operating entity or entities. The support for this structure consists of direct or indirect recourse to an operating entity or entities. An "operating entity" can be any sort of business entity, not-for-profit organization, or other provider of goods or services, but

² To clarify the phrase "supported primarily by the general creditworthiness of an operating entity," this means that the full repayment is expected to come from cash flows generated by the operating entity, not from collateral, although secondary recourse to collateral may be present. If it is expected that a majority of repayment will come from operating entity cash flows, but it is expected that some cash flows will come from collateral, this investment does not qualify as an issuer credit obligation and shall be assessed as an asset-backed security. The expectation must be that full repayment will be generated from operating entity cash flows. For asset-backed securities, the expectation is that the source of cash flows will come from collateral, even though there may be secondary recourse to an operating entity.

cannot be a natural person or an Asset Backed Security (ABS) Issuer. An ABS is a bond issued by an entity (an ABS Issuer) created for the primary purpose of raising debt capital backed by financial assets or cash generating non-financial assets owed by the ABS Issuer, whereby repayment is primarily derived from the cash flows associated with the underlying defined collateral rather than the cash flows of an operating entity.

31. The prior assessments to divide structures between SSAP No. 26 and SSAP No. 43 seemed to focus primarily on legal form (issued by trust/SPV that held pledged assets) or on the basis of prepayment risk within the structure (meaning, that the expected timing of cash flows may vary, impacting the effective interest rate). Under the principle-based bond definition, neither of these components shall be used as a determinant in concluding whether a structure represents an ICO or an ABS.

- a. The prior guidance which focused on the use of an SPV relied more on legal form than the substance of the transaction. Although it is common that many ABS Issuers are in the form of a trust or SPV, the presence or lack of a trust or SPV is not a definitive criterion in determining that a security meets the definition of bond intended as a Schedule D-1 investment, or that it is limited to a classification as an ABS. A key component of the principles-based bond definition is that it will not be possible for insurers to classify a non-qualifying investment as a bond simply by moving it to a debt-issuing SPV that resembles a creditor relationship with a future payment obligation. Furthermore, the guidance does not preclude the use of SPVs in ICO structures. Such structures are commonly utilized in project finance arrangements to separate business operations that support specific debt instruments, or to facilitate efficient marketing of a specific ICO design (e.g., funding agreement backed notes). Although packaging investments together in an SPV, with an SPV-issued note may currently result with better RBC charges due to the current ability to report such items as bonds, structures that simply reflect a pass-through of cash flows or performance from the underlying collateral and provide no economic difference than if holding the underlying collateral items directly shall not be characterized as bonds under the principles-based bond definition.
- b. With regards to the prior interpretation that SSAP classification was based on the presence of prepayment risk, which was not an interpretation based on any explicit guidance to that effect, under the principles-based bond definition, the presence or absence of prepayment risk will continue to play no role in SSAP classification. Classification is based on whether the investment has the substance of an ICO or ABS. This distinction aligns the accounting and measurement with the characteristics of the bond structure. As ABS rely on the cash flows of underlying collateral, the measurement method described in SSAP No. 43, which requires a quarterly review of underlying cash flow assumptions, is appropriate regardless of whether variations in timing of cash flows impact the effective yield. This methodology captures variations in both timing and amount of the underlying cash flows.

32. Whether an issuer of debt represents an operating entity or ABS Issuer is expected to be clear in most instances, but certain instances may be less clear. Ultimately, for an ICO, it comes down to whether support for repayment consists of direct or indirect recourse to an operating entity or entities. In addition to “traditional bond” structures previously included in SSAP No. 26, examples of issuer credit obligations include:

- a. Investments in the form of securities for which repayment is fully supported by an underlying contractual obligation of a single operating entity. Examples can include credit tenant loans (CTLs), equipment trust certificates (ETCs), other lease backed securities,

Funding Agreement Backed Notes (FABNs), etc. For purposes of applying this principle concept, repayment is fully-supported by the underlying operating entity obligation if it provides cash flows for the repayment of all interest and at least 95% of the principal of the security.

- b. Bonds issued by real estate investment trusts (REITS) or similar property trusts.
- c. Bonds issued by business development corporations, closed-end funds or similar operating entities, in each case registered under the 1940 Act. With this inclusion, it is important to highlight that the intent is specific to bonds issued from SEC-registered entities. The reference to “similar entities” is not intended to capture items issued from collateralized fund obligations (CFOs), feeder funds or other such structures. Although some may consider CFOs to be similar to closed-end funds, that assessment is not supported for classification as an ICO. Instruments considered to reflect CFOs (and other like structures) are required to be assessed as ABS for inclusion as a bond reported on Schedule D-1. Paragraphs 27-28 also detail the assessment expected in classifying feeder funds, and the requirement to determine the source of the underlying cash flows in determining classification and if the structure qualifies for reporting as a bond on Schedule D-1.

Note: Paragraph 32.c. will be revised with adoption of agenda item 2024-01.

- d. Project finance debt issued by operating entities. These investments reflect financing of a single asset or “operation” (such as a toll road or power generation facility) that collateralizes a debt issuance and the cash flows produced by the asset/operation service the debt, where the issuer may also represent an operating entity. These designs have characteristics of both ICO, as the operation constitutes a stand-alone business, as well as characteristics of ABS, as they are formed for the purpose of raising debt capital backed by the cash flows from collateral held by a bankruptcy-remote entity. When viewed holistically, these issuing entities are typically used to facilitate the financing of an operating component of a project sponsor or municipality. Although the use of a bankruptcy-remote entity (e.g., SPV) facilitates the efficient raising of debt as a source of financing, the primary purpose is to finance an operating project. Therefore, when the issuing entity represents a stand-alone business producing its own operating revenues and expenses, where the primary purpose is to finance an operating project, the issuing entity shall be considered an operating entity despite certain characteristics that resemble ABS issuances.
 - i. It is important to highlight that the guidance for project finance is strictly for instruments issued by operating entities, similar to other instruments that qualify as ICO under the principles-based bond definition. Consistent with other concepts, the naming convention (e.g., referring to an instrument as project finance) or the presence or absence of an SPV/trust structure are not definitive components in determining whether an investment qualifies for reporting as a bond on Schedule D-1, or is classified as an ICO or ABS. Instruments (even if identified as “project finance”) that do not qualify as ICO as they are not issued by operating entities, shall be assessed for qualification for reporting on Schedule D-1 as ABS. If the instruments do not qualify for reporting as ABS, they shall not be reported on Schedule D-1.
- e. U.S. Treasury Inflation-Protected Securities (TIPs): The inclusion of U.S. TIPs specifically as an ICO intends to highlight a specific exception to the determination as a creditor

relationship as the variation is due to plain-vanilla inflation adjustment mechanisms. Although U.S. TIPs are specific as ICO, under the bond definition, in order for a debt instrument to represent a creditor relationship for both ICO and ABS, it must have pre-determined principal and interest payments (whether fixed interest or variable interest) with contractual amounts that do not vary based on the appreciation or depreciation (e.g., performance) of any underlying collateral value or other non-debt variable³. For example, an issued security that has varying principal and interest payments based on the appreciation of referenced equity, real estate or other non-debt variables are precluded from bond treatment as they do not reflect creditor relationships. Although US TIPs are indexed to the consumer price index and grow with inflation, these securities shall be captured as ICO on Schedule D-1-1.

33. This principles-based bond project is not expected to reconsider certain investments previously considered by the Working Group and explicitly permitted for bond reporting on Schedule D-1. As such, unless subsequently addressed, the following investment types are expected to continue to qualify as Schedule D-1 investments, classified as ICO. (By including these investments as ICO, these investments are not subject to the assessments of sufficient credit enhancement or meaningful cash flow generation required for ABS securities.)

- a. Certificates of deposit that have a fixed schedule of payments and a maturity date in excess of one year from the date of acquisition.
- b. Bank loans **that** are obligations of operating entities, issued directly by a reporting entity or acquired through a participation, syndication or assignment.
- c. Debt instruments in a certified capital company (CAPCO).
- d. SVO-Identified Bond ETFs.

34. The investment structures explicitly permitted for Schedule D-1 reporting no longer includes a generic reference to “hybrid securities.” Under prior guidance in SSAP No. 26, hybrid securities, defined in the annual statement instructions as securities with characteristics of both debt and equity securities, were included and captured on a specific Schedule D-1 reporting line. Examples in the annual statement instructions included Trust Preferred Securities and Yankee Tier 1 bonds, however, both types of securities are no longer overly prevalent, although some insurers may continue to have them in their portfolios. Pursuant to the intent of the principle-based bond definition, a broad exception for securities that have characteristics of both debt and equity is not viable. Rather, to ensure that securities are classified and reported based on the substance of the investments, securities with characteristics of both debt and equity shall be assessed for inclusion as a bond for reporting on Schedule D-1 in accordance with the principal-based bond definition. If the securities qualify as ICO or ABS, then they can be reported on Schedule D-1.

³ The principles-based bond definition requirement for pre-determined principal and interest payments with contractual payments that do not vary based on the performance of an underlying collateral value or other non-debt variable does not intend to encompass nominal interest rate adjustments. Nominal interest rate adjustments are those that are too small to be taken into consideration when assessing the investment’s substance as a bond. Nominal adjustments are not typically influential factors in an investors’ evaluation of investment return and are often included to incentivize certain behavior of the issuer. An example would include sustainability-linked bonds where failure to achieve performance metrics could cause interest rate adjustments. In general, interest rate adjustments that adjust the total return from interest by more than 10% (e.g., >0.4% for a 4% yielding bond), would not be considered nominal. Further, any such adjustments that cause an investment to meet the definition of a structured note would not be considered nominal.

- a. Trust Preferred Securities – With these securities, there is a trust funded by debt where shares of the trust are then sold to investors in the form of preferred stock. The shares held are referred to as “trust preferred” securities. These securities have characteristics of both stock and debt. While the trust is funded with debt, the shares are considered to be preferred stocks and pay dividends like preferred stock. However, since the trust holds the bank’s debt as the funding vehicle, the payments received by investors are considered interest payments. These securities are considered equities under U.S. GAAP but are taxed as debt obligations by the IRS. With the Dodd-Frank reforms, the incentives for banks to issue trust-preferred securities decreased, resulting in a significant reduction in the issuance of these securities. If these securities continue to be held by insurers, they should be assessed for reporting as a bond on Schedule D-1 under the principal-based bond definition. If these securities do not qualify as a bond for reporting on Schedule D-1, presumably, these securities would be reported as preferred stock on Schedule D-2-1.
- b. Yankee Bond – A Yankee bond is one issued by a foreign bank or company but that is traded in the U.S and priced in U.S. dollars. Yankee bonds are normally issued in tranches, with a large debt structure financing arrangement, with each tranche having different levels of risk, interest rates and maturities. The non-U.S. issuers have to register Yankee bonds with the SEC before offering the bond for sale. If these securities are held by insurers, they should be assessed for reporting as a bond on Schedule D-1 under the principal-based bond definition.
- c. Other Hybrid Securities – From information received, it was noted that some reporting entities have previously reported securities on Schedule D-1 as hybrids due to a code in Bloomberg that identified the security as having characteristics of both debt and equity. Such securities shall be reviewed in accordance with the principles-based bond definition and reported as a bond on Schedule D-1 only if they qualify.

35. For securities that represent principal-protected securities and structured notes that have been previously captured within SSAP No. 26 or SSAP No. 43, the principles-based bond definition will no longer permit these security structures to be reported as bonds on Schedule D-1. Fundamentally, these structures have the potential for variable principal or interest / returns, or both, due to appreciation or depreciation (i.e., performance) of an underlying collateral value or other non-debt variable. This structural characteristic precludes these investments from being captured as ICO or ABS as the investment does not represent a creditor relationship in substance. It should be clear that the principles-based bond definition is intended to require a structural assessment inclusive of all investment components, therefore it is not permissible to segregate components within a structure, such as bond collateral supporting principal and interest payments to determine bond reporting on Schedule D-1 when the structure also includes other collateral with the potential to generate additional interest or returns. Such structures must be viewed holistically within the principles-based bond definition, with all potential returns considered in determining whether the structure qualifies as a creditor relationship.

- a. A principal-protected security is defined in *the Purposes and Procedures Manual of the NAIC Investment Analysis Office*, but generally includes a high-quality traditional bond (such as a U.S. Treasury) that is used to safeguard principal repayment at the structure’s

maturity, along with performance components where payments originate from, or are determined by, non-fixed-income securities. These returns, often based on underlying equity factors, prevent these structures from qualifying as a creditor relationship. In addition to the traditional design of principal-protected notes, other designs have been identified that may provide “interest” payments in the form of tax-credits based on underlying equity exposures. (So, a high-quality bond safeguards principal returns, but the structure includes equity elements that provide tax credits to the note holder as a form of interest.) Although the classification of a creditor-relationship may not be as clear in this example, such designs would further be disqualified from reporting as a bond on Schedule D-1 as they would not qualify as ICO due to the different forms of collateral within the structure (considering both the bond and equity items) and such structures would not qualify as ABS as there is generally no credit enhancement. These investments shall follow the guidance for non-bond debt securities in *SSAP No. 21—Other Admitted Assets*.

- b. A structured note is a security that otherwise meets the definition of a bond, but for which the contractual amount of the instrument to be paid at maturity (or the original investment) is at risk for other than failure of the borrower to pay the principal amount due. These instruments, although in the form of a debt instrument, incorporate the risk of an underlying variable in the terms of the agreement, and the issuer obligation to return the full principal is contingent on the performance of the underlying variable. These investments are addressed in *SSAP No. 86—Derivatives*. Mortgage-referenced securities issued by a government sponsored enterprise are explicit inclusions in scope of SSAP No. 43. Foreign-denominated bonds subject to variation as a result of foreign current fluctuations are not structured notes.

36. The guidance in the principles-based bond definition requires “assessment at origination” in determining whether a security qualifies for reporting as a bond on Schedule D-1. This provision intends to reflect the reporting entity’s understanding of the intent and ultimate structure of the security’s focus at origination, not simply what a structure holds on the day of origination. It is not permissible to conclude that a principal-protected security is an ICO at origination (when the structure includes only a US Treasury and cash) and disregard the intended use of the cash in the structure to subsequently acquire other investments to generate additional returns. The determination of whether an investment qualifies as a creditor-relationship, and then as an ICO or ABS (as applicable), requires an assessment by the reporting entity of the full structure at the time of acquisition as it was ultimately intended by the issuer at the time of origination.

37. Consistent with prior guidance in SSAP No. 26, mortgage loans and other real estate lending activities, which are not securities, made in the ordinary course of business are excluded from bond classification on Schedule D-1. Those investments shall follow the applicable statutory accounting guidance in SSAP No. 37 and *SSAP No. 39—Reverse Mortgages*.

Asset Backed Securities and Required Components

38. An ABS is a bond issued by an entity (an ABS Issuer) created for the primary purpose of raising debt capital backed by financial assets or cash generating non-financial assets owed by the ABS Issuer, whereby repayment is primarily derived from the cash flows associated with the underlying defined collateral rather than the cash flows of an operating entity. In most instances, the ABS Issuer is not expected to continue functioning beyond the final maturity of the debt initially raised by the ABS Issuer. As

previously noted, ABS Issuers are often in the form of a trust or special purpose vehicle, though the presence or lack of a trust or special purpose vehicle is not a definitive criterion for determining that a security meets the definition of an asset backed security.

39. To qualify for bond reporting on Schedule D-1 as an ABS, there are two defining characteristics that must be present. If the structure is a not an ICO or identified for specific inclusion on Schedule D-1, and does not meet these ABS requirements, the instrument is not permitted to be reported as a bond. Assessment on these aspects is investment specific, with determination at origination by the reporting entity based on the overall intent and ultimate expected holdings of the structure:

- a. **Substantive Credit Enhancement:** The holder of the debt obligation issued by the ABS Issuer is in a different economic position than if the holder owned the ABS Issuer's assets directly.
- b. **Cash Generating Collateral Assets:** The assets owed by the ABS Issuer are either financial assets or cash-generating non-financial assets. Cash-generating non-financial assets are defined as assets that are expected to generate a meaningful source of cash flows for repayment of the bond through use, licensing leasing, servicing or management fees, or other similar cash flow generation other than through the sale or refinancing of the assets.

40. **Substantive Credit Enhancement:** The component for substantive credit enhancement is required for all ABS structures. There are no practical expedients or thresholds that can be applied in determining whether a structure reflects substantive credit enhancement. Although certain structures may only require a limited analysis (such as agency-backed mortgage-backed securities—MBS), and insurers may benefit from prior analysis when acquiring similar subsequent structures, an automatic assessment is not permitted for this requirement.

41. To qualify as an ABS, the holder of the debt obligation is required to be in a different economic position than if the holder owned the ABS issuer's assets directly. For purposes of this assessment, the holder of the instrument is considered to be in a different economic position if the instrument benefits from substantive credit enhancement through guarantees (or other similar forms of recourse), subordination and/or overcollateralization. This element is required for all ABS designs, regardless of the collateral that is backing the ABS.

42. The requirement for substantive credit enhancement is intended to address investment designs crafted to appear as a debt / bond structure for reporting and RBC purposes, but for which the holder does not have a "more than nominal" change to the risk or reward profile than if they held the underlying investment directly. This guidance prevents using a specifically designed legal form (such as transferring assets to an SPV and acquiring an SPV-issued note), but which lacks any economic substance, to obtain favorable measurement and RBC impact or to avoid nonadmittance that would occur if the assets were directly held by the reporting entity.

43. The intent of the "substantive" threshold requiring the holder to be in a different economic position is to distinguish qualifying bonds from instruments with equity-like characteristics or where the substance of the transaction is more closely aligned with that of the underlying collateral. To qualify as a bond under this standard, there is a requirement that there are substantive credit enhancements within the structure that absorb losses before the debt instrument being evaluated would be expected to absorb losses. This is inherent in the context of an ICO as the owners of the equity in the operating entity are the first to absorb any variability in performance of the operating entity. The same concept applies to ABS. If substantive credit enhancement did not exist, the substance of the investment would be more closely aligned with that

of the underlying collateral than that of a bond. Credit enhancement that is merely nominal or lacks economic substance does not put a holder in a different economic position.

44. The original exposure (May 2021) detailed this ABS requirement as a “sufficient” credit enhancement and detailed the provision as the level of credit enhancement a market participant (i.e., reasonable investor) would conclude is expected to absorb losses (or decreases in cash flows) to the same degree as other debt instruments of similar quality, under a range of stress scenarios (i.e., scenarios are similar to stress scenarios performed for other debt instruments of the same quality). This original proposal noted that losses are those a market participant would estimate with consideration of historical losses (including loss recoveries) on similar collateral, current market conditions, reasonable and supportable forecasts, and prepayment assumptions associated with the collateral. Excluded from the estimate of expected losses are historical gains on similar collateral and expected market appreciation on the collateral. After further discussion of this concept, it was identified that the term sufficient and its proposed definition implied a quantitative assessment of credit quality was required. As a result, the proposed concept could be interpreted to mean that a reperformance of the credit underwriting process would be needed to support accounting classification, which is not the intent and could be seen to violate the policy that credit ratings do not determine accounting classification, as well as introduce an administrative reporting burden that is both duplicative and lacking any added value. Further, a misinterpretation could occur that would permit satisfaction of this component if a credit rating or NAIC designation was obtained. The intent of the concept is not to address credit quality. Rather, the intent is to require that there must be economic substance to support the transformation of the underlying collateral risk, to bond risk. As a result of these discussions, revisions were incorporated to revise the terminology and related definition to reflect a “substantive credit enhancement.” In addition to eliminating a perception that reporting entities could use credit ratings to support this distinction, this guidance incorporates principle concepts to ensure that the provision cannot be satisfied with structural elements that are merely nominal or lack economic substance.

45. Substantive credit enhancement can come in various forms, including but not limited to, subordination/overcollateralization, guarantees, or other forms of recourse. In whatever form the credit enhancement comes in, it must be of a level of significance that the holder of the debt instrument is in a substantively different position than owning the underlying collateral directly. Assessment of whether a credit enhancement has substance may involve an evaluation of the level of overcollateralization (loan-to-value or LTV) or the capacity of whatever form of subordination, guarantee or recourse to absorb collateral losses. The guidance intends to be specific that an NAIC designation, obtained from either the NAIC Securities Valuation Office (SVO) or from a Credit Rating Provider (CRP) does not provide standalone evidence to support a conclusion that the structure includes a substantive credit enhancement. Although the presence of independent market validation may provide evidence supporting the substance of a credit enhancement, that provision shall not be interpreted to indicate that the presence of an NRSRO rating is automatic validation that the substantive threshold has been met.

46. The following elements were specifically discussed with regards to the requirement for a substantive credit enhancement:

- a. Agency-Backed Pass-Through Structures (e.g., RMBS/CMBS): These structures, when they have an agency guarantee, are expected to meet the substantive credit enhancement requirement with little analysis. Although the reporting entity participates on a proportional basis in the cash flows from the underlying mortgage loans held by the SPV, the reporting entity is in a different economic position than if it owned the underlying mortgages directly because the credit risk has been redistributed and assumed by the agencies.
- b. Non-Agency Backed Pass-Through Structures: Unlike the above agency-backed example, a pass-through MBS without a credit enhancement, if one were to exist, would not put the

holder in a different economic position as owning the mortgage loans directly as they would participate proportionally in the first dollar of losses on the underlying loans. Pursuant to the intent of the overall principles-based bond / Schedule D-1 project and required substantive credit enhancement, the guidance does not permit use of an SPV to recharacterize an asset to qualify for reporting as a bond on Schedule D-1 if the holder is in the same economic position as holding the underlying investments directly. This would apply to any type of underlying asset. In contrast, if a debt instrument represents a senior interest in the pool of loans, through existence of a subordinated tranche for example, the holder may conclude that it is in a different economic position from holding the loans directly, provided the subordination is determined to be substantive.

- c. **Loan-To-Value (LTV) Assessments:** An assessment of LTV at origination may provide evidence of substantive credit enhancement through overcollateralization. The review should be a holistic assessment, evaluating the expected LTV over the life of the transaction, in conjunction with the liquidity and market value volatility of the underlying collateral, particularly in points in time when the underlying equipment is expected to be off-lease or at the time of maturity if refinancing or sale is required. It is appropriate to consider any expected economic depreciation, but it is not appropriate to factor in any expected economic appreciation. Although an expected decline in the LTV ratio may support the presence of a credit enhancement, a declining LTV is not required, and an increasing LTV is not prohibited, as long as the structure continues to provide a substantive credit enhancement. An expected high LTV at maturity, relative to the market value volatility of the underlying collateral, is considered to lack substantive overcollateralization and would require other forms of credit enhancement in order to meet the substantive credit enhancement criteria.
- d. The first loss position may be issued as part of an ABS structure in the form of debt or equity interest, or it may be retained by the sponsor and not be issued as part of the structure. The holder of the loss position, regardless of if it is issued as a tranche or retained by the issuer, does not impact the determination of whether the loss position provides substantive credit enhancement. Rather, the assessment focuses on whether the holder of the debt instrument is in a substantively different position than owning the underlying collateral directly. This assessment includes consideration on the first loss position (or more senior positions, if the first loss position is not sufficient) regardless of the holder of the loss positions. If the first loss position (or a more senior position(s), if the first loss position(s) lacks substantive credit enhancement) is issued as part of the structure and does not have substantive credit enhancement and is held by a reporting entity, the investment(s) does not qualify for reporting as a bond as it is a residual interest. All residual interests shall follow the accounting and reporting guidance in SSAP No 21.

47. **Meaningful Level of Cash Flows to Service Debt:** The element for meaningful cash flow generation is only a requirement for ABS that are backed by non-financial assets. ABS designs backed by financial assets, when there is no future performance obligation outside of default risk that could impact the ability to generate cash flows to service the debt, are not required to be assessed under the meaningful cash flow requirement.

48. To qualify as an ABS, there must be a meaningful level of cash flows generated from non-financial assets backing an ABS to service the debt, other than through the sale or refinancing of the assets. The evaluation is specific to each transaction and should consider the market volatility and remarketing potential of the underlying collateral, the variability of the cash flows produced, as well as the diversification of the source of cash flows within the structure. The main intent of this guidance is to ensure that non-financial

assets supporting structures reported as bonds on Schedule D-1 encompass a level of “cash generation” that is conducive to servicing traditional bond-like cash flows.

49. Consistent with the substance theme of the principles-based bond proposal, this guidance intends to prohibit situations in which the legal form of an investment is utilized to receive favorable accounting and reporting treatment, while the primary non-payment risk is the point-in-time valuation of an underlying asset. The prior guidance in SSAP No. 43 that focused on placing collateral assets in trust, with the SPV issuing a debt instrument, enabled situations in which non-cash generating structures could be reported as bonds on Schedule D-1. As a simple example, this guidance prevents artwork from being captured as the collateral backing a debt instrument issued by an SPV, with the reporting entity then reporting the SPV-issued note as a bond investment that reflects the expected future value that will be received upon the ultimate sale of the artwork.

50. The guidance requires meaningful cash generation to satisfy the debt instrument throughout the duration of the debt term. The timing of the cash generation, at points prior to maturity of the investment, is a key element as it intends to specifically exclude transactions in which the underlying assets must be sold or refinanced at maturity to produce cash to meet the meaningful requirement. However, this restriction is not intended to automatically exclude all structures that may incorporate collateral asset sales or refinancing throughout the debt duration as part of the expected cash generation. An example could be the securitization of short-term rental car receivables. Such a design could encompass both the rental car lease payments as well as periodic sales of the rental cars as the means to generate meaningful cash flows to service the debt. This design, with planned periodic sales of the non-financial collateral assets over the debt term, is distinctly different than a structure in which cash flows are not meaningfully generated over the course of the debt term and would rely predominantly on the sale or refinancing of the underlying collateral at maturity to satisfy the debt obligation. This restriction also does not exclude all structures that have any amount of sales or refinancing at the end of the debt term. Such investments can qualify for reporting as a bond on Schedule D-1 if they meet the meaningful cash generation criteria throughout the term of the instrument other than through the sale/refinancing at maturity.

51. The assessment of meaningful cash flows may require detailed evaluations as it is not permissible to conclude that the presence of any cash flows generated within the structure will result with the investment reaching the “meaningful” threshold. It is also not expected to commonly see ABS structures that include both financial and non-financial collateral. Such designs shall be reviewed to determine that the structure is in line with the principle intent of the bond definition and has not been developed to circumvent separate assessment or reporting of non-financial asset components. As a simplistic example, including mortgage-backed securities and artwork in a single structure, and identifying that the cash flows of the MBS satisfies the meaningful threshold with the artwork representing a minimal residual element, with a conclusion that the full structure qualifies for reporting as a bond on Schedule D-1 is not reflective of the intent of the principles-based standard. If there are instances in which financial asset and non-financial asset collateral are combined in a single ABS structure, consideration should occur on the intent of commingling these collateral elements pursuant to the intent of the principles-based bond definition and in assessing the meaningful cash flow requirements. Structures identified that have been developed to circumvent the provisions of the principle-based bond definition are not permitted to be reported as a bond on Schedule D-1 and shall be captured as a non-bond debt security in scope of SSAP No. 21.

52. The assessment of meaningful cash flows is specific to each transaction, determined at origination, and should consider various factors collectively in determining if the meaningful threshold is met. For this assessment, it is noted that an increase in price volatility or variability of cash flows requires a greater percentage of cash flows generated to service the debt from sources other than the sale or refinancing of the underlying collateral. On the flip side, as liquidity, diversification or overcollateralization increase, the required percentage of cash flows generated to service the debt from sources other than the sale or

refinancing of the underlying collateral is permitted to decrease. The following factors should be considered with the assessment of meaningful cash flows:

- a. Price volatility in the principal market in the underlying collateral.
- b. Liquidity in the principal market for the underlying collateral.
- c. Diversification characteristics of the underlying collateral (i.e., types of collateral, geographic locations, sources of cash flows within the structure, etc.)
- d. Overcollateralization of the underlying collateral relative to the debt obligation.
- e. Variability of cash flows, from sources other than sale or refinancing, expected to be generated from the underlying collateral.

53. The assessment of meaningful cash flows does permit a practical expedient under the principles-based bond definition. A reporting entity may consider an asset for which less than 50% of the original principal relies on sale or refinancing to meet the meaningful cash-flow generating criteria. (A structure with contractual cash flows that does not satisfy all of the interest stipulated in the structure does not qualify under the practical expedient.) In applying this practical expedient, only contractual cash flows of the non-financial asset may be considered. This practical expedient should not be construed to mean that assets cannot meet the meaningful criteria if they rely on the sale or refinancing to service any interest, an amount greater than 50% of the original principal or if they rely on cash flows that are not contracted at origination. Rather, such instances do not qualify under the practical expedient and would require a complete analysis of the noted factors in determining whether the meaningful cash-generating criteria has been met.

Additional Elements for Asset Backed Securities

54. When establishing the ABS definition and required components, various aspects were discussed to improve clarity on the application of the guidance.

55. Determination of “Assets” Backing Securities: Although the definition of an asset detailed in *SSAP No. 4—Assets and Nonadmitted Assets*, is applied throughout statutory accounting principles, the question was raised as to where the asset definition would be applied in determining a qualifying ABS. For example, an entity that expects to have subsequent receivables from future operations does not have recognized “assets” from those expectations as the requirements of the asset definition have not been met. However, if that entity were to sell the rights to future cash flows from expected operations, the selling entity would receive cash (a qualifying asset), and the acquiring entity would also have a recognized asset from the acquired right to future cash flows.

56. For purposes of qualifying as an “asset” permitted in an ABS structure, the definition of an asset must be met by the ABS Issuer. In some situations, particularly when the asset represents a right to future cash flows, the asset may not be in a form that could be liquidated to provide payment towards the debt obligations. (For example, if the asset represents acquired rights to future royalties, those royalty rights would have to materialize to have liquid assets available toward the debt obligations.) The ability to liquidate the backing collateral asset at a single point in time does not impact the structural determination of whether the issued security meets the definition of an ABS provided that the assets are expected to produce meaningful cash flows to service the debt terms. Additionally, the inability to liquidate the assets backing the instrument may impact the assessment of what constitutes substantive credit enhancement. Failure of cash flows to materialize may impact recoverability and require impairment of an ABS.

57. There is no requirement for a collateral asset backing an ABS structure to qualify as an admitted asset under statutory accounting. Assessing whether the underlying asset qualifies for admittance is not necessary as non-financial assets backing ABS must meet the meaningful cash-generating criteria. If the structure fails to meet the meaningful cash-generating requirement, the instrument does not qualify for reporting as a bond on Schedule D-1. Statutory accounting has not historically restricted bonds backed by inadmissible assets from being admissible, nor has it included any kind of evaluation of the cash flow producing ability of underlying assets. The principles-based bond definition adds a requirement to evaluate the cash flow producing ability of the underlying collateral, but continues to recognize that assets that may not be admissible if held individually on an insurer's balance sheet, may be well suited to support bond-like cash flows when securitized in large numbers with appropriate structuring (e.g. prioritization of cash flows).

58. Determining Whether the Structure Reflects "Financial" or "Non-Financial" Assets: The definition of a "financial asset" has previously been adopted from U.S. GAAP and is reflected in *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* as cash, evidence of an ownership interest in an entity, or a contract that conveys to one entity a right 1) to receive cash or another financial instrument from a second entity or 2) to exchange other financial instruments on potentially favorable terms with the second entity.

59. For purposes of excluding financial assets from the ABS meaningful cash generation criteria, the financial asset definition was clarified, for the avoidance of doubt, to not include assets for which the realization of benefits from the rights to receive or exchange financial assets depends on the completion of a performance obligation such as with a lease, mortgage servicing right, royalty rights, etc. For purposes of applying the ABS guidance, when there is a performance obligation required before the cash flows are generated, the assets represent non-financial assets, or a means through which non-financial assets produce cash flows, until the performance obligation has been satisfied. As another way to assess this clarification, if the assets backing the ABS are only subject to default risk (meaning the risk of nonpayment is solely based on failure of the underlying payer to satisfy its unconditional promise to pay), then the asset is a financial asset. If the asset is subject to any other risk in addition to default risk, then the assets represent non-financial assets. As simple illustrative examples:

- a. A mortgage-backed security (MBS), where the underlying mortgages have been securitized into a structure, the mortgage receivables represent unconditional promises to pay, with no further performance obligation of the lender or any other party. This structure is considered to be backed by financial assets. Although this structure is excluded from the meaningful cash flow assessment, it must still comply with the substantive credit enhancement requirement.
- b. A structure that represents the securitization of rental car leases is contingent on the lessor performing its side of the transaction (providing the car for use) before the lessee is obligated to pay. Therefore, a lease is a non-financial asset due to the performance obligation that must be satisfied in order for payment to become unconditional. Additionally, as is the case with short-term car rentals, the lease (rental agreement) may not be in place and the structure may represent a securitization of the rights to future rental payments, which adds an additional performance condition. This structure combines performance risk with default risk, resulting with the structure not qualifying for classification as being backed by financial assets. For this structure, the reporting entity would have to complete assessments that 1) the structure results with substantive credit enhancement and 2) the structure produces meaningful cash flows over the term of the instrument to satisfy the debt obligation other than through the sale or refinancing at maturity. If at origination, the contractual cash flows from the underlying collateral (leased

rental cars) would be sufficient to satisfy all of the interest and at least 50% of the original principal, then the meaningful criteria would be met through the practical expedient. That means, as discussed in SSAP No. 26, paragraph 9.b., that the practical expedient can only be used if less than 50% of the principal relies upon sale or refinancing.

60. Whole-Business Securitizations: In most ABS structures, the assets backing the cash flows are specified and limited to a distinct collateral pool. For example, dedicated cash flows from specific lease arrangements, or specific receivables from credit cards or mortgages. However, ABS structures can exist that represent an entire range of operating revenues or cash flows generated by the business. These structures are often referred to as “whole business” or “operating asset” securitizations. These structures, which could only include cash flows from certain operating segments, and not necessarily the entire business of a company’s operations, transfer the cash flows from the dedicated operations first to the investment holders, with the operating entity receiving their “operation proceeds” after the investment holders have been paid. This is different from a traditional bond structure where the operating entity first receives the proceeds from their operations and has discretion on how it uses those proceeds to continue operations and pay expenses and then ultimately pay the bond holders according to the debt terms. Further, debt holders in a whole-business securitization generally only have recourse to the cash flow streams pledged to support the debt, unlike a general credit obligation of the operating entity.

61. For the principles-based bond definition, structures that refer to whole-business securitizations, or that refer to operation proceeds as the collateral for the source of debt repayment still meet the definition as an ABS and do not reflect ICO. For these structures, the dedicated operational cash flows represent the defined collateral pool and should not be classified as ICO based on an interpretation that the proceeds represent the cash flows of an operating entity as they are not supported by the general creditworthiness of an operating entity, but rather only on referenced cash flow streams from the entity’s operations.

62. Residual Tranches / “Equity” Components of Schedule D-1 Qualifying Structures: The assessment of qualifying Schedule D-1 investments has to consider the overall investment structure but focuses primarily on the specific instrument held by the reporting entity. Structures, particularly ABS, may include residual tranches that provide payment after pre-determined principal and interest payments have been made to other tranches or interests based on remaining available funds. Although payments to residual note holders could occur throughout an investment’s duration, and not just at maturity, such instances still reflect the residual amount permitted to be distributed after other holders have received interest and principal payments. In all instances, despite whether other tranches of the investment structure qualify for reporting as a bond on Schedule D-1 reporting, residual tranches do not qualify for bond reporting on Schedule D-1.

63. Under prior guidance in SSAP No. 43, there was no exclusion that restricted residual tranches of qualifying securitizations from being captured in scope and being reported as bonds. From the outreach performed in developing the principles-based bond definition, it was identified that several insurers have historically reported these residual tranches on Schedule BA: Other Long-Term Invested Assets. However, it was noted that some reporting entities have reported these items as a bond on Schedule D-1 as a component of the securitization or as a beneficial interest in scope of SSAP No. 43. Although residual tranches (first loss tranches) do not receive CRP ratings or NAIC SVO designations, when reported on Schedule D-1, an NAIC designation is required. From information obtained, entities reporting residual tranches on Schedule D-1 have either been reporting as self-assigned 6* or they applied the NAIC 5GI concept to self-designate these securities. Under the 5GI concept, the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) permits self-designation as an NAIC 5 if the documentation necessary for a full SVO credit analysis does not exist, the issuer is current on all principal and interest payments, and the reporting entity has an expectation that they will receive all contracted interest and principal. The use of the NAIC 5GI concept to self-designate residual tranches on Schedule D-1 is a misapplication of this guidance. It is faulty to conclude that an investment is current and will provide

all contractual interest and principal payments when the investment provides payments based on remaining funds after obligations to other issued debt instruments from the structure are satisfied. Furthermore, the 5GI provision was intended to prevent an NAIC 6 designation simply because the documentation for a full credit analysis could not be provided or reviewed, such as situations involving foreign securities when the supporting documents are in a foreign language. The NAIC 5GI provision was not intended to permit self-assignment of an NAIC 5 designation to securities that would not qualify as a fixed-income instrument eligible for an NAIC designation under the P&P Manual.

64. With the identification that residual tranches are inconsistently reported, with some entities reporting as bonds on D-1 and others reporting on Schedule BA, the Working Group drafted and exposed agenda item 2021-15: SSAP No. 43 – Residual Tranches in September 2021 as an interim action prior to the conclusion of the bond project. The guidance within that agenda item clarified that residual tranches shall be reported on Schedule BA at lower of amortized cost or fair value. The guidance also clarified that the reference to residual tranches intends to capture securitization tranches and beneficial interests, as well as other structures captured in scope of SSAP No. 43 that reflect loss layers where failing to remit contractual interest or principal payments does not result in an act of default. Payments to holders of residual interests occur after contractual interest and principal payments have been made to holders of other tranches or interests and are based on the remaining available funds. Although payments can occur throughout an investment’s duration, such instances still reflect the residual amount permitted to be distributed after other holders have received contracted interest and principal payments.

65. On November 10, 2021, the Statutory Accounting Principles (E) Working Group adopted agenda item 2021-15, clarifying that residual tranches are required to be reporting on Schedule BA: Other Long-Term Assets beginning December 31, 2022, with early adoption permitted. The effective date of this action allowed time for reporting entities to implement this change and to correspond with a Blanks (E) Working Group proposal to incorporate separate reporting lines for residuals, based on underlying characteristics of the structure, on Schedule BA. With the adoption of this guidance, the Working Group noted that reporting entities may elect to reclassify residual tranches or interests to Schedule BA in advance of the effective date. As of the effective date, residual tranches or interests previously reported on Schedule BA shall be reclassified to the appropriate residual tranche Schedule BA reporting line based on the underlying characteristics of the investment structure.

66. Along with the action to specify the Schedule BA reporting for residuals, the Statutory Accounting Principles (E) Working Group and the Valuation of Securities (E) Task Force provided a joint memorandum to the Blanks (E) Working Group to specifically identify that application of the NAIC 5GI process to residuals is an inaccurate application. Residual tranches or interests reported on Schedule D-1 for year-end 2021 shall be reported with an NAIC 6. The Task Force also received a referral requesting clarification of the NAIC 5GI process so future misapplications could be mitigated. The Task Force considered specific changes to address residuals and adopted those revisions during the 2021 Fall National Meeting.

67. Subsequent to the guidance adopted in agenda item 2021-15, additional revisions were adopted to *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* (agenda item 2023-12) and to *SSAP No. 30—Unaffiliated Common Stock* and *SSAP No. 32R—Preferred Stock* (agenda item 2023-23) to clarify that all residuals, regardless of legal form of the investment, shall be reported on the dedicated residual reporting lines on Schedule BA.

68. The adoption of SSAP No. 21 in accordance with the principles-based bond project, incorporated guidance for non-bond debt securities and residual interests. The residual guidance includes the definition, common traits in identifying residuals as well as accounting and reporting guidance. Although adopted with a January 1, 2025 effective date consistent with the bond project, reporting entities are permitted to early-adopt the residual guidance in 2024. This SSAP No. 21 residual guidance has the following key aspects:

- a. Residuals are permitted to be admitted assets if debt securities from the same securitization qualify (or would qualify) as admitted assets. If a debt security held from the same structure is (or would be) nonadmitted, then any residual interests or first loss positions held from the same structure do not qualify as admitted assets. Residuals in the legal form of a SSAP No. 48 investment are not subject to the SSAP No. 48 audit requirements for admittance as they are captured in scope of SSAP No. 21 and not SSAP No. 48.
- b. Residuals shall be initially reported at cost, or allocated cost (using proportional fair values) if acquired along with debt tranches from the securitization. Subsequent to initial acquisition, residuals shall be reported at either 1) the lower of adjusted cost or fair value under the Allowable Earned Yield method, with temporary reductions in fair value reported as unrealized losses, or 2) at the calculated practical expedient method permitted in SSAP No. 21. For the residual guidance, amortized cost is defined as the cost the residual reduced for distributions in excess of the Allowable Earned Yield and other-then-temporary impairments (OTTI). The Allowable Earned Yield is established at acquisition as the discount rate that equates the initial best estimate of the residual's cash flows to its acquisition cost. With this approach, interest income is recorded under the effective yield method using the Allowable Earned Yield, capped by the amount of cash distributions received. Amounts received in excess of the Allowable Earned Yield reduces amortized cost. The practical expedient calculates book/adjusted carrying value (BACV) such that all distributions received are treated as a reduction in BACV. With this approach, the reporting entity will not recognize any interest or investment income until the residual tranche has a BACV of zero.
- c. Residuals shall be assessed for OTTI on an ongoing basis, with required assessment anytime that fair value is less than the reported value. For residuals measured using the Allowable Earned Yield method, an OTTI is considered to have occurred if the present value of expected cash flows discounted by the Allowable Earned Yield is less than amortized cost. For residuals measured under the practical expedient, an OTTI shall be considered to have occurred if the fair value of the residual is less than the BACV.
- d. The residual guidance is adopted prospectively and includes transition guidance in applying the revised measurement method for securities previously captured in scope of another SSAP. This guidance mirrors concepts from the transition of the principles-based bond definition.

69. Stapling of Investments: The original exposure of the principles-based bond definition (May 2021) included an initial example detailing a situation where “equity interests” from a tranche (such as residuals) were required to be held by a reporting entity when holding debt tranches. That language identified situations where the reporting entity would be restricted from selling, assigning, or transferring the unsecured debt investment without also selling, assigning or transferring the equity interest to the same party. This restriction is often referred to as the “stapling” of investments. Pursuant to the guidance in the initial example, although the debt instrument would separately qualify as a creditor relationship for bond reporting, when considering the entirety of the holdings (both the residual/equity interests and debt tranches combined), the investment would be considered an equity instrument in substance. Although the debt instrument would appear to have a higher priority of payment, that priority would be supported by the residual/equity interest the reporting entity has to hold. Ultimately, the reporting entity would be subordinate to themselves as they would recognize a loss on the residual/equity tranche to safeguard payment under the debt tranche. Under that initial proposed example, all holdings under such situations, including the debt tranches, would not qualify as creditor relationships and would not qualify for bond reporting.

70. After considering comments from the first exposure period, as well as discussing within the small group of industry and regulators, this example was eliminated from the principles-based bond definition. These discussions ultimately concluded that tranches that separately qualify as bonds should be reported as bonds even if other tranches from a structure that do not qualify as bonds are also held by the reporting entity. Elements noted as part of the decision to remove the stapling restriction include:

- a. A key element in the initial proposal to require all of the holdings as equity was to ensure that the risk of the holdings was properly captured. It was noted that recent developments to tranche investments that were previously reported as investments in LLCs or joint ventures could result in RBC arbitrage. This is because the risk of the investment would be concentrated in a specific tranche intended to absorb losses, and only that limited tranche would be reported on Schedule BA with higher RBC charges. This would allow the debt tranches (as they are subordinated by the equity tranche) to likely qualify as bonds with Schedule D-1 reporting and lower RBC charges. However, because risk has been concentrated into the smaller equity tranche as a result of leverage, and because Schedule BA RBC charges are fixed and insensitive to leverage, there is a lowering of risk-based capital in total despite no change in risk. The subsequent discussions highlighted that this is an RBC issue for the equity tranche and is not an accounting classification issue. As consideration on appropriate risk charges for residual tranches has been requested to the Financial Condition (E) Committee and is a discussion item for the RBC Investment Risk and Evaluation (E) Working Group, this issue is not within the focus of the Statutory Accounting Principles (E) Working Group. It was also noted that consideration of statutory accounting provisions (such as nonadmittance) to achieve a desired risk assessment would be an inappropriate use of the accounting guidance. It was also noted that the investments within scope of these discussions are likely permitted for admittance under state law and incorporating statutory guidance different from state law would only result with identification of prescribed practices as domiciliary state laws and statutes are the ultimate authority for the application of SAP.
- b. It was also identified that the initial exposed example was specific to investments that were “stapled” under contractual terms. This guidance would have only been applicable to dynamics in which there was an explicit restriction in the sale, assignment, or transfer of the residual/equity tranche separately from a debt tranche. It was identified that without an active market for residual/equity tranches (which is common) the explicit restrictions would not be necessary to achieve a similar result. Structures would only need to be designed to require initial acquisition of residual/equity tranches when acquiring debt tranches (with removal of the explicit disposal restrictions) to avoid the proposed stapling guidance. Since the proposed guidance could be easily avoided, the guidance would not address the underlying concern.
- c. This discussion noted that it is quite common for acquisitions to require purchases of a vertical slice of a structure and for investments to be stapled for a short duration of time. These provisions are generally made for easier marketing and for easier compliance with conflict-of-interest provisions. The short-term aspect of some stapled investments raised concerns as to how bond-qualifying debt tranches would be reported if stapling provisions to a residual/equity tranche were subsequently eliminated. This was identified as likely requiring a schedule move (from BA to D-1) with potential other accounting and reporting impacts (such as with NAIC designations and measurement method). This discussion noted that an issuer’s stapling of investments may reflect a legitimate business purpose, and not intend for RBC arbitrage, and the elimination of such components after the stated timeframe could cause confusion or unnecessary noise in the financial statements from the

reclassification of investments. This discussion further supported that the acquisition of different tranches, even if explicitly stapled, should not prevent separate debt (bond) and residual/equity recognition based on the characteristics of the specific tranche.

71. ABS as Short-Term or Cash Equivalent: With the required assessments and requirements for a security to qualify as ABS, as well as dedicated reporting based on the underlying collateral assets, ABS will no longer be permitted to be reported as short-term or cash equivalents. All qualifying ABS will be required to be reported on Schedule D-1-2, even if acquired within one year or less from the maturity date, to allow for full assessment of ABS held by a reporting entity by regulators. Investments captured in scope of SSAP No. 2R are intended to reflect situations in which limited risk remains, either from changes in credit-quality or interest rates, due to the short-duration until maturity. As ultimate cash flows from ABS may have other risks beyond default risk or interest rate risk (such as performance factors, balloon payments, collateral quality), reporting as a cash equivalent or short-term investment is not permitted to prevent inappropriate assumptions of the investment's remaining potential risk.

Key Discussions / Aspects in Developing the Definition

72. Refinancing Risk / Residual Risk Exposure: Discussion of refinancing risk (where there is outstanding debt owed at maturity that will need to be refinanced for the remaining principal to be received by the note holder) was a key element discussed in accordance with the meaningful cash flow requirement for non-financial ABS. This discussion highlighted that traditional refinancing risk is accepted in the context of corporate debt but is viewed differently when assessing the cash flows of non-financial assets in an ABS structure. This differentiation was confirmed, with identification that there are concerns unique to non-financial ABS.

73. The requirement for a non-financial ABS to produce meaningful cash flows to service the debt other than through the sale or refinancing of the collateral assets ensures that structures captured as a bond on Schedule D-1 actually reflect bond-like cash flows. Structures that rely on the sale or refinancing at maturity to generate cash flows to repay debt obligations ultimately reflect a point-in-time reliance on the underlying collateral asset values that does not reflect the intent of Schedule D-1 reporting of bond-like cash flows. These structures are more reflective of the underlying collateral risk, ultimately contingent on the market at a future point in time and whether the underlying assets can be sold or refinanced in accordance with original expectations at the time of the structure origination.

74. A key comment raised by industry with regards to the meaningful cash flow requirement, and the restriction against relying on the sale/refinancing at maturity to produce meaningful cash flows, is that consideration should be given to the level of overcollateralization that exists in a structure if the meaningful requirement will not be met without sale or refinancing. These industry comments take the position that as the level of overcollateralization to the debt obligation increases, then there is a greater likelihood that the debt issuer will be successful in refinancing or selling the assets and generate the means to repay the debt obligation. Although overcollateralization is a factor in securities for bond classification, allowing overcollateralization to override the requirement for meaningful cash flows other than the refinancing / sale at maturity is not permitted for the following reasons:

- a. The intent of the principles-based bond definition is to clarify what shall be reported as bonds on Schedule D-1. Non-financial ABS that do not generate meaningful cash flows and rely on the refinancing or sale of the underlying assets do not reflect bond-like cash flows and are not characteristic of bond investments. These structures ultimately reflect equity (point-in-time) valuation risks of the assets held as collateral.

- b. The industry position that overcollateralization safeguards the asset performance is an argument that supports the quality of the structure, but not the substance of the investment design. The principles-based bond definition does not factor in investment or credit quality within the determination of whether a structure qualifies for reporting as a bond on Schedule D-1. Permitting an assessment based on overcollateralization would introduce a concept that credit quality determines bond / Schedule D-1 reporting, and that is not an accurate conclusion in line with the principle concepts of bond classification.

75. Consistent with prior conclusions, reporting an investment as a bond on Schedule D-1 is not indicative of the quality of the investment, but rather reflects securities expected to generate bond-like cash flows. Securities reported as bonds on Schedule D-1 may be of high-quality or low-quality, but the reporting is based on the substance of the structure, which ultimately requires bond-like cash flows for all investments. This includes a requirement that non-financial ABS must produce meaningful cash flows through the use of the underlying collateral assets other than through the sale or refinancing of the assets.

76. Additionally, through the small group discussions around the refinancing restriction, it was noted that even if a debt instrument meets all of the criteria to be reported as a bond on Schedule D-1, there will still be a potential for unintentional RBC arbitrage related to securitizations, because the residual tranches absorb all of the redistributed risk of the underlying collateral, but receives a fixed RBC charge that is not in any way risk-rated. While this could be the case in any type of securitization, it is particularly pronounced if the underlying collateral is equity investments. Equity investments generally receive a base 30% RBC charge for life companies. If equity investments are securitized, the bond tranches will get low bond charges (<2%), while the residual tranche will continue to receive a flat 30% base charge. This will have the effect of bringing the overall weighted-average capital charge on the underlying investments from 30% to approximately 10-15%. This will occur even if the bond tranches have all of the substance associated with a bond. Following these discussions, it was identified that this regulatory concern may not be appropriate to address through the accounting standards but may warrant discussion under the Capital Adequacy (E) Task Force. Subsequent discussions from the Financial Condition (E) Committee directed the new RBC working group (the RBC Investment Risk and Evaluation (E) Working Group) to evaluate this and any other investment-related RBC items. Subsequent to these discussions, the RBC Investment Risk and Evaluation (E) Working Group assumed a project to assess RBC factors for residual interests. An interim approach was adopted to include a 30% base RBC factor with a 15% sensitivity test for year-end 2023, with a 45% base RBC factor and 0% sensitivity for year-end 2024. Continued discussion is expected under a long-term project.

77. Use of NAIC Designation / SVO Review in Determining Bond / Schedule D-1 Reporting: The accuracy of the financial statements, and compliance with statutory accounting provisions, is the responsibility of the reporting entity. Assessment and compliance with key concepts, such as the “meaningful cash flow generation” and “substantive credit enhancement” concepts for ABS are also the responsibility of the reporting entity, along with appropriate documentation of these assessments for regulator review when requested. Consistent with the existing *NAIC Policy Statement on Coordination of the Accounting Practices and Procedures Manual and the Purposes and Procedures Manual of the NAIC Investment Analysis Office*, a reporting entity cannot utilize an NAIC designation to conclude on the substance of an investment or the resulting reporting schedule. Pursuant to the policy statement, obtaining an NAIC designation does not change an investment’s applicable SSAP, annual or quarterly statement reporting schedule, or override SSAP guidance required for an investment to be an admitted asset.

78. Questions have been received whether an NAIC designation in the AVS+ product or an assessment of an investment from a “Regulatory Treatment Analysis Service” (RTAS) submission from the SVO can be utilized as support that an investment qualifies as a bond for Schedule D-1 reporting. These are inaccurate interpretations on the use of NAIC designations within those products. The assignment of an NAIC

designation (either from the SVO or CRP) reflects the credit quality of an investment. An assessment of credit quality does not provide assurances that the investment qualifies for reporting as a bond on Schedule D-1 as an ICO or an ABS. As part of this principles-based bond project, consideration is planned to expand the ability to report and use NAIC designations on Schedule BA so that investments that do not qualify as bonds can have appropriate risk assessments that factor in the credit quality of the investment. This capability would ultimately depend on action by the Capital Adequacy (E) Task Force.

79. Although the NAIC designation and RTAS processes cannot be used in determining Schedule D-1 compliance, it is envisioned that a small group of regulators and NAIC staff could be formed to review specific investment structures under the principle-based concepts to assist in assessments of complex new investment designs. If formed, it is anticipated that NAIC staff on the statutory accounting side and within the SVO would assist this small group.

80. Interest Only / Principal Only Strips: Discussion occurred on whether specific guidance should direct the reporting of interest only (IO) and principal only (PO) strips. The resulting conclusion from this discussion was that the principle concepts from the bond definition should continue to be applied to these investments. If the strips qualify within the definition as ICO, they would be captured in scope of that guidance. If the strips qualified as ABS, they would be captured in scope of that guidance. It was noted that interest-only strips shall also be assessed in accordance with the residual guidance. If the interest-only strip reflects excess interest (e.g., remaining differential spread from interest collected from interest paid), these investments would be akin to a residual investment without contractual interest or principal payments and shall be captured in scope of that guidance. (Residuals are in scope of SSAP No. 21 and required to be reported on Schedule BA. Residuals are not permitted to be reported on Schedule D-1.)

81. The discussion of IO/PO strips with industry representatives identified that they are not overly prevalent investments with insurance reporting entities. It was also noted that IO/PO based on RMBS are relatively rare due to the prepayment risk, however those based on CMBS generally have contractual provisions that prohibit prepayments, thus ensuring that they act more akin to typical bonds. This discussion further highlighted that changes to the principal-based bond definition are not justified for IO/PO investments, and insurers should document their accounting policies for these investments to demonstrate compliance with the bond definition.

82. The discussion of IO/PO strips focused on U.S. Treasury strips and mortgage-backed securities as likely investments, but it was noted that the application of the overall bond definition concepts should be applied to any future design of these investments. Specific elements noted for the two general designs:

- a. U.S. Treasury Strips: Treasury Strips are created when a bond's coupons are separated from the bond. The coupons separated from the bond are sold individually (IO), becoming separate securities from the principal payments due at maturity (PO). U.S. Treasury Strips are backed by the U.S. government. U.S. Treasury strips (IO and PO) are considered U.S. government issues and would be captured with other securities backed by the U.S. government as ICO. Specific identification of U.S. Treasury strips as a separate reporting line of ICO investments, captured within the U.S. government category, was noted to be repetitive and not necessary.
- b. Mortgage-Backed Securities and Other Non-Treasury Strips: Other IO and PO strips are required to be assessed in accordance with the principle concepts of the bond definition. It is anticipated that non-U.S. strips (including mortgage-backed security strips) would not qualify as ICO and shall be reviewed in accordance with the ABS concepts to determine whether the strip qualifies for reporting as a bond on Schedule D-1. The separation of the principal and interest components into separate securities does not change the application

of the principle concepts for determining whether a security qualifies as a bond. It was noted that IO strips could be high in the capital structure (supported by subordination) or could represent residual interests (reflecting the spread between proceeds collected and contractual interest). The specific details of the individual IO/PO security shall determine the appropriate accounting and reporting.

83. The discussion of IO/PO strips identified that there is no current need to have separate reporting lines to identify these items within the investment schedules. However, it was identified that the ability to identify these investments with a code (or other feature) would allow for future aggregation and assessment. This was requested to be considered as part of the reporting revisions.

84. Embedded Derivatives / Underlying Variables: Discussion occurred on the language that precludes bond reporting based on the appreciation or depreciation of an underlying collateral value or other variable. Although industry comments noted that the intent of the language was understood, it was identified that the language could be interpreted to mean that amounts in both the magnitude and timing of principal and interest payments must be known in advance, and it could also be interpreted to mean the amounts need to be contractual in nature but can still vary as long as the variability is not dependent on the appreciation or depreciation of an asset or variable. It was also noted that the reference to “other variable” could be interpreted to mean interest is not allowed to vary based on any variable or just the appreciation or depreciation of the variable. After discussing these comments, revisions were drafted to clarify that the exclusion is not intended to restrict variables that are commonly related to debt instruments, such as but not limited to, plain vanilla inflation or benchmark interest rate adjustments (such as with U.S. TIPs or SOFR-Linked coupons), scheduled interest rate step-ups, or credit-quality related interest rate adjustments. Furthermore, as detailed in footnote 3, this exclusion is not intended to encompass nominal interest rate adjustments. This guidance has also been incorporated within the provisions for determining whether a debt instrument represents a creditor relationship and is applicable for debt instruments structured as ICO and ABS.

Accounting for Debt Securities That Do Not Qualify as Bonds

85. Securities that reflect debt instruments that do not qualify for bond reporting as an ICO or an ABS shall follow specific guidance captured in SSAP No. 21 and be reported on Schedule BA. Investments in scope of this guidance are limited to items that would be in scope of SSAP No. 26, but that do not qualify for bond reporting as they reflect:

- a. Debt securities for which the investment does not reflect a creditor relationship in substance.
- b. Debt securities that do not qualify for bond reporting due to a lack of substantive credit enhancement.
- c. Debt securities that do not qualify for bond reporting due solely to a lack of meaningful cash flows.

86. The debt securities captured in the SSAP No. 21 guidance meet the definition of assets as defined in SSAP No. 4 and are admitted assets to the extent they conform to the requirements within SSAP No. 21. The provisions are specific that the guidance for non-bond debt securities in SSAP No. 21 shall not be inferred to other securities or investment structures.

87. Debt securities in scope of SSAP No. 21 that do not qualify as bonds under SSAP No. 26 and for which the primary source of repayment is derived through rights to underlying collateral, qualify as admitted assets if the underlying collateral primarily qualify as admitted invested assets. As detailed in the

SSAP No. 21 guidance pertaining to residual tranches, any residual tranches or first loss positions held from the same securitization that did not qualify as a bond under SSAP No. 26 also only qualify as admitted assets to the extent the underlying collateral primarily qualifies as admitted invested assets.

88. Debt securities in scope of the SSAP No. 21 guidance shall be reported at acquisition at cost, including brokerage and other related fees on Schedule BA. Subsequent measurement shall reflect the lower of amortized cost or fair value. Changes in measurement to reflect the lower value or to reflect changes in fair value shall be recorded as unrealized gains or losses. Debt securities in scope of SSAP No. 21 shall then follow the guidance in SSAP No. 43 for calculating amortized cost, for determining and recognizing other-than-temporary impairments and for allocating unrealized and realized gains and losses between the asset valuation reserve (AVR) and the interest maintenance reserve (IMR).

89. During the SSAP No. 21 discussion, industry inquired on the direction to utilize SSAP No. 43 for the components detailed in paragraph 88, and not separately assess securities to determine if they are more akin to ICO or ABS and using either SSAP No. 26 or SSAP No. 43 based on those assessments for the calculation of amortized cost, OTTI and allocating AVR/IMR. With this discussion, it was noted that investments that fail the creditor relationship test are identified before determining whether the security would be an ICO or ABS, and as the components of SSAP No. 43 are more relevant for debt securities that do not qualify as bonds, and to ensure consistency for all non-bond debt securities in scope of SSAP No. 21, the decision to utilize SSAP No. 43 for all debt securities that do not qualify as bonds was retained.

Transition Guidance

90. At the time of transition to apply the guidance adopted to reflect the principles-based bond definition, reporting entities shall make their best efforts to assess investments to determine whether they qualify within the bond definition for reporting on Schedule D-1. The bond definition requires assessments at the time of acquisition (as of the origination date), and it is recognized that reporting entities may not have the means to complete historical assessments for securities held at the time of transition. For these instances, if information is not readily available for reporting entities to assess a security as of the date at origination, reporting entities may utilize current or acquisition information in concluding that a security qualifies for reporting as a bond as either an ICO or ABS.

91. Investments that were reported as a bond on Schedule D-1: Long-Term Bonds as of December 31, 2024, that do not qualify under the principle-based bond definition shall be reported as a disposal from that schedule, with a reacquisition on the appropriate reporting schedule as of January 1, 2025. These investments shall be accounted for in accordance with the resulting SSAP that addresses the specific investment structure. For securities that are reported at the lower of amortized cost or fair value under the guidance in SSAP No. 21 for non-bond debt securities, this could result with an unrealized loss in the measurement of the investment at the time of the reclassification. Although the adoption of this guidance is considered a change in accounting principle under *SSAP No. 3—Accounting Changes and Corrections of Errors*, the following transition guidance shall be applied on January 1, 2025, to ensure consistency in reporting and to allow investment schedules to roll appropriately:

- a. Securities reclassified from Schedule D-1 as they no longer qualify under the bond definition shall be reported as a disposal from Schedule D-1 at amortized cost. Although no proceeds are received, amortized cost at the time of disposal shall be reported as consideration on Schedule D-4.
 - i. For securities held at amortized cost at the time of disposal, BACV and amortized cost shall agree, preventing gain or loss recognition at the time of reclassification.

- ii. For securities held at fair value under the lower of amortized cost or fair value measurement method, previously reported unrealized losses shall be reversed on January 1, 2025, prior to disposal, resulting with a reported value that mirrors amortized cost at the time of disposal. This action prevents realized loss recognition at time of reclassification.

- b. Securities reclassified from Schedule D-1 shall be recognized on the subsequent schedule (e.g., Schedule BA) with an actual cost that agrees to the disposal value (amortized cost). Immediately subsequent to recognition on the resulting schedule, the securities shall be reported in accordance with the measurement method prescribed by the applicable SSAP:
 - i. For securities previously reported at fair value on Schedule D-1 (under a lower of amortized cost or fair value measurement method), the reporting entity will recognize an unrealized loss to match the previously reported BACV. Subsequently, the security will continue to reflect a lower of amortized cost or fair value measurement method.

 - ii. For securities previously reported at amortized cost on Schedule D-1, if the subsequent applicable SSAP guidance requires a lower of amortized cost or fair value measurement method, then the reporting entity shall recognize an unrealized loss to the extent fair value is less than amortized cost.

- c. After application of the transition guidance all securities shall reflect either the same reported value as of December 31, 2024 (amortized cost or fair value) or a lower reported value (if the security is subject to the lower of amortized cost or fair value measurement method). There should be no instances that result with a security having a greater reported value than what was presented on December 31, 2024. Subsequent to transition, securities reported at fair value may incur unrealized gains or losses due to fair value fluctuations, but should never have unrealized gains that result with a BACV that exceeds amortized cost.

92. With this transition guidance, changes in measurement for securities reclassified under the bond definition will be reported as a change in unrealized capital gains (losses) in the first quarter 2025 financial statements (unless sold in the interim with a realized gain or loss) and not as a change in accounting principle. To enable regulators the ability to identify the impact of securities reclassified under the bond definition, the following disclosure for the 2025 first quarter financial statement is required:

- a. Aggregate BACV for all securities reclassified off Schedule D-1.

- b. Aggregate BACV after transition for all securities reclassified off Schedule D-1 that resulted with a change in measurement basis. (This shall be a subset of the aggregate BACV reclassified off Schedule D-1 and captures the securities that moved from an amortized cost to a fair value measurement method under the lower of amortized cost or fair value approach.)

- c. Aggregate surplus impact for securities reclassified off Schedule D-1. This shall include the difference between BACV as of December 31, 2024 and BACV after transition for those securities that moved from an amortized cost to a fair value measurement method under the lower of amortized cost or fair value approach.

93. ABS that were previously reported as short-term (Schedule DA) or as a cash equivalent (Schedule E2) shall be reclassified to be reported on Schedule D-1-2 on January 1, 2025. Similar to the process detailed above, the securities shall be removed from Schedule DA and E2 at amortized cost, with reversal of any unrealized loss prior to the reclassification. The amortized cost shall be reported as “consideration received on disposals” on Schedule DA – Verification Between Years or Schedule E-2 – Verification Between Years, as applicable based on the prior reporting location. The security shall be recognized as an ABS acquired on Schedule D-3 at amortized cost. Immediately after initial recognition, if the security was required to be held at fair value, under the lower of amortized cost or fair value measurement method, the reporting entity shall recognize an unrealized loss.

94. The transition guidance shall be applied prospectively beginning with the first year of adoption (January 1, 2025). For disclosures that provide comparative information, reporting entities shall not restate the prior year’s information in the 2025 disclosure.

Investment Examples – Securities That Do Not Represent Creditor Relationship Despite Legal Form

95. As detailed in the principles-based bond definition, an initial determinant is whether the investment is a security that represents a creditor relationship in substance. Examples included intend to identify scenarios that do not reflect an in-substance creditor relationship.

96. Example 1: Debt Instrument from SPV with Large Number of Diversified Equity Interests: A reporting entity invests in a debt instrument issued by a SPV that holds a large number of diversified equity interests with characteristics that support the production of predictable cash flows. The structure contains sufficient overcollateralization and liquidity provisions to ensure the production of adequate cash flows to service both principal and interest payments without significant reliance on refinancing or sale of the underlying equity investments. The debt instrument’s periodic principal or interest payments, or both, contractually vary based on the appreciation or depreciation of the equity interests held in the SPV.

97. Example 1 Rationale: Because the instrument’s principal or interest payments, or both, contractually vary with the appreciation or depreciation of the underlying equity interests, it contains an equity-like characteristic that is not representative of a creditor relationship. It would be inappropriate to conclude that a security with any variation in principal or interest payments, or both, due to underlying equity appreciation or depreciation, or an equity-based derivative, is a bond under the principles-based bond definition as such security would contain equity-like characteristics.

98. Example 2: Debt Instrument from SPV with Few Equity Interests, Not an Issuer Credit Obligation: A reporting entity invests in a debt instrument issued from a SPV that owns a portfolio of equity interests, and the debt instrument does not meet the definition of an ICO.

99. Example 2 Rationale: Determining whether debt instruments collateralized by equity interests qualify as bonds under the principles-based bond definition inherently requires significant judgment and analysis. Unlike debt instruments collateralized by assets with contractual cash flows, or debt instruments collateralized by cash-generating non-financial assets, debt instruments collateralized by equity interests may be dependent on cash flow distributions that are not contractually required to be made and/or may not be controlled by the issuer of the debt. In some instances, sale or refinancing of the underlying equity interests may be the only means of generating cash flows to service the debt instruments. As a result, there is a rebuttable presumption that a debt instrument collateralized by equity interests does not qualify as a bond. Notwithstanding this rebuttable presumption, it is possible for such debt instruments to qualify as bonds, if the characteristics of the underlying equity interests lend themselves to the production of predictable cash flows and the underlying equity risks have been sufficiently redistributed through the

capital structure of the issuer. Factors to consider in making this determination include but are not limited to:

- a. Number and diversification of the underlying equity interests
- b. Characteristics of the underlying equity interests (vintage, asset-types, etc.)
- c. Liquidity facilities
- d. Overcollateralization
- e. Waiting period for distributions/paydowns to begin
- f. Capitalization of interest
- g. Covenants (e.g., loan-to-value trigger provisions)
- h. Reliance on ongoing sponsor commitments
- i. Source(s) of expected cash flows to service the debt (i.e., dividend distributions from the underlying collateral vs. sale or refinancing of the underlying collateral)

100. While reliance on the sale of underlying equity interests or refinancing at maturity does not preclude the rebuttable presumption from being overcome, it does require that other characteristics mitigate the inherent reliance on equity valuation risk to support the transformation of underlying equity risk to bond risk. As reliance on sale or refinancing increases, the more compelling the other factors needed to overcome the rebuttable presumption become.

101. The analysis of the underlying structure should be conducted and documented by a reporting entity at the time such an investment is acquired. The level of documentation and analysis required will vary based on the characteristics of the individual debt instrument, as well as the level of third-party and/or non-insurance company market validation to which the issuance has been subjected. For example, a debt instrument collateralized by fewer, less diversified equity interests would require more extensive and persuasive documented analysis than one collateralized by a large and diversified portfolio of equity interests. Likewise, a debt instrument that has been successfully marketed to unrelated and/or non-insurance company investors may provide enhanced market validation of the structure compared to one held only by related party and/or insurance company investors where capital relief may be the primary motivation for the securitization.

Investment Examples – Analysis of ABS Under the Meaningful Cash Flows and Substantive Credit Enhancement Concepts

102. All ABS structures are required to provide substantive credit enhancement to qualify for bond reporting on Schedule D-1. Furthermore, ABS structures that are backed by non-financial assets must generate meaningful cash flows to service the debt without reliance on the sale or refinancing at the maturity of the investment. The following provides examples of analysis under these criteria:

103. Example 3 – Agency Mortgage-Backed Securities: A reporting entity invests in debt instruments issued from a SPV sponsored by the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (Freddie Mac) (collectively, “Agency or Agencies”). These debt instruments pass through principal and interest payments received from underlying mortgage loans held by the SPV to the debtholders proportionally, with principal

and interest guaranteed by the Agencies. While there is prepayment and extension risk associated with the repayment of the underlying mortgage loans, the credit risk associated with the mortgage loans is assumed by the Agencies.

104. Example 3 Rationale: Although the reporting entity participates on a proportional basis in the cash flows from the underlying mortgage loans held by the SPV, the reporting entity is in a different economic position than if it owned the underlying mortgage loans directly because the credit risk has been redistributed and assumed by the Agencies. This is a substantive credit enhancement because a market participant (i.e., knowledgeable investor transacting at arm's length) would conclude the Agency guarantee is expected to absorb all losses from the debt instrument. Therefore, the holder of the debt instrument is in a substantively different economic position than if the holder owned the ABS Issuer's unguaranteed assets directly. When guarantees do not cover 100% of principal and interest as the Agency guarantees do in this example, it is still appropriate to determine if the guarantee is substantive in accordance with the requirements of the principles-based bond definition to determine if the holder is in a substantively different economic position than if the holder held the underlying assets directly.

105. Example 4 – Debt Instrument Issued by an SPV: A reporting entity invested in a debt instrument issued by a SPV. Payments under the instrument are secured by a note, a legal assignment from the borrower of a lease for real property and an assignment of the lease payments from an operating entity tenant. Additional security is provided by a mortgage on the leased property (the “underlying collateral”). The leased property is owned by the borrower under the note and the SPV does not have any ownership interest in the underlying collateral, though it has legal recourse to it through the mortgage. The tenant makes contractually-fixed payments over the life of the lease to the borrower, who has assigned both the lease and the lease payments to the SPV as security for the debt. While the debt is outstanding, the lease, the lease payment, and the mortgage all serve as security for the debtholders. Should a default occur, the debtholders can foreclose on and liquidate the real property as well as submit an unsecured lease claim in the lessee's bankruptcy for any defaulted lease payments. The loan-to-value (LTV) (as a percentage of property value) at origination is 100%.

106. The existing lease payments are sufficient to cover all interest payments and all scheduled debt amortization payments over the life of the debt instrument. However, at debt maturity, there is a balloon payment due, totaling 50% of the original outstanding debt principal amount. The corresponding lease has no balloon payment due at lease maturity, so the SPV will either need to refinance the debt or sell the underlying collateral to service the final debt balloon payment. The property has a high probability of appreciating in value over the term, however, ignoring any potential for appreciation, the 50% loan-to-value at maturity is the expected figure at the end of the debt term based solely on scheduled amortization payments. The real property is expected to be subject to some market value volatility and periods of lower liquidity at certain points in time but has a predictable value range and ready market over a longer period of time, such that the property could be liquidated over a reasonable period of time, if necessary.

107. Example 4 Rationale: The reporting entity determined that as a debtholder, they are in a fundamentally different position than if the real estate was owned directly. The lease is a cash generating non-financial asset which is expected to generate a meaningful level of cash flows for the repayment of the bonds which covers all interest payments and 50% of the principal payments. The level of reliance on the collateral value for sale or refinancing is just over the cutoff for using the practical expedient (greater than 50%), so a full analysis is required. In reaching its determination, the reporting entity considered the predictable nature of the cash flows, which are contractually fixed for the life of the debt instrument, as well as the ability of the underlying collateral value to provide for the balloon payment through sale or refinancing in light of its characteristics. While the real property may have some market value volatility and periods of lower liquidity at points in time, the cash flows produced by the lease were concluded to

reduce the loan balance to a level (50% loan-to-value) that would be able to be recovered by sale or refinancing at the maturity of the loan.

108. The reporting entity also determined that the structure provides substantive credit enhancement in the form of overcollateralization to conclude that investors are in a different economic position than holding the real property directly, in accordance with the requirements of the principles-based bond definition. In reaching this conclusion, the reporting entity noted that although the debt instrument starts with a 100% loan-to-value (not including the value of the contractually required lease payments), contractual fixed payments from the lease provide additional security such that the reporting entity is in a different economic position than owning the property directly. Lease cash flows are sufficient to cover the payment of all interest and 50% of the outstanding principal over the term of the lease. In the context of the predictable nature of the cash flows and collateral value range over time, the reporting entity concluded that a market participant (i.e., a knowledgeable investor transacting at arm's length) would consider this level of overcollateralization to put the investor in a substantially different economic position than owning the underlying property directly.

109. For the purpose of determining whether there is substantive overcollateralization, it is appropriate to consider any expected economic depreciation, if it is reasonably expected, but it is not appropriate to consider any expected economic appreciation. Note that a debt instrument with a LTV that is expected to decrease over time is not necessarily deemed to have substantive overcollateralization.

110. Example 5 – Debt Instrument Issued by an SPV With Lease Term Less than Debt Instrument: A reporting entity invested in a debt instrument with the same characteristics as described in Example 4, except that the existing lease at the time of origination has a contractual term that is shorter than that of the debt instrument. It is expected with a high degree of probability that the lease will be renewed, and a substantial leasing market exists to replace the lessee should they not renew. However, in the unlikely circumstance that the property cannot be re-leased, there would not be enough cash flows to service the scheduled principal and interest payments, and the property would have to be liquidated to pay off the debt upon default.

111. Example 5 – Rationale: All details of this example, including the expected collateral cash flows, are consistent with those in Example 4, except that the cash flows in Example 4 are contractually fixed for the duration of the debt while the cash flows in this example are subject to re-leasing risk. Notwithstanding the involvement of re-leasing risk, the reporting entity concluded that the ability to re-lease the property was highly predictable and supported the conclusion that the underlying collateral was expected to produce meaningful cash flows to service the debt.

112. This distinction is to highlight that the expected cash flows of a cash-generating non-financial asset may or may not be contractually fixed for the term of the bond. Certain securitized cash flow streams may not by their nature lend themselves to long-term contracts (e.g., single-family home rentals), but may nevertheless lend themselves to the production of predictable cash flows. While the non-contractual nature of the cash flows is an important consideration in determining whether a non-financial asset is expected to produce meaningful cash flows to service the debt, it does not, in and of itself, preclude a reporting entity from concluding that the assets are expected to produce meaningful cash flows.

113. Example 6 – Lease in SPV with 80% Balloon Payment: A reporting entity invested in a debt instrument issued by a SPV that owns equipment which is leased to an equipment operator. The equipment operator makes lease payments to the SPV, which are passed through to service the SPV's debt obligation. While the debt is outstanding, the equipment and lease are held in trust and pledged as collateral for the

debtholders. Should a default occur, the debtholders can foreclose on and liquidate the equipment as well as submit an unsecured lease claim in the lessee's bankruptcy for any defaulted lease payments. The LTV at origination is 70%.

114. The existing lease payments are sufficient to cover all interest payments and all scheduled debt amortization payments over the life of the debt instrument. However, at maturity, there is a balloon payment due, totaling 80% of the original outstanding principal amount. The corresponding lease has no balloon payment due at lease maturity, so the SPV will either need to refinance the debt or sell the underlying equipment to service the final debt balloon payment. The LTV at maturity is expected to increase to 95% considering the scheduled principal amortization payments net of the expected economic depreciation in the equipment value over the term of the debt. The equipment is expected to be subject to some market value volatility and periods of lower liquidity at certain points in time but has a predictable value range and ready market over a longer period of time, such that the equipment could be liquidated over a reasonable period of time, if necessary.

115. Example 6 Rationale: The equipment is a cash generating non-financial asset which is not expected to generate a meaningful level of cash flows for the repayment of the issued debt via the existing lease that covers all interest payments and 20% of principal payments. In reaching this determination, the reporting entity considered that, while the cash flows being produced are predictable, the ability to recover the principal of the debt investment is almost entirely reliant on the equipment retaining sufficient value to sell or refinance to satisfy the debt.

116. The reporting entity also determined that the structure lacks a substantive credit enhancement to conclude that investors are in a different economic position than holding the equipment directly, in accordance with the requirements of the principles-based bond definition. In reaching this conclusion, the reporting entity noted that the debt starts with a 70% LTV, but the overcollateralization is expected to deteriorate over the term of the debt as the equipment economically depreciates more quickly than the debt amortizes. This results in a high LTV (i.e., 95%) at maturity, relative to the market value volatility of the underlying collateral. Despite the predictable nature of the cash flows, the reporting entity concluded that the debt instrument lacked a substantive level of overcollateralization to conclude that the investor is in a different economic position than owning the underlying equipment directly. It was determined that the level of overcollateralization, as determined by a market participant (i.e., a knowledgeable investor transacting at arm's length), is nominal. Therefore, the reporting entity concluded that it was in a substantively similar position as if it owned the equipment directly.

117. For the purposes of determining whether there is substantive overcollateralization, it is appropriate to consider any expected economic depreciation, if it is reasonably expected, but it is not appropriate to factor in any expected economic appreciation. Note that a debt instrument with a LTV that is expected to increase over time is not necessarily deemed to have nominal overcollateralization.

Reflecting the Principles-Based Bond Proposal in SAP

118. The principles-based bond definition and the specific accounting guidance for bonds, including ICO and ABS, and the guidance for debt securities that do not qualify as bond be captured as new SAP concepts to existing SSAPs:

- a. *SSAP No. 26—Bonds (Exhibit 1)*

- b. *SSAP No. 43—Asset-Backed Securities* (renamed from Loan-Backed and Structured Securities) (Exhibit 2)
- c. *SSAP No. 21—Other Admitted Assets* (Exhibit 3)

119. For SSAP No. 26, the revisions capture the full bond definition, and the guidance for determining whether a security qualifies as either an ICO or an ABS. The accounting guidance for ICO is retained within SSAP No. 26 and is not changed with the inclusion of the bond definition. Other key revisions include transition guidance to reclassify debt securities that do not qualify as bonds from Schedule D-1 to the subsequent schedule and to delete the glossary as no longer necessary.

120. For SSAP No. 43, in addition to revising the name to “Asset-Backed Securities,” revisions reorder and streamline the existing guidance. Although the broad measurement concepts and requirements to assess cash flows have not changed, the guidance specific to whether collection of cash flows is probable, not probable, and pertains to beneficial interests has been eliminated. The guidance has been rewritten to provide consistent guidance for the assessment of cash flows and considering the impact of prepayments. These revisions are not expected to result in significant deviations from past practice as the resulting guidance is believed to be reflective of prominent past industry interpretations. Clarifications have been included to ensure recognition of an other-than-temporary impairment whenever a security is in an impaired state (fair value is less than amortized cost, regardless of if an unrealized loss has been recognized) and there is an adverse change in cash flows expected to be collected. Other key revisions include transition guidance to reclassify debt securities that do not qualify as bonds from Schedule D-1 to the subsequent schedule as well as to incorporate guidance that prohibits reporting ABS as cash equivalents or short-term investments and the process to reclassify any securities reported as such as of the effective date.

121. For SSAP No. 21, revisions incorporate new guidance for the accounting and reporting for debt securities that do not qualify as bonds as well as residual interests. For both sections, the revisions specify new measurement and admittance concepts for these securities and specify reporting on Schedule BA in designated reporting lines. For residuals, guidance is included for the recognition of other-than-temporary impairments and transition guidance for situations where the residual had a different measurement method prior to the effective date.

122. In addition, [Exhibit 4](#), details “revisions to other SSAPs” adopted in accordance with the principles-based bond definition. This section identifies all SSAPs that have modified guidance, which predominantly reflects updated terms and references, but includes the revisions to SSAP No. 2R to restrict ABS from being in scope.

Discussion of Comments Received and Exposures

123. This section details key comments received from exposures of the principles-based bond definition revisions and the Working Group’s consideration for potential edits.

- a. Per the exposure of the issue paper and principles-based bond definition on March 2, 2022, with comments due May 6, 2022. The Working Group heard comments on July 18, 2022, and directed limited edits to be reflected as followed:
 - i. Revise the guidance related to U.S. Treasury Inflation Protected Securities (TIPs) and to clarify the guidance regarding variable contractual principal and interest payments. These revisions clarified that securities with plain-vanilla inflation adjustment mechanisms are not intended to be captured within the provisions that

restrict bond classification due to varying principal or interest payments, as well as clarified that other variances in contractual amounts due to reference variables (and not just equity interests) are intended to be precluded from bond treatment.

- ii. Revise guidance describing substantive credit enhancements, particularly to revise reference to the first loss “tranche” as the first loss “position” and clarify that securitization tranches that do not have contractual principal and interest payments along with substantive credit enhancement do not qualify as a Schedule D Bond and shall be reported on Schedule BA. (Tranches without contractual principal and interest payments are considered residual tranches shall be on Schedule BA.) (Subsequent to these edits further discussion and updates to the residual guidance were adopted. These revisions improve the guidance and remove specific references to contractual principal and interest payments.)
 - iii. Document the outcome of small group discussions around the application of the bond principles, particularly the equity-backed example, to feeder fund structures. Feeder fund structures shall not automatically be assumed to qualify for bond classification (even if the ultimate collateral is fixed income), nor be automatically precluded bond classification. The substance of the investment should be the determining factor in these and other similar situations. In particular, the assessment of feeder fund structures should evaluate whether the structure ensures the pass through of the underlying cash flows, or whether uncertainty as to the timing or amount of cash flows is introduced by the structure.
 - iv. Requested interested parties to work with NAIC staff in proposing revisions to capture the elements that may introduce equity-like characteristics into the main components of the bond definition.
- b. In addition to the revisions incorporated from the July 18, 2022, call, the Working Group also heard comments and elected not to incorporate revisions for the following items:
- i. The Working Group identified that non-bond items that are specifically scoped into SSAP No. 26 will not be identified in the bond definition. The Working Group was explicit that the inclusion of an investment in-scope of SSAP No. 26 did not make the investment a “bond” and such a distinction is necessary to prevent scope-creep or inference of other investments into the bond definition. For example, although SVO-Identified Bond ETFs, SVO-Identified CTLs and certificates of deposit that exceed one year are explicit inclusions to SSAP No. 26 and reported on Schedule D-1, these investments are not bonds.
 - ii. The Working Group did not incorporate industry-proposed edits to limit guidance that requires the consideration of all returns to equity-backed ABS. Rather, the Working Group clarified that all investments that have contractual principal and interest that can fluctuate due to a referenced variable shall consider all returns in excess of principal repayment as interest when determining whether the investment qualifies for bond reporting under the principles-based definition.
 - iii. The Working Group did not agree with comments supporting ABS to be reported as cash equivalents or short-term investments even if acquired with a maturity date that is less than 90-days or 1-year away. To ensure proper assessment under the bond definition, and reporting based on the underlying components of the

investments, the Working Group retained the provisions that all ABS shall be captured within SSAP No. 43 and be reported on Schedule D-1-2.

- iv. The Working Group did not direct changes to the bond definition or issue paper after considering the industry “Lease-Backed Securities Working Group” May 5, 2022, comment letter. That letter, which is consistent with their prior comments, proposes to capture securities as ICO if they pass-through cash flows unaltered (such as with certain lease-backed structures) and are supported primarily by a single rated credit payor, though principal repayment is not fully supported by the obligation of that payor. The discussion noted that these securities shall follow the guidance for ABS if they are not fully supported by an underlying contractual obligation of a single operating entity, including the criteria for substantive credit enhancement and meaningful cash flows. The Working Group identified that these structures are not based on the credit worthiness of a single operating entity and rely on the underlying collateral for repayment, which is why they should be considered ABS rather than ICO. The comment letter also raised concerns around the guidance for evaluating project finance debt noting a perception that inconsistent classification may occur for investments with similar characteristics. As a result of the discussion, there were no changes to the exposed bond definition. Working Group members and other interested parties noted during the discussion that the guidance pertaining to project finance is intended to provide guidance for evaluating issuers that share characteristics of both operating entities and ABS Issuers (i.e., the middle of the spectrum). Nevertheless, the guidance is clear that issuers of project finance debt must themselves have the characteristics of operating entities in order for the debt instrument to qualify as an ICO. As such, project finance bonds issued by operating entities and other municipal revenue bonds will be retained as ICO as the design of these structures are supported by the credit worthiness of a single operating entity and are therefore different than the investment structures presented by the industry Lease-Backed Securities Working Group.

- c. Per the exposure of the principles-based bond definition, and proposed revisions to SSAP No. 26 and SSAP No. 43 on August 10, 2022, with comments due October 7, 2022, comments were received from Fermat Capital, the industry Lease-Backed Securities Working Group and Interested Parties. After considering the comments, the following key revisions were incorporated:
 - i. Revisions to incorporate the entire bond definition within SSAP No. 26, with a deletion of bond definition guidance from SSAP No. 43. With this change, securities that qualify as ABS after application of the bond definition will follow the measurement and reporting guidance within SSAP No. 43. This edit prevents unintended inconsistencies in the guidance that could occur if aspects of the bond definition are in both SSAPs.
 - ii. Revisions to incorporate the guidance for determining a creditor relationship, which was in an exhibit, into the body of guidance within SSAP No. 26.
 - iii. Revisions to the examples for ABS analysis, which were moved to SSAP No. 26, to reflect a scenario in which payments under the instrument are secured by a note, a legal assignment from the borrower of a lease for real property and the assignment of the lease payments from an operating entity tenant. This revision

was in response to comments from the industry Lease-Backed Security Working Group and detail that the SPV does not need to have ownership interest in the underlying collateral for the security to qualify as an ABS.

- iv. Revisions to SSAP No. 26 to clarify that investments with specific guidance and reporting lines (such as surplus notes, working capital finance investments (WCFI) and structured settlements) shall follow the guidance in their specific SSAP and be reported on designated reporting lines. This edit was made in response to the comments from Fermat Capital, who identified that WCFI meet the definition of ICO. These investments shall follow the guidance in *SSAP No. 105R—Working Capital Finance Investments* and be reported on their specific reporting lines on Schedule BA.
 - v. Revisions to SSAP No. 26, and the addition of a new footnote, to clarify that the general creditworthiness of an entity can be direct or indirect recourse and is the primary source of repayment for issuer credit obligations.
 - vi. Revisions to SSAP No. 26 to clarify application when interest and principal vary based on the performance of an underlying value or variable. The revised guidance adds language to clarify that the exclusion is not intended to restrict variables that are commonly linked to debt instruments, such as plain-vanilla inflation or benchmark interest rates.
 - vii. Revisions to SSAP No. 26 to delete the proposed glossary, with the inclusion of the bank loan definition into a footnote. Other definitions were identified as not being necessary for retained inclusion in the statement.
 - viii. Revisions to SSAP No. 43 to identify Freddie-Mac When Issued Trust Certificates, pursuant to *INT 22-01: Freddie Mac When Issued K-Deal (WI Trust) Certificates*, as an explicit scope inclusion.
 - ix. Revisions to SSAP No. 43 to clarify the guidance for prospective adjustment method for high-credit quality investments, and on the assessment of cash flows. This guidance clarifies that if a security is in an unrealized loss position, and there is an adverse change in cash flow, the entity shall recognize an other-than-temporary impairment.
 - x. Revisions to both SSAP No. 26 and SSAP No. 43 to provide specialized transition and disclosure guidance for the reclassification of securities previously reported that will no longer qualify for reporting as bonds.
 - xi. Revision to the issue paper to clarify the application of the principles-based bond definition to feeder funds.
- d. Per an exposure on November 16, 2022 of SSAP No. 26, SSAP No. 43 and other SSAPs that will be impacted under the bond project, until February 10, 2023, revisions were incorporated to reflect most of the interested party comments. The revised documents were discussed and exposed at the 2023 Spring National Meeting. Most of the edits were minor, but the following elements are specifically noted:

- i. Revisions to SSAP No. 26 incorporated an exception for nominal interest rate adjustments. The guidance defines the exception as being too small to be taken into consideration when assessing an investment's substance as a bond. This revision was added based on industry's comments on inadvertent impact to sustainability-linked bonds, but the exception guidance is not limited to those specific bonds.
 - ii. Revisions clarify that replication (synthetic asset) transactions are addressed in *SSAP No. 86—Derivatives* and are not impacted by the principles-based bond definition.
 - iii. Revisions to SSAP No. 26 to explicitly identify that residuals, including first loss positions, do not qualify as bonds and shall be captured in *SSAP No. 21—Other Admitted Assets*.
 - iv. Revisions specific to transition that clarify that investment assessments are required as of origination and to permit current or acquisition information in determining whether investments qualify as bonds at the time of transition. The guidance was also clarified that the transition guidance shall be applied prospectively beginning with the first year of adoption. For disclosures that provide comparable information, reporting entities shall not restate the prior year's information in the 2025 disclosure.
 - v. With an exposure of the revised documents, an updated SSAP No. 21 was also exposed to update guidance for the measurement of debt securities at the lower of amortized cost or fair value and to incorporate proposed accounting and reporting guidance for residuals.
- e. The Statutory Accounting Principles (E) Working Group received comments on June 9, 2023, from the 2023 Spring National Meeting exposure. No comments were received on SSAP No. 26, SSAP No. 43 or the document that detailed revisions to other SSAPs. The Working Group adopted the SSAP revisions reflected in these documents on August 12, 2023, during the 2023 Summer National Meeting, effective January 1, 2025.
- f. During the 2023 Summer National Meeting, the Working Group considered comments on SSAP No. 21 pertaining to the guidance for debt securities that do not qualify as bonds and for residual interests and exposed a revised SSAP No. 21 until September 29, 2023. The revisions for debt securities that do not qualify as bonds reflect a majority of interested parties' comments.
- i. For debt securities that do not qualify as bonds, revisions clarify that if the primary source of repayment is derived through underlying collateral, the investment shall only be admitted if the underlying collateral qualifies as admitted invested assets. For residuals, revisions clarify that if the reporting entity holds a debt tranche from the same securitization, and the debt tranche does not qualify as a bond (either an ICO or ABS), and the debt security does not qualify as an admitted asset under SSAP No. 21, then the residual does not qualify as an admitted asset.
 - ii. Revisions proposed new measurement methods for residuals. This guidance is different from what was proposed by interested parties but intends to reflect the highly uncertain amount and timing of residual cashflows. This proposed guidance will require all cash flows received to be treated as a return of principal until the

BACV is zero. At that point, all cashflows received would be treated as interest income. This proposed guidance was noted to best suit how residuals work conceptually. The reporting BACV will reflect the potential risk of loss prior to recovering the initial investment, rather than requiring an assessment of potential loss over the entire life of the securitization.

- g. During the 2023 Fall National Meeting, the Working Group considered comments and exposed an updated SSAP No. 21 until January 22, 2024. No comments were received on the section for non-bond debt securities, but comments focused on the guidance for residual interests. Revisions reflected in the 2023 Fall National Meeting exposure:
 - i. Revisions capture an Allowable Earned Yield method for the measurement of residuals. This guidance will limit the extent interest income can be recognized without recognizing cash flows as return of principal. Provisions were also included to permit a practical expedient to allow all cash flows received to be taken as a reduction of BACV. Under the practical expedient, interest income would not be recognized until BACV was zero.
 - ii. Revisions clarified the treatment of reductions in fair value as unrealized losses and updated OTTI guidance to be consistent with SSAP No. 43 and the assessment of the present value of expected cash flow to the BACV.
- h. On February 22, 2024, an updated SSAP No. 21 reflecting a variety of edits from working with industry throughout the interim was exposed until March 7, 2024. The shortened comment period was proposed to allow for adoption consideration during the 2023 Spring National Meeting.
 - i. Revisions for residual incorporate the definition and characteristics captured in other SSAPs to make SSAP No. 21 the location for all residual guidance. All residuals shall follow the accounting, admittance and reporting guidance detailed in SSAP No. 21.
 - ii. Revisions clarified that residuals shall be accounted for at the lower of Allowable Earned Yield method or fair value, or under the practical expedient.
 - iii. Revisions eliminated the guidance that directed reclassification of residuals to other SSAPs and reporting schedules in situations when the residual tranches cease to meet the definition of residual tranches. With the deletion, once classified as a residual, an investment would retain that classification and reporting until it is disposed by the reporting entity.
 - iv. Revisions separate the OTTI calculation between items measured at the Allowable Earned Yield method and those that follow the practical expedient.
 - v. Revisions incorporate transition guidance for residuals that were accounted for under a different SSAP prior to the effective date.
 - vi. Revisions prescribe a January 1, 2025, effective date, but permit early adoption of the residual guidance.

History of Definition / Scope Development of SSAP No. 43 – Before the Principles-Based Definition

The following section details the historical development of SSAP No. 43 along with the prior benefits for reporting investments in scope of SSAP No. 43 and key issues from the prior guidance. Due to various revisions that have been reflected since its original adoption, this information is retained for historical reference on the SSAP No. 43 guidance prior to the reflection of the principles-based bond proposal.

124. SSAP No. 43—*Loan-backed and Structured Securities* was originally effective with the SAP codification and resulted with separate guidance for “bonds” (in SSAP No. 26) and “loan-backed and structured securities” (in SSAP No. 43). (The initial guidance indicated that investments in scope of SSAP No. 43 met the definition of a bond in *SSAP No. 26—Bonds, excluding Loan-backed and Structured Securities*.) Although most of the guidance between the original SSAP No. 26 and SSAP No. 43 was the same, the guidance in SSAP No. 43 recognized the need to review (at least quarterly) the assumptions and resulting cash flows of the underlying loans, as changes in assumptions could necessitate a recalculation of the effective yield or other-than-temporary impairment.

125. The original issue paper to SSAP No. 43 (Issue Paper No. 43) cited guidance originally contained in Chapter 1, *Bonds and Loan Backed and Structured Securities*, from the *Accounting Practices and Procedures Manual of the Life and Accident and Health Insurance Companies*. The issue paper identified that the *Accounting Practices and Procedures Manual for Property and Casualty Insurance Companies* contained similar guidance. In this Issue Paper No. 43, and the original SSAP No. 43, loan-backed securities were defined as “pass-through certificates, collateralized mortgage obligations (CMOs) and other securitized loans...” The reference to “securitized loans” was a key aspect of this original definition.

126. Original definition / scope guidance for SSAP No. 43:

2. Loan-backed securities are defined as pass-through certificates, collateralized mortgage obligations (CMOs), and other securitized loans not included in structured securities, as defined below, for which the payment of interest and/or principal is directly proportional to the interest and/or principal received by the issuer from the mortgage pool or other underlying securities.

3. Structured securities are defined as loan-backed securities which have been divided into two or more classes for which the payment of interest and/or principal of any class of securities has been allocated in a manner which is not proportional to interest and/or principal received by the issuer from the mortgage pool or other underlying securities.

4. Loan-backed securities are issued by special-purpose trusts (issuer) established by a sponsoring parent organization. Mortgage loans or other securities securing the loan-backed obligation are acquired by the issuer and pledged to an independent trustee under the issuer's obligation has been fully satisfied. The investor can only look to the issuer's assets (primarily the trustee assets or third parties such as insurers or guarantors) for repayment of the obligation. As a result, the sponsor and its other affiliates may have no financial obligation under the instrument, although one of those entities may retain the responsibility for servicing the underlying mortgage loans. Some sponsors do guarantee the performance of the underlying loans.

5. Loan-backed securities meet the definition of assets as defined in *SSAP No. 4—Assets and Nonadmitted Assets* and are admitted asset to the extent they conform to the requirements of this statement.

127. In agenda item 2007-26, *FAS 156: Accounting for Servicing of Financial Assets an amendment of FASB Statement No. 140*, the Working Group adopted with modification FAS 156 in *SSAP No. 91R—Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, revising the terminology for “retained interests” to “interests that continue to be held by the transferor.” This action also clarified that beneficial interests from the sale of loan-backed and structured securities shall be accounted

for in accordance with SSAP No. 43. This initial adoption identified that the holder of a beneficial interest in securitized financial assets should recognize the excess of all cash flows attributed to the beneficial interest estimated at the acquisition date over the initial investment as interest income over the life of the beneficial interest using the effective yield method.

128. In 2009, the Working Group adopted a substantively-revised SSAP No. 43 (effective September 30, 2009). The focus of the substantive revisions was to revise the valuation and impairment requirements based on the cash flows expected to be collected for the securities, rather than fair value. Although the focus of the revisions was inclusion of impairment guidance based on whether an entity has an intent to sell, whether an entity does not have the intent and ability to hold a security, and when there is a non-interest related decline if there is no intent to sell and the entity has the intent and ability to hold, the revisions resulted in a significant rewrite of the guidance in SSAP No. 43, including the guidance for beneficial interests. This guidance expanded the prior scope inclusion from “beneficial interests from the sale of LBSS,” to include “purchased beneficial interests in securitized financial assets.”

129. In agenda item 2010-12, Clarify Definitions of Loan-Backed and Structured Securities, the Working Group received a regulator-sponsored, nonsubstantive Form A with a proposal to revise the definitions of a loan-backed and structured security (LBSS). As a result of this proposal, the definition was revised to eliminate the reference to “securitized loans” and instead refer to “securitized assets.” These revisions were adopted with an effective date of January 1, 2011.

- a. Although the agenda item simply identifies that this item was exposed in August 2010, and then adopted after a single exposure in October 2010, with an effective date of January 1, 2011, there were significant comments received during the exposure period. In short summary, these comments highlighted that the scope of the changes were intended to move fixed-income assets that had been accounted for as bonds under SSAP No. 26 to SSAP No. 43 as LBSS. Particularly, the comments noted concerns with the movement of equipment trust certificates and credit tenant loans from the accounting provisions of SSAP No. 26 to the accounting rules of SSAP No. 43. These comments stated that “instruments with radically different sources of cash flows and risk characteristics utilize trust structures, and not all should be classified as loan-backed.” There were no changes incorporated to the proposed guidance as a result of these comments, and the revisions were adopted as exposed.

130. In 2019, revisions to the definition and scope section were also adopted to clarify the identification of affiliate/related party transactions (agenda item 2019-03) as well as to explicitly capture mortgage-referenced securities issued from a government sponsored enterprise in scope of SSAP No. 43 (agenda item 2018-17). The inclusion of mortgage-referenced securities was a distinct departure from the “trust” structure required in determining inclusion within scope of SSAP No. 43, but was incorporated as the securities (with the referenced pool of assets), functions similarly to the securities held in trust and the referenced pool of assets can be assessed for the underlying credit risk

131. Between the adoption of agenda item 2010-12 and the items adopted in 2019, there were several revisions to SSAP No. 43, but those revisions did not impact the definition / scope of the statement. Those revisions included changes to incorporate price-point NAIC designations, guidance for interim financials for RMBC/CMBS, clarification of disclosures, updating Q/A guidance, and guidance for prepayment fees.

132. Definition of loan-backed and structured securities in the “As of March 2020” AP&P Manual:

2. Loan-backed securities are defined as securitized assets not included in structured securities, as defined below, for which the payment of interest and/or principal is directly

proportional to the payments received by the issuer from the underlying assets, including but not limited to pass-through securities, lease-backed securities, and equipment trust certificates.

3. Structured securities are defined as loan-backed securities which have been divided into two or more classes for which the payment of interest and/or principal of any class of securities has been allocated in a manner which is not proportional to payments received by the issuer from the underlying assets.

4. Loan-backed securities are issued by special-purpose corporations or trusts (issuer) established by a sponsoring organization. The assets securing the loan-backed obligation are acquired by the issuer and pledged to an independent trustee until the issuer's obligation has been fully satisfied. The investor only has direct recourse to the issuer's assets, but may have secondary recourse to third parties through insurance or guarantee for repayment of the obligation. As a result, the sponsor and its other affiliates may have no financial obligation under the instrument, although one of those entities may retain the responsibility for servicing the underlying assets. Some sponsors do guarantee the performance of the underlying assets.

- a. In determining whether a loan-backed structure is a related party investment, consideration shall be given to the substance of the transaction, and the parties whose action or performance materially impacts the insurance reporting entity holding the security. For example, although a loan-backed security may be acquired from a non-related issuer, if the assets held in trust predominantly⁴ reflect assets issued by affiliates of the insurance reporting entity, and the insurance reporting entity only has direct recourse to the assets held in trust, the transaction shall be considered an affiliated investment, and the transaction shall also be subject to the accounting and reporting provisions in *SSAP No. 25—Affiliates and Other Related Parties*.

5. Mortgage-referenced securities do not meet the definition of a loan-backed or structured security but are explicitly captured in scope of this statement. In order to qualify as a mortgage-referenced security, the security must be issued by a government sponsored enterprise⁵ in the form of a "credit risk transfer" in which the issued security is tied to a referenced pool of mortgages. These securities do not qualify as "loan-backed securities" as the pool of mortgages are not held in trust and the amounts due under the investment are not backed or secured by the mortgage loans. Rather, these items reflect instruments in which the payments received are linked to the credit and principal payment risk of the underlying mortgage loan borrowers captured in the referenced pool of mortgages. For these instruments, reporting entity holders may not receive a return of their full principal as principal repayment is contingent on repayment by the mortgage loan borrowers in the referenced pool of mortgages. Unless specifically noted, the provisions for loan-backed securities within this standard apply to mortgage-referenced securities.

6. Investments within the scope of this statement are also subject to the provisions and disclosure requirements of SSAP No. 25 if the SSAP No. 43 transaction is a related party

⁴ In applying this guidance, a reporting entity is not required to complete a detailed review of the assets held in trust to determine the extent, if any, the assets were issued by related parties. Rather, this guidance is a principle concept intended to prevent situations in which related party transactions (particularly those involving affiliates) is knowingly captured in a SSAP No. 43 structure and not identified as a related party transaction (or not reported as an affiliated investment on the investment schedule) because of the involvement of a non-related trustee or SSAP No. 43 security issuer. As identified in *SSAP No. 25—Affiliates and Other Related Parties*, it is erroneous to conclude that the inclusion of a non-related intermediary, or the presence of non-related assets in a structure predominantly comprised of related party investments, eliminates the requirement to identify and assess the investment transaction as a related party arrangement.

⁵ Currently, only Fannie Mae and Freddie Mac are the government sponsored entities that issue qualifying mortgage-referenced securities. However, this guidance would apply to mortgage-referenced securities issued by any other government sponsored entity that subsequently engages in the transfer of residential mortgage credit risk.

arrangement⁶. Loan-backed and structured securities meet the definition of assets as defined in *SSAP No. 4—Assets and Nonadmitted Assets* and are admitted assets to the extent they conform to the requirements of this statement and SSAP No. 25.

7. The scope of this statement encompasses all types of loan-backed and structured securities, including, but not limited to, the following:

- a. Loan-backed and structured securities acquired at origination,
- b. Loan-backed and structured securities acquired subsequent to origination for which it is probable, at acquisition, that the reporting entity will be able to collect all contractually required payments receivable, and are accounted for at acquisition under SSAP No. 103R,
- c. Loan-backed and structured securities for which it is probable, either known at acquisition or identified during the holding period⁷, that the reporting entity will be unable to collect all contractually required payments receivable, and
- d. Transferor's beneficial interests in securitization transactions that are accounted for as sales under SSAP No. 103R and purchased beneficial interests in securitized financial assets⁸.

Benefits of Reporting in Scope of SSAP No. 43 – Before the Principles-Based Definition

133. There are a variety of benefits for reporting investments as bonds on Schedule D-1. Also, with regards to bifurcated impairment, capturing an investment in scope of SSAP No. 43 may be more advantageous than capturing in scope of *SSAP No. 26—Bonds*. These benefits include:

- a. Capturing an investment in scope of SSAP No. 26 or SSAP No. 43 results with reporting the investment on Schedule D-1, Long-Term Bonds. By reporting on this bond schedule, the investment is generally not subject to investment limitations, the asset is admitted and the investment has the benefit of lower risk-based capital (RBC) charges based on NAIC designation. (Moving held equity instruments from Schedule BA into a SSAP No. 43 trust has been particularly noted as providing “regulatory capital relief.”)
- b. Capturing an investment in scope of SSAP No. 26 or SSAP No. 43 may result in amortized cost reporting and a delay in recognizing decreases in value or other-than-temporary impairments than if the assets held in trust were reported separately on the statutory financial statements.
 - i. Under the SSAP No. 43 bifurcated impairment model, an entity is not required to recognize an OTTI or deviate from an amortized cost measurement as long as the entity can assert that they have the intent and ability to hold the SSAP No. 43 security to recover the amortized cost basis and there is no non-interest related

⁶ As discussed in paragraph 4.a. of this statement, a SSAP No. 43 security may still be considered a related party transaction even if the asset trustee or security issuer is a non-related party.

⁷ Securities classified within the type of paragraph 7.a. or 7.b. may be required to change classification to type 6.c. when it becomes probable that the reporting entity will be unable to collect all contractually required payments receivable.

⁸ The accounting requirements related to these types of securities included in paragraphs 22-25 shall be determined at acquisition or initial transfer.

decline. (This has been a key factor in the PPN design, as a high-quality bond is placed in trust (along with other assets), and the bond – over several years – will single-handedly satisfy the contractual requirements of the 43 issued security, preventing any recognition of OTTI or a reduction of NAIC designation even when the other securities held in trust could completely default to zero.)

- ii. The SSAP No. 43 bifurcated impairment can be considered an advantage over SSAP No. 26 as under SSAP No. 43, if there is an intent and ability to hold the asset, a reporting entity only has to recognize an OTTI for the portion of the non-interest related loss. Under SSAP No. 26, if there is any assessed OTTI (despite if interest or credit related), a reporting entity must recognize an OTTI down to the then-current fair value for the security.
 - iii. Prior to the principles-based bond project, guidance in SSAP No. 43 did not differentiate between different types of tranches or payment streams for the issued securities. This is easiest to illustrate through the “equity” tranche of a SSAP No. 43 investment but could be a factor if payments are provided sequentially. (Sequential payments are used to pay the senior notes first, until paid in full, before payments are allocated to junior notes.) For the “equity” tranche, which is a term that refers to the junior-most layer of issued SSAP No. 43 securities, this tranche is the first-loss position and only receives payment after all other layers have been satisfied. Without prior guidance in SSAP No. 43 for this layer, entities were able to classify these residual tranches as “bonds” on Schedule D-1, which did not properly reflect the nature of those investments.
- c. SSAP No. 43 permits admittance of the security without any verification to the assets held in trust. As such, if a reporting entity was to derecognize a joint venture or LLC from Schedule BA and reacquire through the ownership of a SSAP No. 43 security, the reporting entity would be permitted to admit the security without any verification of the joint venture or LLC held in trust. Under *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies*, assets must have audited support (audited U.S. GAAP financials, audited reconciliation to U.S. GAAP, audited IFRS financials or audited U.S. tax basis equity) in order to be admitted in the statutory financial statements.

Key Issues with Scope / Definition Application of SSAP No. 43 – Before the Principles-Based Definition

134. With the existing guidance in SSAP No. 43, there are no restrictions to the assets that can be placed in trust and used to support securities issued from the trust structure. Although these structural designs are referred to as “securitizations” and reported as debt instruments, these investment structures may not reflect actual securitizations in which cash flows from multiple contractual debt obligations held in trust are used to pay principal and interest payments on the trust-issued security. The assets being securitized may include assets that are not cash flow producing, creating reliance on an underlying collateral valuation risk. Or, there may be no economic substance to the use of the securitization structure, such that the insurer is in the same economic position as owning the underlying assets directly. As a result, there is a regulatory concern that assets being represented as bonds may contain unidentifiable risks that regulators would not traditionally associate with bond risk.

135. As an additional issue of the existing guidance, questions have been raised on whether securities captured in scope of SSAP No. 43 would be “asset-backed securities” as defined by the Code of Federal Regulations (17 CFR 229.1101(c)). These questions have arisen as an SEC identified nationally recognized statistical rating organization (NRSRO) must be specifically approved to provide ratings of “asset-backed

securities.” Since the CFR definition is different than what is permitted in scope of SSAP No. 43, a rating from an NRSRO approved as a credit rating provider (CRP) that may not be approved by the SEC for “asset-backed securities” could provide a valid rating for a SSAP No. 43 instrument permitted as “filing exempt” if that asset was not an “asset-backed security.” This has caused questions as regulators have identified designations given by CRPs not SEC approved to provide “ABS” designations and have questioned the use of these CRP ratings in determining the NAIC designation.

Issue Paper Exhibits:

Staff Note: Although not captured, the final issue paper retained for historical purposes will include the following Exhibits reflecting the adopted guidance to initially reflect the principles-based bond definition.

Exhibit 1 – SSAP No. 26—Bonds

Exhibit 2 – SSAP No. 43—Asset-Backed Securities

Exhibit 3 – SSAP No. 21—Other Admitted Assets

Exhibit 4 – Revisions to Other SSAPs

<https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2024/08-13-24SummerNationalMeeting/Adoptions/BondIP-Adopted2024Summer.docx>

**Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A**

Issue: Review of *INT 03-02: Modification to an Existing Intercompany Pooling Arrangement*

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New Issue or SSAP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Description of Issue:

This agenda item provides a review of Interpretation (INT) 03-02: *Modification to an Existing Intercompany Pooling Arrangement*, because of conflicts between INT 03-02 and *SSAP No. 25—Affiliates and Other Related Parties*. This agenda item was prompted by the recent focus of Statutory Accounting Principles (E) Working Group on related party transactions, recent queries to NAIC about how broadly to apply the guidance in INT 03-02 and the review of the SSAP No. 62R, paragraph INT 03-02 addresses the valuation of bonds in instances when bonds are used instead of cash for the payment among affiliates for amounts due on modifications to existing intercompany reinsurance pooling contracts. The discrepancy between the INT 03-02 and SSAP No. 25 has been identified through recent discussions evaluating related party transactions. Key excerpts of INT 03-02 are in the Authoritative Literature section below.

The primary accounting question that is a concern for this agenda item is INT 03-02, paragraph 11b which asks, “What is the appropriate valuation basis to be used for assets and liabilities that are transferred among affiliates in conjunction with the execution of a new reinsurance agreement(s) that serves to substantively modify an existing intercompany pooling arrangement?” The response provided in INT 03-02, paragraph 13 is, “The appropriate valuation basis to be used for assets and liabilities that are transferred among affiliates in conjunction with the execution of a new reinsurance agreement(s) that serves to substantively modify an existing intercompany pooling arrangement is statutory book value for assets and statutory value for liabilities. Book value is defined in the glossary of the *Accounting Practices and Procedure Manual*.”

INT 03-02 states that it is an interpretation of the following three reinsurance statements: *SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance*, *SSAP No. 62R—Property and Casualty Reinsurance* and *SSAP No. 63—Underwriting Pools*. *SSAP No. 25—Affiliates and Other Related Parties* is not listed as an interpreted statement. However, as described below, the consensus in INT 03-02, paragraph 13 is not consistent with the guidance in SSAP No. 25 regarding economic transactions between related parties.

The result of the consensus in INT 03-02, paragraph 13 allows assets used in affiliated payments for reinsurance contracts, which modify existing intercompany reinsurance pooling agreements, to be transferred using statutory book value. Note that in most cases, this means that bonds, which are likely the primary assets that would be used, would typically have a statutory book value that reflects amortized cost. The valuation of assets using statutory book value on transfer to an affiliate can result in substantial differences from the cash equivalent (fair value) for the payment due. For example, bonds reported at amortized cost book value could have a corresponding fair value that is materially higher or lower. This difference in valuation can result in an unacknowledged dividend or with the passing on of an investment loss.

SSAP No. 25 describes economic transactions and non-economic transactions (See Authoritative Literature). Economic transactions are defined as arm’s-length transactions which results in the transfer of the risks and rewards of ownership and represents a consummated act thereof, i.e., “permanence.” SSAP No. 25, paragraph 18 indicates

that economic transactions between related parties shall be recorded at fair value at the date of the transaction and also notes that to the extent that the related parties are affiliates under common control, the controlling reporting entity shall defer the effects of such transactions that result in gains or increases in surplus until such time that the asset is sold outside the group.

It is quite possible, by using transfers at book value instead of fair value, to design a transaction with a very significant economic effect. The following example illustrates the concern with the results of the guidance in INT 03-02. For this example, \$100 million is due on an existing intercompany reinsurance pooling agreement. INT 03-02 would allow bonds to be settled using statutory book value which may not be reflective of the fair value equivalent of a cash settlement.

Asset Used to Settle	Book Value (millions) Measurement for Settlement	Fair Value (millions)	Result	Consistent with SSAP No. 25 for an Economic Transaction?
Cash	\$100	\$100	No difference in basis	Yes
Bonds	\$100	\$ 85	\$15 difference in fair value means the paid party received an amount less than what is actually owed. This approach could allow reporting entities to transfer impaired assets to affiliates in lieu of assessing OTTI.	No
Bonds	\$100	\$110	\$10 difference in fair value means the paid party has received an asset greater than what was owed. This dynamic could result in an unrecognized gain or dividend.	No

The INT 03-02 direction to use statutory book value for the transfer of bonds between affiliated entities in most instances would conflict with the primary guidance on affiliated transactions contained in *SSAP No. 25—Affiliates and Other Related Parties*. For example, economic transactions between related parties are valued using fair value. (There are more nuances in SSAP No. 25 when payments have the possibility of being economic for one entity and noneconomic for an upper-level parent). NAIC staff recommends that the treatment of transfers of assets between affiliates should be consistent for all intercompany transactions and there is not a compelling need to be different if assets are transferred instead of cash for intercompany reinsurance.

Under INT 03-02, for intercompany reinsurance transactions, takes an approach that either SSAP No. 25 or SSAP No. 62R may apply, but multiple Working Group discussions have noted that SSAP No. 25 provides the overarching guidance that is relevant in evaluating all related party transactions. INT 03-02, paragraph 8 indicates that the statutory accounting intention is to avoid surplus gains for the ceding entity as a result of implementing a modification to an intercompany pooling arrangement. However, the guidance in SSAP No, 62R, paragraph 37 uses a more punitive method of accounting if there is a gain in surplus to the ceding entity as a result of the intercompany reinsurance transaction. Therefore, NAIC staff would characterize the SSAP No. 62R guidance as imposing an accounting penalty if there is a gain, rather than seeking to avoid recognizing such a gain. The INT also characterizes SSAP No. 25 as being for isolated transactions, which is inconsistent with discussions of the Working Group on the applicability of SSAP No. 25.

SSAP No. 62R, paragraph 36d (see Authoritative Literature) includes an exception to retroactive reinsurance accounting which allows prospective accounting treatment for intercompany reinsurance agreements and any

amendments thereto, among companies 100% owned by a common parent or ultimate controlling person provided there is no gain in surplus as a result of the transaction. Paragraph 37 provides that if there is a gain to the ceding entity that a more restrictive method of accounting is required which is less beneficial to the financial statements. Whereas the INT tries to argue that statutory intent is to avoid surplus gain, NAIC staff would note that the goal is not to avoid gain as a result of the reinsurance transaction, but to impose a different accounting if there is a gain. NAIC staff would characterize evaluating reinsurance agreements for SSAP No. 62R, paragraph 36d or paragraph 37 as using the cash flows or corresponding equivalent fair value (cash equivalent) of the amounts payable or receivable in the reinsurance transactions to determine if there is a gain or loss to the ceding entity. The reinsurance cash flows evaluated should be the same as if the bond was sold for fair value and resulting cash equivalent obligation was paid. The fact that the bond sold has a gain or loss is not part of the reinsurance contract evaluation, the reinsurance contract that is an economic transaction evaluation is based on the cash equivalent value of the assets transferred less the liabilities transferred. The evaluation of gain or loss on the intercompany reinsurance transaction should give the same answer if either cash or assets were transferred.

Existing Authoritative Literature:

03-02: *Modification to an Existing Intercompany Pooling Arrangement* is attached in full. The following excerpts are from INT 03-02:

8. Therefore, based on the foregoing guidance and background, the statutory accounting intent is to avoid surplus gains for the ceding entity as a result of implementing a modification to an intercompany pooling arrangement. On that basis, such a modification does not represent an economic transaction to the insurance group or to the impacted companies. As such, the transfer of both the assets and the liabilities valued at statutory book value ensures that there is no impact to surplus as a result of implementing a modification to an existing pooling arrangement.
11. The accounting issues are:
 - a. What is the relevant guidance for modifications to intercompany pooling arrangements?
 - b. What is the appropriate valuation basis to be used for assets and liabilities that are transferred among affiliates in conjunction with the execution of a new reinsurance agreement(s) that serves to substantively modify an existing intercompany pooling arrangement?

The Working Group reached a consensus as follows:

12. SSAP No. 62R provides accounting for property and casualty reinsurance agreements including specific guidance on intercompany pooling agreements. SSAP No. 62R provides two methods of accounting for changes in intercompany pooling agreements, depending on whether or not the pooling results in a gain in surplus.
13. The appropriate valuation basis to be used for assets and liabilities that are transferred among affiliates in conjunction with the execution of a new reinsurance agreement(s) that serves to substantively modify an existing intercompany pooling arrangement is statutory book value for assets and statutory value for liabilities. Book value is defined in the glossary of the *Accounting Practices and Procedure Manual*.

SSAP No. 25—Affiliates and Other Related Parties

Transactions Involving the Exchange of Assets or Liabilities

14. An arm's-length transaction is defined as a transaction in which willing parties, each being reasonably aware of all relevant facts and neither under compulsion to buy, sell, or loan, would be willing

to participate. A transaction between related parties involving the exchange of assets or liabilities shall be designated as either an economic transaction or non-economic transaction. An economic transaction is defined as an arm's-length transaction which results in the transfer of the risks and rewards of ownership and represents a consummated act thereof, i.e., "permanence." The appearance of permanence is also an important criterion in assessing the economic substance of a transaction. In order for a transaction to have economic substance and thus warrant revenue (loss) recognition, it must appear unlikely to be reversed. If subsequent events or transactions reverse the effect of an earlier transaction prior to the issuance of the financial statements, the reversal shall be considered in determining whether economic substance existed in the case of the original transaction. Subsequent events are addressed in SSAP No. 9—Subsequent Events. An economic transaction must represent a bonafide business purpose demonstrable in measurable terms. A transaction which results in the mere inflation of surplus without any other demonstrable and measurable betterment is not an economic transaction. The statutory accounting shall follow the substance, not the form of the transaction.

15. In determining whether there has been a transfer of the risks and rewards of ownership in the transfer of assets or liabilities between related parties, the following—and any other relevant facts and circumstances related to the transaction—shall be considered:

- a. Whether the seller has a continuing involvement in the transaction or in the financial interest transferred, such as through the exercise of managerial authority to a degree usually associated with ownership;
- b. Whether there is an absence of significant financial investment by the buyer in the financial interest transferred, as evidenced, for example, by a token down payment or by a concurrent loan to the buyer;
- c. Whether repayment of debt that constitutes the principal consideration in the transaction is dependent on the generation of sufficient funds from the asset transferred;
- d. Whether limitations or restrictions exist on the buyer's use of the financial interest transferred or on the profits arising from it;
- e. Whether there is retention of effective control of the financial interest by the seller.

16. A transaction between related parties may meet the criteria for treatment as an economic transaction at one level of financial reporting but may not meet such criteria at another level of financial reporting. An example of such a transaction is a reporting entity purchasing securities at fair value from an affiliated reporting entity that carried the securities at amortized cost. This transaction meets the criteria of an economic transaction at this level of financial reporting, and therefore, the selling reporting entity would record a gain and the acquiring reporting entity would record the securities at their cost (fair value on the transaction date). At the common parent level of reporting, this transaction has resulted in the mere inflation of surplus, and therefore, is a non-economic transaction. The parent reporting entity shall defer the net effects of any gain or increase in surplus resulting from such transactions by recording a deferred gain and an unrealized loss. The deferred gain shall not be recognized by the parent reporting entity unless and until arms-length transaction(s) with independent third parties give rise to appropriate recognition of the gain.

17. A non-economic transaction is defined as any transaction that does not meet the criteria of an economic transaction. Similar to the situation described in paragraph 16, transfers of assets from a parent reporting entity to a subsidiary, controlled or affiliated entity shall be treated as non-economic transactions at the parent reporting level because the parent has continuing indirect involvement in the assets.

18. When accounting for a specific transaction, reporting entities shall use the following valuation methods:

- a. Economic transactions between related parties shall be recorded at fair value at the date of the transaction. To the extent that the related parties are affiliates under common control, the controlling reporting entity shall defer the effects of such transactions that result in gains or increases in surplus (see paragraph 16);
- b. Non-economic transactions between reporting entities, which meet the definition of related parties above, shall be recorded at the lower of existing book values or fair values at the date of the transaction;
- c. Non-economic transactions between a reporting entity and an entity that has no significant ongoing operations other than to hold assets that are primarily for the direct or indirect benefit or use of the reporting entity or its affiliates, shall be recorded at the fair value at the date of the transaction; however, to the extent that the transaction results in a gain, that gain shall be deferred until such time as permanence can be verified;
- d. Transactions which are designed to avoid statutory accounting practices shall be reported as if the reporting entity continued to own the assets or to be obligated for a liability directly instead of through a subsidiary.

Examples of transactions deemed to be non-economic include security swaps of similar issues between or among affiliated companies, and swaps of dissimilar issues accompanied by exchanges of liabilities between or among affiliates.

Transactions Involving Services

19. Transactions involving services between related parties can take a variety of different forms. One of the significant factors as to whether these transactions will be deemed to be arm's length is the amount charged for such services. In general, amounts charged for services are based either on current market rates or on allocations of costs. Determining market rates for services is difficult because the circumstances surrounding each transaction are unique. Unlike transactions involving the exchange of assets and liabilities between related parties, transactions for services create income on one party's books and expense on the second party's books, and therefore, do not lend themselves to the mere inflation of surplus. These arrangements are generally subject to regulatory approval.

20. Transactions involving services provided between related parties shall be recorded at the amount charged¹. Regulatory scrutiny of related party transactions where amounts charged for services do not meet the fair and reasonable standard established by Appendix A-440, may result in (a) amounts charged being recharacterized as dividends or capital contributions, (b) transactions being reversed, (c) receivable balances being nonadmitted, or (d) other regulatory action. Expenses that result from cost allocations shall be allocated subject to the same fair and reasonable standards, and the books and records of each party shall disclose clearly and accurately the precise nature and details of the transaction. See *SSAP No 70—Allocation of Expenses* for additional discussion regarding the allocation of expenses.

SSAP No. 62R—Property and Casualty Reinsurance provides the following (**bolding added for emphasis**):

¹ The amount charged shall be reviewed when there are any modifications or waivers subsequent to the establishment of the contract terms. If waivers or modifications to amounts charged occur, the related party transaction shall be reassessed to determine whether the contract continues to reflect fair and reasonable standards. If the transaction was with a parent or other stockholder and the charge for services has been fully waived, then the guidance in *SSAP No. 72* for recognition as contributed capital (forgiveness of reporting entity obligation) or as a dividend (forgiveness of amount owed to the reporting entity) shall apply.

36. The accounting principles for retroactive reinsurance agreements in paragraph 34 shall not apply to the following types of agreements (which shall be accounted for as prospective reinsurance agreements unless otherwise provided in this statement):

- a. Structured settlement annuities for individual claims purchased to implement settlements of policy obligations;
- b. Novations (i.e., (i) transactions in which the original direct insurer's obligations are completely extinguished, resulting in no further exposure to loss arising on the business novated or (ii) transactions in which the original assuming entity's obligations are completely extinguished) resulting in no further exposure to loss arising on the business novated, provided that (1) the parties to the transaction are not affiliates (or if affiliates, that the transaction has the prior approval of the domiciliary regulators of the parties) and (2) the accounting for the original reinsurance agreement will not be altered from retroactive to prospective;
- c. The termination of, or reduction in participation in, reinsurance treaties entered into in the ordinary course of business;
- d. **Intercompany reinsurance agreements, and any amendments thereto, among companies 100% owned by a common parent or ultimate controlling person provided there is no gain in surplus as a result of the transaction; or**
- e. Reinsurance/retrocession agreements that meet the criteria of property/casualty run-off agreements described in paragraphs 102-105.

37. **Retroactive reinsurance agreements resulting in surplus gain to the ceding entity (with or without risk transfer)** entered into between affiliates or between insurers under common control (as those terms are defined in Appendix A-440) shall be reported as follows:

- a. The consideration paid by the ceding entity shall be recorded as a deposit and reported as a nonadmitted asset; and
- b. No deduction shall be made from loss and loss adjustment expense reserves on the ceding entity's balance sheet, schedules, and exhibits.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups):

INT 03-02 was exposed in March of 2003 and adopted in June 2003. The interpretation was not subsequently amended. The final vote on this consensus had three members opposed. The March 2003 exposure received six different comment letters to the Emerging Accounting Issues (E) Working Group from: 1) Ohio (EAIWG member); 2) New Hampshire (EAIWG member); 3) Interested parties, 4) Liberty Mutual and 5) PricewaterhouseCoopers (one of the very few letters ever submitted directly by the firm.) and 6) CNA. Five out of the six commenters noted concerns that the proposed guidance (which was ultimately adopted) would conflict with SSAP No. 25 guidance regarding economic transactions. While the interested parties' comment letter was more neutral, the verbal comments provided supported the use of SSAP No. 25.

Several commenters recommended not adopting the guidance regarding the use of book value and instead following SSAP No. 25 guidance for economic and non-economic transactions. The commenters noted that SSAP No. 25 directs the use of fair value when such transactions meet the definition of an economic transaction and that tax regulations would provide a result similar to SSAP No. 25. Multiple comments noted concerns similar to those highlighted in the illustration above. Commenters also noted that intercompany pooling reinsurance transactions

are economic transactions. They noted that when assets (such as bonds valued at amortized cost) are transferred, if the assets have a different fair value than book value, that difference should be recognized since the transferor no longer controls the assets. Commenters also noted that treatment for reinsurance transactions for asset transfers should not be different than the treatment for other intercompany transactions.

CNA comments were supportive of adopting the exposed consensus, the comment letter provided illustrations and noted that intercompany reinsurance agreements were subject to regulatory approval. The comments tried to illustrate concerns possibly having premature gain / surplus recognition.

The June 2003 minutes Emerging Accounting Issues (E) Working Group discussion on the INT 03-02 are excerpted below.

The working group was referred to INT 03-02: *Modification to an existing intercompany pooling arrangement* (Attachment D). Written comments were received from Ohio, New Hampshire and interested parties. Ohio and New Hampshire believe that the transfer of assets and liabilities in an intercompany pooling arrangement constitute an economic transaction and the accounting guidance in SSAP No. 25—*Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties* (SSAP No. 25), should be followed. As such, the assets should be transferred at fair value and the ceding entity should record a realized gain or loss. Keith Bell (Travelers) spoke on behalf of interested parties. Interested parties commented that if the transaction was considered to be an economic transaction, SSAP No. 25 should be followed. If the modification of an intercompany pooling arrangement is considered a noneconomic transaction, the guidance in SSAP No.62—*Property and Casualty Reinsurance*(SSAP No. 62) is applied, as such, statutory book value should be used for assets and statutory value should be used for liabilities. Jeff Alton (CNA) presented his comments by summarizing the statements made in his comment letter. Mr. Alton stated that no revenue recognition should occur and suggested using a modified statutory book value for transferring assets and liabilities. Mr. Clark stated that the Statutory Accounting Principles Working Group must address the recommended transfer at modified statutory book value as this recommendation would require substantive adjustments to statutory accounting principles. Shelly Zimmerman (Liberty Mutual) provided comments which supported that intercompany pooling changes should follow the accounting guidance in SSAP No. 25 as these are economic transactions between affiliates. Jean Connelly (PriceWaterhouseCoopers) provided comments that summarize those outlined in the comment letter. Ms. Connelly stated that intercompany pooling arrangements are economic transactions and that INT 03-01 provides a substantive change to SSAP No. 25.

Mr. Johnson then stated that he believes there is a stronger case for non-economic transaction treatment and as such, statutory book value is appropriate for valuation purposes. Additionally, all these transactions are subject to regulatory review under the Insurance Holding Company Act, affording regulators some control over the approval of these transactions. Mr. Fritsch commented that if this guidance is not adopted in the form of a new interpretation, SSAP No. 25 should be followed. Mr. Alton stated that he believes the current guidance in effect for intercompany pooling arrangements exists in SSAP No. 62, paragraph 30d which supports surplus neutrality: hence, the need is for an interpretation of paragraph 30d. Mr. Johnson stated that language clarification in SSAP No.61—*Life, Deposit-Type and Accident and Health Reinsurance*(SSAP No. 61) and SSAP No. 62 should be addressed as a project of the reinsurance subgroup of the SAPWG. Mr. Johnson made a motion to adopt Interpretation 03-02 with deletion of the first two sentences in paragraph 11. Mr. Stolte seconded the motion. Mr. Johnson requested a roll call vote. There were 9 yeas from Alabama, Connecticut, Florida, Illinois, Louisiana, Michigan, Texas, Pennsylvania and Virginia. There were 3 nays from New York, Ohio, and Wisconsin. Therefore, the working group adopted Interpretation 03-02 by consensus. Mr. Johnson also made a motion to refer to the Reinsurance Subgroup of the SAPWG, review of the current guidance in SSAP No. 61, SSAP No. 62 and SSAP No. 63—*Underwriting Pools and Associations Including Intercompany Pools*. Mr. Ford seconded the motion. The working group unanimously adopted the referral.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:

None

Convergence with International Financial Reporting Standards (IFRS): Not Applicable

Staff Review Completed by: Robin Marcotte – NAIC Staff, July - 2022

Staff Recommendation: NAIC staff recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose the intent to nullify INT 03-02, as it is inconsistent with SSAP No. 25 guidance regarding economic and non-economic transactions between related parties. The guidance in INT 03-02 can result with in essence, unrecognized gains (dividends) or losses through the using the statutory book valuation when using assets (bonds) to make payments to affiliates for modifications to existing intercompany reinsurance pooling agreements. Treatment of transfers of assets between affiliates should be consistent for all intercompany transactions and there is not a compelling need to be different when valuing assets for intercompany reinsurance transactions.

Status:

On August 10, 2022, the Statutory Accounting Principles (E) Working Group moved this agenda item to the active listing, categorized as a SAP clarification, and exposed the intent to nullify INT 03-02.

On December 13, 2022, the Working Group moved this agenda item to the active listing, categorized as a SAP clarification, and re-exposed the intent to nullify INT 03-02. This re-exposure requested industry to provide comments on specific instances in which the interpretation was being applied. In addition, the following key points were noted for consideration during the exposure in response to some of the comments received.

1. In the current interest rate environment, the fair value of many bonds is below book value. For example, a bond with an amortized cost of 100 with a fair value of 85. The way INT 03-02 is written a bond with a fair value of 85 could be used to settle an intercompany reinsurance pooling obligation of 100. If the reporting entity paid with cash, they would be required to pay \$100. The actual cash value of obligations when they are extinguished is a relevant measure of the transaction.
2. Using book value for measurement of payments between affiliates can result in either unrecognized or in effect dividend or losses. SSAP No. 25 requires such transfers of assets between affiliates to use fair value. If a subsidiary can pay the parent with assets that have a lower fair value than book value (ex, owes \$100 but pays with a bond of 85), this has a similar effect as an unrecognized capital contribution to the subsidiary. SSAP No. 72 requires a capital contribution to be valued using fair value.
3. At the ultimate parent level such transfer of assets (in accordance with SSAP No. 25 guidance) may be noneconomic in that the parent continues to hold an interest in the same assets. Therefore, at the parent level, such transfers of assets may result in the deferral of gains. Staff believes that losses would not be deferred at the ultimate parent level.
4. While it may be more expedient to pay intercompany reinsurance pooling transactions with assets, the valuation used should be similar to if the obligation was extinguished with cash. Therefore, an entity can still choose to pay with assets, they just need to be valued consistently with SSAP No. 25 guidance.
5. SSAP No. 62R, paragraph 36d provides an exception to retroactive reinsurance accounting guidance which allows for prospective accounting treatment for intercompany reinsurance among 100% owned affiliated provided there is no gain to the ceding entity. If there is gain to the ceding entity, there is guidance in SSAP No. 62R, paragraph 37 which requires a more punitive method of accounting than either prospective

or retroactive reinsurance accounting. Therefore, NAIC staff comment is that the statutory accounting objective is to provide different treatment for retroactive reinsurance contracts if there is a gain to the ceding entity. This is another reason that the guidance in INT 03-02 is problematic. The object is to correctly measure the effects of the contract, which drives the accounting. The objective is not to obscure whether there is a gain to the ceding entity, which can happen in the event that the assets used in payment are not measured correctly.

6. Interested parties noted that modifications to intercompany pooling arrangements are typically effective retroactive to the beginning of the year. Staff notes that the payment value when the transaction is settled should be equivalent to the cash value of what is owed on the date of extinguishment of the liability.
7. Many of the interested parties' comments regarding GAAP use of book value are more relevant to consolidated basis accounting which is not consistent with the legal entity basis of statutory accounting.
8. Interested parties' comments noted that there is a difference in treatment for intercompany pooling participants who are not 100% owned by a common parent. NAIC staff notes that retroactive pooling agreement changes with participants that are not 100% under common control do not meet the exception to retroactive accounting provided in SSAP No. 62R, paragraph 36d. NAIC staff notes that SSAP No. 62R, paragraph 37 provides guidance for retroactive reinsurance agreements among affiliates where there is a gain to the ceding entity. Therefore, the regulatory objective is not to avoid gain but to properly account for intercompany retroactive contracts that include gains.

On March 22, 2023, the Working Group re-exposed the intent to nullify INT 03-02, effective December 31, 2023. The nullification is proposed as INT 03-02 is inconsistent with SSAP No. 25 guidance regarding economic and non-economic transactions between related parties. The guidance in INT 03-02 can result with, in essence, unrecognized gains (dividends) or losses through the using the statutory book valuation when using assets (bonds) to make payments to affiliates for modifications to existing intercompany reinsurance pooling agreements. Treatment of transfers of assets between affiliates should be consistent for all intercompany transactions and there is not a compelling need to be different when valuing assets for intercompany reinsurance transactions.

On August 13, 2023, the Statutory Accounting Principles (E) Working Group re-exposed the intent to nullify INT 03-02 and directed NAIC staff to work with industry regarding some of their comments and examples to be submitted by industry.

On December 1, 2023, the Statutory Accounting Principles (E) Working Group deferred action on this agenda item and directed NAIC staff to continue working with interested parties on the proposal.

On March 16, 2024, the Statutory Accounting Principles (E) Working Group exposed its intent to nullify INT 03-02, and exposed revisions to *SSAP No. 25—Affiliates and Other Related Parties* and *SSAP No. 63—Underwriting Pools* to address transfers of assets when modifying intercompany pooling agreements. The exposed revisions were based on interested parties' comments with minor edits proposed by NAIC staff.

Exposed Revisions to SSAP No. 25 and SSAP No. 63 are illustrated below.

SSAP No. 25—Affiliates and Other Related Parties

[4. If a company transfers assets or liabilities to effectuate a modification to an existing intercompany pooling arrangement, the transaction, including the transfer of assets, shall be accounted for and valued in accordance with the guidance in SSAP No. 63—Underwriting Pools. The guidance in SSAP No. 63 regarding the transfers of assets or liabilities to effectuate a modification of an intercompany pooling](#)

arrangements shall not be applied or analogized to other transactions involving transfers of assets and liabilities.

SSAP No. 63—Underwriting Pools (only impacted paragraph are reflected.)

1. This statement establishes statutory accounting principles for underwriting pools and associations, including intercompany pooling arrangements.

8. Insurance groups that utilize intercompany pooling arrangements often modify these arrangements from time to time for various business reasons. These business reasons commonly include mergers, acquisitions, dispositions, or a restructuring of the group's legal entity structure. In order to effectuate a relatively simple modification, such as changing pooling participation percentages without changing the pool participants, companies often simply amend the existing pooling agreement. Alternatively, in order to effectuate a more complex modification, such as changing (by adding or removing) the number of pool participants, a company may commute the existing pooling agreement and execute a new pooling agreement(s). In conjunction with executing the appropriate intercompany pooling agreements, a transfer of assets and liabilities amongst the impacted affiliates may also be required in order to implement the new pooling agreement(s). The following subparagraphs provide guidance specific to modifications of intercompany pooling arrangements and shall not be applied to an analogous transaction or event.

a. The appropriate valuation basis to be used for assets and liabilities that are transferred among affiliates in conjunction with the execution of a new intercompany pooling agreement(s) that serves to substantively modify an existing intercompany pooling arrangement is statutory book value for assets and statutory value for liabilities.

b. The net amount of the assets and liabilities being moved among entities as a result of a modification to an intercompany pooling shall be used to settle the intercompany payable/receivable (i.e., the assets that are transferred in conjunction with the modification) to minimize the amount of assets transferred in the modification.

12. Note that other applicable reinsurance guidance from SSAP No. 61R—Life, Deposit Type and Accident and Health Reinsurance or SSAP No. 62R—Property and Casualty Reinsurance, depending on the type of business, applies to intercompany pooling arrangements and voluntary and involuntary pools. This includes the SSAP No. 62R guidance in paragraphs 33 through 39 regarding retroactive reinsurance.

New disclosure in paragraph 13

13.i For modifications to an existing intercompany pooling arrangement that involve the transfer of assets with fair values that differ from cost or amortized cost, the statement value and fair value of assets received or transferred by the reporting entity.

On August 13, 2024, the Statutory Accounting Principles (E) Working Group adopted as final, revisions to *SSAP No. 25—Affiliates and Other Related Parties* and *SSAP No. 63—Underwriting Pools* to address transfers of assets when modifying intercompany pooling agreements. Effective upon adoption, this agenda item also nullifies *INT 03-02: Modification to an Existing Intercompany Pooling Arrangement*. The exposed disclosure to *SSAP No. 63*, paragraph 13i, was modified from the exposure to incorporate revisions suggested by interested parties.

Adopted revisions are illustrated below.

SSAP No. 25—Affiliates and Other Related Parties

4. If a company transfers assets or liabilities to effectuate a modification to an existing intercompany pooling arrangement, the transaction, including the transfer of assets, shall be accounted for and valued in accordance with the guidance in SSAP No. 63—Underwriting Pools. The guidance in SSAP No. 63 regarding the transfers of assets or liabilities to effectuate a modification of an intercompany pooling arrangements shall not be applied or analogized to other transactions involving transfers of assets and liabilities.

SSAP No. 63—Underwriting Pools (only impacted paragraphs are reflected.)

1. This statement establishes statutory accounting principles for underwriting pools and associations, including intercompany pooling arrangements.

8. Insurance groups that utilize intercompany pooling arrangements often modify these arrangements from time to time for various business reasons. These business reasons commonly include mergers, acquisitions, dispositions, or a restructuring of the group's legal entity structure. In order to effectuate a relatively simple modification, such as changing pooling participation percentages without changing the pool participants, companies often simply amend the existing pooling agreement. Alternatively, in order to effectuate a more complex modification, such as changing (by adding or removing) the number of pool participants, a company may commute the existing pooling agreement and execute a new pooling agreement(s). In conjunction with executing the appropriate intercompany pooling agreements, a transfer of assets and liabilities amongst the impacted affiliates may also be required in order to implement the new pooling agreement(s). The following subparagraphs provide guidance specific to modifications of intercompany pooling arrangements and shall not be applied to an analogous transaction or event.

a. The appropriate valuation basis to be used for assets and liabilities that are transferred among affiliates in conjunction with the execution of a new intercompany pooling agreement(s) that serves to substantively modify an existing intercompany pooling arrangement is statutory book value for assets and statutory value for liabilities.

b. The net amount of the assets and liabilities being moved among entities as a result of a modification to an intercompany pooling shall be used to settle the intercompany payable/receivable (i.e., the assets that are transferred in conjunction with the modification) to minimize the amount of assets transferred in the modification.

13. Note that other applicable reinsurance guidance from SSAP No. 61R—Life, Deposit Type and Accident and Health Reinsurance or SSAP No. 62R—Property and Casualty Reinsurance, depending on the type of business, applies to intercompany pooling arrangements and voluntary and involuntary pools. This includes the SSAP No. 62R guidance in paragraphs 33 through 39 regarding retroactive reinsurance.

New disclosure in paragraph 13 as modified after exposure:

13.i The statement value and fair value of assets received or transferred by the reporting entity for modifications to an existing intercompany pooling arrangement that involved the transfer of assets with fair value that differ from statement value.

Interpretation of the Emerging Accounting Issues (E) Working Group

INT 03-02: Modification to an Existing Intercompany Pooling Arrangement

NULLIFIED BY AGENDA ITEM 2022-12

INT 03-02 Dates Discussed

March 9, 2003; June 22, 2003; [August 10, 2022](#); [December 13, 2022](#); [March 22, 2023](#); [August 13, 2023](#); [December 1, 2023](#); [March 16, 2024](#); [August 13, 2024](#)

INT 03-02 References

Current:

SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance

SSAP No. 62R—Property and Casualty Reinsurance

SSAP No. 63—Underwriting Pools

INT 03-02 Issue

1. Insurance groups that utilize intercompany pooling arrangements often modify these arrangements from time to time for various business reasons. These business reasons commonly include mergers, acquisitions, dispositions or a restructuring of the group’s legal entity structure. As an insurance group’s business objectives and strategies evolve, it may be necessary for the insurance group’s legal entity structure to similarly evolve in order to address the insurance group’s business needs.

2. SSAP No. 63, paragraphs 5 and 7, defines and describes intercompany pooling as an arrangement among affiliated entities whereby “all of the pooled business is ceded to the lead entity and then retroceded back to the pool participants in accordance with their stipulated shares.” This arrangement is established through “a conventional quota share reinsurance agreement...” Arrangements whereby there is one lead company that retains 100% of the pooled business and all or some of the affiliated companies have a 0% net share of the pool may qualify as intercompany pooling.”

3. Therefore, in order to effectuate a modification to the existing intercompany pooling arrangement, companies must either 1) amend the existing reinsurance agreement, or 2) execute new agreements. The latter scenario may entail executing at least two agreements: a commutation of the existing agreement, and a new quota share agreement(s) that covers both past and future periods.

4. To illustrate, in order to effectuate a relatively simple modification, such as changing pooling participation percentages without changing the pool participants, companies often simply amend the existing pooling agreement. Alternatively, in order to effectuate a more complex modification, such as changing (by adding or removing) the number of pool participants, a company must commute the existing pooling agreement and execute a new quota share agreement(s). In conjunction with executing the appropriate reinsurance agreements, a transfer of assets and liabilities amongst the impacted affiliates is also required in order to implement the new reinsurance agreement(s). At issue is the appropriate valuation basis to be used for assets and liabilities that are transferred pursuant to the new reinsurance agreement(s).

5. Since SSAP No. 63 does not specifically address modifications to intercompany pooling arrangements, insurance groups that modify their intercompany pooling arrangements must refer elsewhere in Statutory Accounting Principles (SAP) for relevant guidance. The obvious guidance for such transactions is SSAP No. 62R since an intercompany pooling arrangement is, by definition, affiliated reinsurance. There is, however, a minority opinion that *SSAP No. 25—Affiliates and Other Related Parties* appears to apply due to the affiliated nature of these transactions. Since the guidance and intent of SSAP No. 62R and SSAP No. 25 provide for different valuation bases, this interpretation serves to provide definitive guidance as to which SSAP is relevant for these transactions and, therefore, clarify the appropriate valuation basis to be used for assets and liabilities transferred pursuant to a modification to an intercompany pooling arrangement.

SSAP No. 62R Approach:

6. This approach refers to the guidance and statutory accounting intent from SSAP No. 62R since intercompany pooling arrangements are defined and established through reinsurance. Further, since modifications to intercompany pooling agreements typically involve the transfer of net liabilities incurred since the inception of the existing pooling agreement (i.e., prior to the effective date of the new agreement), the retroactive reinsurance accounting guidance in paragraphs 33-39 of SSAP No. 62R is applicable. Paragraph 33 states that this special accounting treatment is warranted “due to the potential abuses involving the creation of surplus to policyholders and the distortion of underwriting results...” However, paragraph 36.d. specifically applies to intercompany reinsurance arrangements, and amendments to intercompany reinsurance agreements, since the reinsurance agreement is among companies 100% owned by a common parent. This paragraph allows prospective accounting treatment for intercompany reinsurance agreements that do not result in a gain in surplus as a result of the transaction.

7. To provide historical perspective, prior to the adoption (with modification) of FASB *Statement No. 113, Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts* (FAS 113) as SAP, paragraph 36.d. was added as one of the SAP modifications. The intent of adding paragraph 36.d. was to specifically exclude intercompany reinsurance agreements among entities 100% owned by a common parent from retroactive reinsurance accounting requirements as a result of amending or modifying these agreements, provided there is no surplus gain. The presumption in this intent was that there would be no gains to the ceding entity resulting from implementing amendments or modifications to these types of reinsurance agreements.

8. Therefore, based on the foregoing guidance and background, the statutory accounting intent is to avoid surplus gains for the ceding entity as a result of implementing a modification to an intercompany pooling arrangement. On that basis, such a modification does not represent an economic transaction to the insurance group or to the impacted companies. As such, the transfer of both the assets and the liabilities valued at statutory book value ensures that there is no impact to surplus as a result of implementing a modification to an existing pooling arrangement.

SSAP No. 25 Approach:

9. An approach different from that which refers to reinsurance accounting guidance is to refer to the guidance in SSAP No. 25 since some may view a modification to an intercompany pooling agreement as a related party transaction involving the exchange of assets or liabilities. In this case, paragraphs 14-18 of SSAP No. 25 would appear applicable. This guidance specifies differing valuation bases, depending on whether the transaction is considered an economic or a non-economic transaction. SSAP No. 25, paragraph 14, states that “...The appearance of permanence is also an important criterion in assessing the economic substance of a transaction. In order for a transaction to have economic substance and thus warrant revenue (loss) recognition, it must appear unlikely to be reversed ...” Since insurance groups

often modify intercompany pooling arrangements, this type of transaction is not permanent, and may be construed as a non-economic transaction. SSAP No. 25, paragraph 18.b., states that “non-economic transactions ... shall be recorded at the lower of existing book value or fair value at the date of the transaction.”

10. It appears that this guidance is intended to address matters involving discrete or isolated transfers of assets and/or liabilities between affiliates rather than transfers of assets and liabilities effected in relation to executing reinsurance transactions (the guidance for which is SSAP No. 62R). Additionally, application of this guidance would result in a change to the surplus of the insurance group as a result of implementing a modification to an existing intercompany pooling arrangement. As previously stated, the statutory accounting intent is to avoid surplus gains for the insurance group as a result of implementing a modification to an intercompany pooling arrangement.

11. The accounting issues are:

- a. What is the relevant guidance for modifications to intercompany pooling arrangements?
- b. What is the appropriate valuation basis to be used for assets and liabilities that are transferred among affiliates in conjunction with the execution of a new reinsurance agreement(s) that serves to substantively modify an existing intercompany pooling arrangement?

INT 03-02 Discussion

The Working Group reached a consensus as follows:

12. SSAP No. 62R provides accounting for property and casualty reinsurance agreements including specific guidance on intercompany pooling agreements. SSAP No. 62R provides two methods of accounting for changes in intercompany pooling agreements, depending on whether or not the pooling results in a gain in surplus.

13. The appropriate valuation basis to be used for assets and liabilities that are transferred among affiliates in conjunction with the execution of a new reinsurance agreement(s) that serves to substantively modify an existing intercompany pooling arrangement is statutory book value for assets and statutory value for liabilities. Book value is defined in the glossary of the *Accounting Practices and Procedure Manual*.

INT 03-02 Status

14. No further discussion is planned.

<https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2024/08-13-24SummerNationalMeeting/Adoptions/22-12aINT03-02.docx>

Summer National Meeting - Review of GAAP Exposures for Statutory Accounting:

Pursuant to a 2014 direction from the SAPWG chair, there is a desire for the Statutory Accounting Principles (E) Working Group to be more proactive in considering FASB exposures that may be significant to statutory accounting and reporting. Historically, the SAPWG has commented on limited, key FASB exposures – mostly pertaining to insurance contracts and financial instruments. To ensure consideration of all FASB exposures, staff prepared this memorandum to highlight the current exposures, comment deadlines, and to provide a high-level summary of the exposed item’s potential impact to statutory accounting. It is anticipated that this information would assist the Working Group in determining whether a comment letter should be submitted to the FASB on the issues. Regardless of the Working Group’s election to submit comments to the FASB on proposed accounting standards, under the NAIC Policy Statement on Statutory Accounting Principles Maintenance Agenda Process, issued US GAAP guidance noted in the hierarchy within Section V of the Preamble to the *Accounting Practices and Procedures Manual* must be considered by the Statutory Accounting Principles (E) Working Group.

FASB Exposures: [Exposure Documents and Public Comment Documents \(fasb.org\)](https://www.fasb.org/exposures)

Exposed FASB Guidance	Comment Deadline & Initial Staff Comments
<p>Proposed Accounting Standards Update—<i>Derivatives and Hedging (Topic 815) and Revenue from Contracts with Customers (Topic 606): Derivatives Scope Refinements and Scope Clarification for a Share-Based Payment from a Customer in a Revenue Contract</i></p>	<p>October 21, 2024</p>

Proposed Accounting Standards Update, Derivatives and Hedging (Topic 815) and Revenue from Contracts with Customers (Topic 606)—Derivatives Scope Refinements and Scope Clarification for a Share-Based Payment from a Customer in a Revenue Contract

Topic 815, Derivatives and Hedging, establishes accounting requirements for contracts that meet the characteristics-based definition of a derivative and are not otherwise excluded from the Topic’s scope. Because of the broad interpretation of the definition of a derivative, many types of contracts are being evaluated and potentially accounted for as derivatives.

In response to the 2021 Invitation to Comment, Agenda Consultation, stakeholders indicated that practice questions have emerged about the application of the definition of a derivative (and the related scope exceptions) to (1) certain emerging transactions, such as bonds in which interest payments may vary based on environmental, social, and governance (ESG)-linked metrics, and (2) certain longstanding transactions, such as research and development funding arrangements and litigation funding arrangements.

A frequently cited challenge was the broad and evolving interpretation of the derivative definition and the complexity of applying scope exceptions to certain contracts with variables (referred to as “underlyings”) based on operations or activities specific to one of the parties to the contract. Some respondents noted that because those contracts relate to the performance of a party to the contract, accounting for those contracts as derivatives measured at fair value does not provide decision-useful information. Those respondents indicated that other guidance in generally accepted accounting principles (GAAP) exists to account for those contracts. Furthermore, respondents noted that because of the cost and complexity of applying the derivative guidance, some entities may structure those transactions to avoid accounting for them as derivatives. The amendments in this proposed Update address the issues raised by stakeholders by expanding the scope of an existing exception in Topic 815.

The amendments in this proposed Update would apply to all entities that enter into certain contracts with underlyings based on operations or activities specific to one of the parties to the contract.

The amendments in this proposed Update would exclude derivative accounting contracts with underlyings that are based on operations or activities specific to one of the parties to the contract. The scope exception would include variables based on financial statement metrics of one of the parties to the contract (for example, earnings before interest, taxes, depreciation, and amortization; net income; expenses; or total equity), as well as the occurrence or nonoccurrence of an event related to the operations or activities specific to one of the parties to the contract. However, contracts with a single underlying based on either (1) a market rate, market price, or market index or (2) the price or performance of a financial asset or financial liability of one of the parties to the contract would not qualify for the proposed scope exception.

Contracts with multiple underlyings for which some are excluded from derivative accounting, and some are not would be evaluated on the basis of the predominant characteristics of the contract to determine whether the entire contract (or embedded feature) is subject to the requirements of Topic 815.

The amendments in this proposed Update would change the predominant characteristics assessment to require that an entity assess which underlying is expected to have the largest expected effect on changes in the fair value of the contract (or embedded feature).

Issue 2: Scope Clarification for a Share-Based Payment from a Customer in a Revenue Contract

The Board received feedback from some stakeholders that there is a lack of clarity about which guidance an entity should apply to recognize share-based payments, such as warrants or shares, received from a customer that are consideration for the transfer of goods or services. For example, if an entity receives share-based payments from a customer and those share-based payments are contingent on the satisfaction of performance obligations, some stakeholders recently indicated that it is unclear to them whether those share-based payments (1) should be recognized at contract inception as a derivative asset under Topic 815 or an equity security under Topic 321, Investments—Equity Securities, or (2) should not be recognized until the entity satisfies its performance obligations under Topic 606, Revenue from Contracts with Customers. In response to this feedback, the Board decided to clarify the accounting by an entity that receives a share-based payment from a customer that is consideration for the transfer of goods or services.

The amendments in this proposed Update would apply to all entities that receive a share-based payment from a customer that is consideration for the transfer of goods or services.

The amendments in this proposed Update would clarify that an entity should apply the guidance in Topic 606, including the guidance on noncash consideration in paragraphs 606-10-32-21 through 32-24, to a contract with a share-based payment (for example, shares, share options, or other equity instruments) from a customer that is consideration for the transfer of goods or services. Accordingly, under Topic 606, the share-based payment should be recognized as an asset measured at the estimated fair value at contract inception under Topic 606 when the entity's right to receive or retain the share-based payment from a customer is no longer contingent on the satisfaction of a performance obligation. In addition, the amendments in this proposed Update would clarify that the guidance in Topic 815 and Topic 321 should not be applied unless and until the share-based payment from a customer that is consideration for the transfer of goods or services is recognized as an asset under Topic 606.

The amendments in this proposed Update would reduce diversity in the accounting for share-based payments from a customer that are consideration for the transfer of goods or services by clarifying that entities should apply the guidance in Topic 606. The proposed amendments would provide investors with more comparable information and would reduce accounting complexity and related reporting costs for preparers and auditors.

Staff Review and Commentary:

Comment deadline is October 21, 2024

NAIC staff recommend that ASU be reviewed under the SAP Maintenance Process as detailed in *Appendix F—Policy Statements*.

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National Meetings/A. National Meeting Materials/2024/08-13-24 Summer National Meeting/Meeting/1 - Review of GAAP Exposures.docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National%20Meetings/A.%20National%20Meeting%20Materials/2024/08-13-24%20Summer%20National%20Meeting/Meeting/1%20-%20Review%20of%20GAAP%20Exposures.docx)

August 13, 2024

To: Dale Bruggeman (MO), Chair, Statutory Accounting Principles (E) Working Group
Kevin Clark, (IA), Vice Chair, Statutory Accounting Principles (E) Working Group

From: Rachel Hemphill (TX), Chair, Life Actuarial (A) Task Force,
Craig Chupp (VA), Vice Chair, Life Actuarial (A) Task Force

RE: Life Actuarial (A) Task Force Coordination with the Statutory Accounting Principles (E) Working Group 2024

The Statutory Accounting Principles (E) Working Group charges requires the Working Group to coordinate with the Life Actuarial (A) Task Force on changes to the AP&P Manual related to the *Valuation Manual* (VM)-A, Requirements, and VM-C, Actuarial Guidelines, as well as other VM requirements. This process will include the receipt of periodic reports on changes to the VM on items that require coordination. To facilitate the coordination, the Task Force will provide to the Working Group a memorandum of VM amendments, actuarial guidelines and valuation related NAIC model revisions. This memorandum provides the Working Group updates to the publications since the 2023 NAIC Fall Meeting.

Valuation Manual – Attachment A to this memo includes a detailed listing of the amendments made to the VM since the 2023 NAIC Summer Meeting. The amendments, with the exception of APF 2024-10, were adopted by the Life Insurance and Annuities (A) Committee on July 15, 2024. APF 2024-10 amends a health insurance section of the VM and was adopted by the Health Insurance and Managed Care (B) Committee on June 13, 2024. All of the amendments will be considered by the Executive (EX) Committee and Plenary at the 2024 NAIC Summer Meeting.

Actuarial Guidelines – Since the 2023 NAIC Fall Meeting the Task Force has not created or revised any actuarial guidelines.

NAIC Models – The Task Force has not created or revised any models since the 2023 NAIC Fall Meeting

LATF VM Amendment	Valuation Manual Reference	Valuation Manual Amendment Proposal Descriptions	LATF Adoption Date
2023-08	VM- 20 Section 7.D.7, VM-30 Section 3.B.5	Clarifies the allocation of negative interest maintenance reserves (IMR) for VM-20 and VM-30 and that non-admitted IMR is excluded from the allocation.	8/31/2023
2023-09	VM-20 Section 9.C.2.h	This amendment requires companies to apply historical mortality improvement rates, which may be negative.	10/5/2023
2023-11	VM-20 Section 8.C.17 and VM-21 Section 1.C.3	This amendment proposes removal of references to risk-based capital (RBC) in VM-20 and VM-21 that are inconsistent with the purpose, scope, and intended use of RBC to be consistent with improvements made in related sections of the VM-22 draft.	1/25/2024
2023-12	VM-01 and VM-30 Section 3.B	This amendment clarifies expectations on the reflection of equity return volatility in VM-30 cash-flow testing.	2/29/2024
2024-01	VM-01 "Qualified Actuary"	Model 820 specifically calls out a qualified actuary as a person "who meets the requirements specified in the valuation manual." This amendment adds the requirement that "A qualified actuary must meet the specific qualification standard for providing a NAIC Annual Statement Opinion".	4/25/2024
2024-02	VM-G Governance in PBR Actuarial Report, VM-31 Section 3.C.7 and Sections 3.C.8 - 3.C.11, VM-31 Section 3.B.6	This amendment clarifies that documentation on VM-G applies to all products subject to principle-based reserves (PBR). Currently VM-G documentation is only required in the Life PBR Actuarial Report.	2/29/2024
2024-04	VM-20 Section 9.D.5	This amendment updates the industry lapse experience table used for minimally funded universal life with secondary guarantee (ULSG) policies to the term-to-100 lapse experience table published by the Canadian Institute of Actuaries in December 2021.	4/25/2024
2024-06	VM-22 Section 3.C.3	This amendment permits companies to elect to consistently determine statutory maximum valuation interest rates for non-jumbo contracts as if they were jumbo contracts, with prior approval of the domiciliary commissioner.	6/6/2024
2024-05	Valuation Manual II, Subsection 3: Deposit-Type Contracts	This amendment allows companies to consistently determine statutory maximum valuation interest rates monthly rather than annually for certain simple deposit-type contracts with prior approval of the domiciliary commissioner.	6/6/2024
2024-09	VM-21 Section 3.A and VM-21 Section 4.B.1	This amendment corrects the order of operations for the pre-tax IMR application in VM-21.	6/6/2024

LATF VM Amendment	Valuation Manual Reference	Valuation Manual Amendment Proposal Descriptions	LATF Adoption Date
2023-13	VM-M Sections 1 and 2, VM-31 Section 3.D.3, VM-20 Sections 3.C.1.h, 9.C.3.b and 9.C.3.g	This amendment requires the use of non-U.S. mortality tables for blocks of business issued in foreign countries covering insureds who are not residents of the U.S. These tables must be approved by LATF before being used for reserve purposes. This amendment also adds several annuity tables to VM-M.	6/13/2024
2024-07	VM-21 Section 6.C.2, VM-21 Section 6.C.6, VM-21 Section 6.C.9, VM-21 Section 11.B.3	This amendment makes updates to VM-21 standard projection amount maintenance expense, full surrender, and mortality assumptions.	6/13/2024
2024-08	VM-21 Section 4.B.3	This amendment clarifies the calculation of the Net Asset Earned Rate (NAER) on additional assets, providing additional detail on how the initial additional asset portfolio is constructed and how it is reinvested.	6/13/2024
2024-10	VM-26, Section 3.B	Updates the margins for credit disability insurance reserves based on the Society of Actuaries' "2023 Credit Disability Study Report"	5/23/24



MEMORANDUM

TO: Statutory Accounting Principles (E) Working Group

FROM: NAIC Staff

DATE: July 29, 2024

RE: IMR Ad Hoc Group – Discussion Update

The intent of this memorandum is to provide an update on the discussions that have occurred at the IMR Ad Hoc Group. This group is discussing the interest maintenance reserve (IMR) to establish a framework on the long-term project to review and determine appropriate treatment on IMR under the statutory accounting framework, including consideration of net negative (disallowed) IMR. Participants of the group include regulators representing SAPWG, Life Actuarial (A) Task Force and the Life Risk-Based Capital Working Group, along with industry representing both accounting and actuarial interests.

An initial update was provided during the 2024 Spring National Meeting where it was noted that the IMR Ad Hoc Group conducted their first meeting on Oct. 2, 2023, and has met regularly, approximately every other week. Since the last update, the discussions have focused on 1) IMR from “economic effective” (non-accounting effective) derivatives, 2) Separate account transfers for cash between the general account and a book-value separate account, and 3) IMR from reinsurance transactions. As a result of the ad hoc group discussions, agenda items for derivatives and separate accounts have been presented to the full Statutory Accounting Principles (E) Working Group. The following discussion topics are still anticipated in the ad hoc group: 1) IMR from reinsurance transactions, 2) IMR allocation from *SSAP No. 26—Bond* (issuer credit obligation) investments (e.g., bifurcation and/or reassessment of IMR determination from designation change), 3) reinvestment requirements, 4) guidance on excess withdrawals, and 5) admittance of net negative IMR.

In the interim, in addition to compiling information on the 2023 reported IMR in the statutory financial statements, NAIC staff also reviewed the narrative disclosures, and presented aggregated information to the IMR Ad Hoc Group. From the review, 173 insurers admitted net negative IMR pursuant to the INT, but 57 (33%) of those insurers did not include any aspect of the required disclosures. For the 116 companies that included disclosures, not all the companies included the full disclosures, including the attestation. NAIC staff notes that the disclosure review was manual, and the disclosure will be data-captured for 2024 and easier to assess. If desired, NAIC staff can provide company-specific detail to regulators.

NAIC staff has summary details for all IMR Ad Hoc calls and can provide additional information as requested.

Cc: Julie Gann, Robin Marcotte, Jake Stultz, Jason Farr, Wil Oden

Washington, DC 444 North Capitol Street NW, Suite 700, Washington, DC 20001-1509

p | 202 471 3990

Kansas City 1100 Walnut Street, Suite 1500, Kansas City, MO 64106-2197

p | 816 842 3600

New York One New York Plaza, Suite 4210, New York, NY 10004

p | 212 398 9000

Draft: 8/13/24

Blanks (E) Working Group
Virtual Meeting
August 7, 2024

The Blanks (E) Working Group of the Accounting Practices and Procedures (E) Task Force met Aug. 7, 2024. The following Working Group members participated: Debbie Doggett, Chair (MO); Steve Drutz, Vice Chair (WA); Kim Hudson (CA); Wayne Shepherd (CT); N. Kevin Brown (DC); Tom Hudson (DE); Nicole Crockett and Carly Wagoner (FL); Kevin Clark (IA); Amanda Denton and Roy Eft (IN); Kristin Hynes and Jason Tippet (MI); Tadd Wegner (NE); John Sirovets (NJ); Dale Bruggeman and Tracy Snow (OH); Diane Carter (OK); Paul Throckmorton (OR); Diana Sherman (PA); Matthew Tarpley (TX); Jake Garn (UT); Adrian Jaramillo (WI); and Mary Jo Lewis (WV).

1. Adopted its May 23 Minutes

Doggett indicated that the materials for this meeting include minutes from the Working Group's May 23 meeting, during which the Working Group adopted 11 proposals, deferred one proposal, and adopted its editorial listing.

Snow made a motion, seconded by Drutz, to adopt the Working Group's May 23 minutes (Attachment Two-A). The motion passed unanimously.

2. Adopted Proposals

A. Agenda Item 2024-11BWG

Bruggeman stated that this agenda item captures the revisions to the annual statement instructions for investments in tax credit structure, which reflect adopted revisions to the *Accounting Practices and Procedures Manual* (AP&P Manual) through Statutory Accounting Principles (E) Working Group agenda item 2022-14: New Market Tax Credits. Revisions were made to the proposal to incorporate some editorial comments received from industry. Industry's requests to retain the guaranteed federal tax credit investment reporting line and to eliminate the criteria stipulating the duration of tax credit guarantees on qualifying state and federal tax credit investments were not incorporated into the proposal.

Brad Elphick (Novogradac & Company) expressed concerns with the proposal and possible unintended consequences. He stated that new market tax credits and long-term housing tax credits have many differences in structure, the risks associated with them, the roles that industry participants play, and the availability of guarantees.

David Brenner (Husch Blackwell) stated that, as a tax adviser, he follows the Internal Revenue Service (IRS) safe harbor provisions; however, a new market tax credit is fundamentally different from a low-income housing tax credit. He stated that on day one, the tax credits are set, and there is no variability in the amount of credits that will be received over the compliance period. He stated that the guarantee provided is a guarantee of the credits themselves rather than a yield because there is not much of a yield component in a new market.

Julie Gann (NAIC) stated that the guidance has already been adopted by the Statutory Accounting Principles (E) Working Group after being deferred to allow interested parties more time to submit comments. It must be adopted by the Blanks (E) Working Group today to be in effect for Jan. 1, 2025, when the statutory accounting guidance will go into effect. She stated that this sounds like a risk-based capital (RBC) issue, where the federal guaranteed line is being removed because, in accordance with the referenced case, those no longer exist for the

original intent of that guidance. The Statutory Accounting Principles (E) Working Group sent a referral to the RBC groups to have them look at the RBC factors for the remaining reporting line. Any RBC change will not go into effect until year-end 2025, so there is still time to have those discussions with the RBC groups.

Wil Oden (NAIC) stated that the new market tax credits would likely fall into what is now referred to as the qualifying tax credit bucket. RBC groups would be the ones to set the factors. This guidance simply established the reporting category.

Bruggeman made a motion, seconded by Hudson, to adopt the modifications to the proposal. The motion passed unanimously. Bruggeman made a motion, seconded by Hudson, to adopt the modified proposal (Attachment Two-B). The motion passed unanimously.

B. Agenda Item 2024-12BWG

Bruggeman stated that this agenda item captures the bond reporting revisions for the quarterly statement instructions. Only a few editorial comments were received from industry, and revisions were made for two of the three comments. The specific identification for cash pooling transactions on the cash equivalent schedule (Schedule E, Part 2) has been retained.

Bruggeman made a motion, seconded by Drutz, to adopt the modifications to the proposal. The motion passed unanimously. Bruggeman made a motion, seconded by Eft, to adopt the modified proposal (Attachment Two-C). The motion passed unanimously.

3. Received a Memorandum from the Statutory Accounting Principles (E) Working Group

Bruggeman stated that this memorandum is intended to communicate an interim reporting exception for collateral loans backed by mortgage loans. Although the Statutory Accounting Principles (E) Working Group has a current project to review the reporting of collateral loans on Schedule BA and through the asset valuation reserve (AVR), it was identified that some reporting entities have previously been reporting collateral loans backed by mortgage loans through different lines on Schedule BA for look-through AVR treatment. With the deletion of the reporting lines previously used by industry and clarification that all collateral loans shall be reported on the collateral loan Schedule BA reporting line, the Statutory Accounting Principles (E) Working Group has proposed an interim AVR allocation until the collateral loan project has been finalized. As detailed in the memorandum, reporting entities shall report all collateral loans on the dedicated Schedule BA reporting line, but collateral loans backed by mortgage loans shall flow through AVR in lines 38–64 based on the underlying mortgage loan characteristics. The amount taken to the AVR per this interim instruction shall agree to the new data-captured footnote that details all collateral loans based on the type of collateral that secures the loan. In addition to the Statutory Accounting Principles (E) Working Group supporting this interim allocation, the Life Risk-Based Capital (E) Working Group adopted an editorial change on June 18 to allow a bifurcation of collateral loans in the RBC formula to facilitate this reporting.

The Statutory Accounting Principles (E) Working Group recommends that the memorandum detailing the interim changes to existing reporting instructions be posted on the Blanks (E) Working Group web page. As noted, the Statutory Accounting Principles (E) Working Group has a current project to review the reporting of collateral loans, with a proposal to flow through AVR. (Collateral loans currently do not flow through AVR.) The Statutory Accounting Principles (E) Working Group anticipates an exposure at the Summer National Meeting with proposed Schedule BA and AVR reporting lines. The Statutory Accounting Principles (E) Working Group will inform the Blanks (E) Working Group once revisions are adopted and when the interim exception will no longer be permitted.

Bruggeman made a motion, seconded by Clark, to receive the Statutory Accounting Principles (E) Working Group memorandum (Attachment Two-D). The motion passed unanimously.

4. Adopted the Editorial Listing

Snow made a motion, seconded by Clark, to adopt the editorial listing (Attachment Two-E). The motion passed unanimously.

Having no further business, the Blanks (E) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Committees/E Committee/APPTF/2024 Summer NM/Minutes/BWG/08 07 2024 blanks.docx

Draft: 5/28/24

Blanks (E) Working Group
Virtual Meeting
May 23, 2024

The Blanks (E) Working Group of the Accounting Practices and Procedures (E) Task Force met May 23, 2024. The following Working Group members participated: Pat Gosselin, Chair (NH); Steve Drutz, Vice Chair (WA); David Phifer (AK); Laura Clements (CA); Wayne Shepherd (CT); N. Kevin Brown (DC); Tom Hudson (DE); Nicole Crockett (FL); Daniel Mathis (IA); Roy Eft (IN); Kristin Hynes and Jason Tippet (MI); Debbie Doggett (MO); Lindsay Crawford (NE); John Sirovetz (NJ); Dale Bruggeman and Tracy Snow (OH); Diane Carter (OK); Miriam Fisk and Shawn Frederick (TX); Jake Garn (UT); Adrian Jaramillo (WI); and Mary Jo Lewis (WV).

1. Adopted its Feb. 21 Minutes

Gosselin indicated that during its Feb. 21 meeting, the Working Group took the following action: 1) adopted its Nov. 7, 2023, minutes; 2) re-exposed proposal 2023-12BWG related to debt securities on Schedule BA; 3) adopted five proposals; 4) exposed six new items; and 5) adopted its editorial listing.

Drutz made a motion, seconded by Hynes, to adopt the Working Group's Feb. 21 minutes (*see NAIC Proceedings – Spring 2024, Accounting Practices and Procedures (E) Task Force, Attachment Two*). The motion passed unanimously.

2. Adopted Proposals

A. Agenda Item 2023-12BWG

Bruggeman stated that this proposal incorporates revisions to Schedule BA to add reporting lines for non-bond debt securities in accordance with the principle-based bond guidance adopted to *Statement of Statutory Accounting Principle (SSAP) No. 21—Other Admitted Assets*, as well as *SSAP No. 26R—Bonds* and *SSAP No. 43R—Loan-Backed and Structured Securities*. He stated that this blanks proposal would be effective Jan. 1, 2025, which corresponds with the effective date for the adopted bond definition. In addition to the non-bond debt security reporting lines, other clarification revisions to Schedule BA have been included. These include the elimination of the non-registered private fund reporting line so that all investments in the scope of *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* are captured on a single line. Modifications to the instructions are captured to improve clarity and consistency in reporting. He stated that this proposal does not include revisions to the reporting lines for tax credits or collateral loans related to other Statutory Accounting Principles (E) Working Group projects. Those items will be addressed in different proposals.

Bruggeman stated that the Statutory Accounting Principles (E) Working Group met May 15 to discuss industry comments, and it supports the proposal with a few additional modifications, which are reflected within the document. First, the Statutory Accounting Principles (E) Working Group changed the residual underlying characteristic category of "Fixed Income Instruments" to "Bonds." Revisions were made to clarify that residual tranches of collateralized loan obligations (CLOs) shall be reported in the "underlying characteristics of bonds" reporting line. Revisions have been proposed to provide examples of items that shall be captured in the "underlying characteristics of other" reporting line. These examples include but are not limited to student loans, auto loans, and aircraft or train car leases. Next, it incorporated revisions to specify that the maturity date column shall be completed for all Schedule BA investments with a stated maturity date. This action is different from what industry proposed but is in line with the original intent; 3) corrected an erroneous deletion in the name of the

“Joint Venture, Partnerships or Limited Liability Companies” investment reporting line. This was identified by interested parties in their collateral loan comments.

Bruggeman made a motion, seconded by Eft, to adopt the modifications to the proposal. The motion passed unanimously. Bruggeman made a motion, seconded by Eft, to adopt the modified proposal (Attachment Two-A1). The motion passed unanimously.

B. Agenda Item 2024-01BWG

Bruggeman stated that this proposal updates instructions to explicitly state that investments in the form of preferred or common stock, that are in substance residual interests, shall be reported on Schedule BA in the dedicated reporting lines for residuals.

Bruggeman made a motion, seconded by Sirovetz, to adopt the proposal (Attachment Two-A2). The motion passed unanimously.

C. Agenda Item 2024-02BWG

Bruggeman stated that this blank proposal adjusts the cash equivalent and short-term investment instructions and reporting lines to reflect the changes adopted by the Statutory Accounting Principles (E) Working Group, reducing the types of investments permitted for short-term or cash equivalent reporting. The effective date of this proposal is Jan. 1, 2025, to mirror the bond proposal’s effective date. The elimination of asset-backed securities from short-term and cash equivalent reporting was driven by the principles-based bond project. Interested parties noted that corresponding revisions were needed to the Schedule DA Verification, five-year historical, and the asset valuation reserve (AVR). Those edits have been made. The interested parties’ suggestion to rename Schedule BA to “Other Invested Assets” was not done, as this would impact other areas of the blank besides just Schedule BA. This would need to be done in a separate proposal.

Bruggeman made a motion, seconded by Drutz, to adopt the modifications to the proposal. The motion passed unanimously. Drutz made a motion, seconded by Shepherd, to adopt the proposal with the minor word modification (Attachment Two-A3). The motion passed unanimously.

D. Agenda Item 2024-03BWG

Charles Therriault (NAIC) stated that this proposal updates General Interrogatory 35 to clarify the reporting of private letter (PL)-rated securities. Interested parties identified a minor editorial change, replacing “was derived” with “were derived.”

Drutz made a motion, seconded by Doggett, to adopt the proposal with the minor word modification (Attachment Two-A4). The motion passed unanimously.

E. Agenda Item 2024-04BWG

Scott O’Neal (NAIC) stated that this proposal adds clarifying language to the VM-20, Requirements for Principle-Based Reserves for Life Products Supplement in the life blank to include separate accounts where applicable. This is intended to address inconsistencies found in the current reporting. There were no comments.

Doggett made a motion, seconded by Drutz, to adopt the proposal (Attachment Two-A5). The motion passed unanimously.

F. Agenda Item 2024-05BWG

Bruce Jenson (NAIC) stated that this proposal adds clarifying language to the annual General Interrogatory 29.05 (Quarterly General Interrogatory 17.5) to clarify that all investment advisors with discretion to make investment decisions, including sub-advisors, should be disclosed in the interrogatory. This change is effective for 2024. There were no interested party comments.

Hynes made a motion, seconded by Mathis, to adopt the proposal (Attachment Two-A6). The motion passed unanimously.

G. Agenda Item 2024-06BWG

Fisk stated that this proposal relates to the Property & Casualty (P/C) and Title Actuarial Opinions. It limits the requirement to send qualification documentation to the board of directors only at the initial appointment and not annually thereafter. It was decided by the Actuarial Opinion (C) Working Group that since the information does not change significantly from year to year, it was no longer needed on an annual basis. This proposed change is to be effective for annual 2024.

Drutz made a motion, seconded by Eft, to adopt the proposal (Attachment Two-A7). The motion passed unanimously.

H. Agenda Item 2024-07BWG

Bruggeman stated that this proposal modifies the new interest maintenance reserve (IMR) disclosure to separate derivative information between the general and separate accounts (insulated and non-insulated). It adds a general interrogatory for the required attestation. A review of the narrative disclosure included in the 2023 financials identified that a number of companies that admitted net negative disallowed IMR did not fully report the disclosure information. Please note that any company admitting IMR under the interim interpretation is required to fully complete the disclosure.

Bruggeman made a motion, seconded by Eft, to adopt the proposal (Attachment Two-A8). The motion passed unanimously.

I. Agenda Item 2024-08BWG

Bruggeman stated that this proposal revises the IMR and the AVR instructions to eliminate guidance that directs investments with credit losses to be reported in the IMR. For bonds, the revised guidance stipulates that if a known credit event has occurred, that is not yet reflected in the NAIC Designations at the time of the sale, the gain/loss shall be allocated to AVR if that impact is predominantly credit-related. For preferred stocks, the guidance directs that all mandatory convertible preferred stocks and perpetual preferred stocks follow the treatment of equity investments, with gains/losses excluded from IMR. For mortgage loans, the guidance directs that predominantly interest-related gains/losses go to IMR, and those predominantly credit-related go to AVR, with the clarification of specific situations that result in AVR reporting.

Bruggeman made a motion, seconded by Drutz, to adopt the proposal (Attachment Two-A9). The motion passed unanimously.

J. Agenda Item 2024-09BWG

Bruggeman stated that this proposal adds a new year-end 2024 data-captured note on the types of collateral, in the aggregate, backing collateral loans. Although some industry comments are reflected, the revision was not incorporated to prevent companies from identifying non-qualifying collateral as an admitted asset. Although such admittance would not be in line with SSAP No. 21, if the note prevented identifying those items as admitted, companies that get permitted practices for such instances would not be able to fully complete the note. As noted above, a cross-check will be added to verify the total in the note and the amount reported on Schedule BA for collateral loans. As a reminder, all collateral loans shall be reported on the collateral loan line.

Bruggeman made a motion, seconded by Drutz, to adopt the modifications to the proposal. The motion passed unanimously. Bruggeman made a motion, seconded by Sirovetz, to adopt the modified proposal (Attachment Two-A10). The motion passed unanimously.

K. Agenda Item 2024-10BWG

Bruggeman stated that this proposal deletes the federal Affordable Care Act (ACA) disclosures related to the transitional reinsurance program and risk corridors programs, which are no longer in effect. Other edits include updating references to the “risk adjustment” program, which is the only risk-sharing program still in effect. On May 15, the Statutory Accounting Principles (E) Working Group adopted agenda item 2024-13, with the edit to *SSAP No. 107—Risk-Sharing Provisions of the Affordable Care Act*, paragraph 62, which corresponds to the edits to Notes 24E(4)/(5) and 24F(4)/(5) in the modification to this blanks proposal.

Bruggeman made a motion, seconded by Hynes, to adopt the modifications to the proposal. The motion passed unanimously. Bruggeman made a motion, seconded by Eft, to adopt the modified proposal (Attachment Two-A11). The motion passed unanimously.

3. Deferred Items

A. Agenda Item 2024-11BWG

Bruggeman stated that this proposal replaces all terminology in the blanks related to low-income tax credit investments with new terminology in accordance with the adoption of agenda item 2022-14. Additionally, the reporting line for federal guaranteed programs is proposed to be deleted because these types of tax credit investment structures were substantially eliminated by the *Historic Boardwalk Hall, LLC v. Commissioner of Internal Revenue* court decision in 2012. While interested parties’ request for deferral is not being opposed, it is preferred that interested parties provide examples of recently issued federal guaranteed New Markets Tax Credit (NMTC) investments and an explanation of why these guarantees do not run afoul of the *Historic Boardwalk* ruling in the interested parties’ comment letter.

Bruggeman made a motion, seconded by Hynes, to defer the proposal to allow time for additional public comments ending July 8. The motion passed unanimously.

4. Exposed New Items

A. Agenda Item 2024-12BWG

Bruggeman stated that this blank proposal updates the quarterly investment schedules for editorial items related to the bond project, proposal 2023-06BWG, that was adopted Nov. 7, 2023. This includes Schedule D Verification,

Schedule D, Part 1B, Schedule D, Part 3 and 4, Schedule DL, Part 1 and 2, and Schedule E Part 1 and 2. The proposal updates the Quarterly Investment Schedule General Instructions for the changes that were adopted in the Annual Investment Schedule General Instructions.

The Working Group agreed to expose agenda item 2024-12BWG for a 45-day public comment period ending July 8.

5. Adopted the Editorial Listing

Snow made a motion, seconded by Eft, to adopt the editorial listing (Attachment Two-A12). The motion passed unanimously.

Having no further business, the Blanks (E) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Committees/E Committee/APPTF/2024 Summer NM/Minutes/BWG/05 23 2024 blanks.docx

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

<p style="text-align: right;">DATE: <u>09/07/2023</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., 3rd FL., Ste. 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;"><u>FOR NAIC USE ONLY</u></p> <p>Agenda Item # <u>2023-12BWG MOD</u> Year <u>2025</u> Changes to Existing Reporting [X] New Reporting Requirement []</p> <hr/> <p style="text-align: center;"><u>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</u></p> <p>No Impact [] Modifies Required Disclosure [X]</p> <p>Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No] <i>***If Yes, complete question below***</i></p> <hr/> <p style="text-align: center;"><u>DISPOSITION</u></p> <p>[] Rejected For Public Comment [] Referred To Another NAIC Group [] Received For Public Comment [X] Adopted Date <u>05/23/2024</u> [] Rejected Date _____ [] Deferred Date _____ [] Other (Specify) _____</p>
--	---

BLANK(S) TO WHICH PROPOSAL APPLIES

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

Anticipated Effective Date: 1st Quarter 2025

IDENTIFICATION OF ITEM(S) TO CHANGE

Categorize debt securities on Schedule BA that do not qualify as bonds under SSAP No. 26 – Bonds or SSAP No. 43R – Asset-Backed Securities and are captured in scope of SSAP No. 21R – Other Invested Assets.

Note on adopted SAP Item 2023-28 for collateral loan reporting – the effective date for the collateral loan reporting is Annual 2024. Due to this being effective before proposal 2023-12BWG, the changes for collateral loan reporting are not shown in this proposal but will be incorporated into the Annual and Quarterly Statement Instructions once this proposal is adopted and implemented into the statement instructions.

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

This proposal updates the Schedule BA categories per the Statutory Accounting Principles Working Group’s bond project and clarify/streamline reporting on Schedule BA.

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

AIC STAFF COMMENTS

Comment on Effective Reporting Date: _____
Other Comments: _____

** This section must be completed on all forms.

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

SCHEDULE BA – PARTS 1, 2 AND 3

OTHER LONG-TERM INVESTED ASSETS – GENERAL INSTRUCTIONS

Include only those classes of invested assets not clearly or normally includable in any other invested asset schedule, or that have been specifically identified for reporting on Schedule BA: Other Invested Assets. Investments shall be reported in the designated reporting category and reporting line that represents the investment. Investments that do not fit within any specific reporting line shall be captured as an “Any Other Class of Asset”. ~~Such assets should include any assets previously written off for book purposes, but which still have a market or investment value. Give a detailed description of each investment and the underlying security. If an asset is to be recorded in Schedule BA that is normally reported in one of the other invested asset schedules, make full disclosure in the Name or Description column of the reason for recording such an asset in Schedule BA.~~

For accounting guidance related to foreign currency transactions and translations, refer to SSAP No. 23—*Foreign Currency Transactions and Translations*.

If a reporting entity has any detail lines reported for any of the following required groups, categories, or subcategories, it shall report the subtotal amount of the corresponding group, category, or subcategory, with the specified subtotal line number appearing in the same manner and location as the pre-printed total or grand total line and number:

<u>Group or Category</u>	<u>Line Number</u>
<u>Debt Securities That Do Not Qualify as Bonds</u>	
<u>Debt Securities That Do Not Reflect a Creditor Relationship in Substance</u>	
<u>NAIC Designation Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	0199999
Affiliated	0299999
<u>NAIC Designation Not Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	0399999
Affiliated	0499999
<u>Debt Securities That Lack Substantive Credit Enhancement</u>	
<u>NAIC Designation Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	0599999
Affiliated	0699999
<u>NAIC Designation Not Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	0799999
Affiliated	0899999
<u>Debt Securities That Do Not Qualify as Bonds Solely to a Lack of Meaningful Cash Flows</u>	
<u>NAIC Designation Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	0999999
Affiliated	1099999
<u>NAIC Designation Not Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	1199999
Affiliated	1299999
Oil and Gas Production	
Unaffiliated	0199999
Affiliated	0299999
Transportation Equipment	
Unaffiliated	0399999
Affiliated	0499999
Mineral Rights	
Unaffiliated	0599999

8/14/24

~~Affiliated~~ ~~0699999~~

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Bonds~~

~~NAIC Designation Assigned by the Securities Valuation Office (SVO)~~

~~Unaffiliated~~ ~~0799999~~

~~Affiliated~~ ~~0899999~~

~~NAIC Designation Not Assigned by the Securities Valuation Office (SVO)~~

~~Unaffiliated~~ ~~0999999~~

~~Affiliated~~ ~~1099999~~

~~Mortgage Loans~~

~~Unaffiliated~~ ~~1199999~~

~~Affiliated~~ ~~1299999~~

~~Other Fixed Income Instruments~~

~~Unaffiliated~~ ~~1399999~~

~~Affiliated~~ ~~1499999~~

Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds)
~~Interests~~ with Underlying Assets Having the Characteristics of:

~~Fixed Income Instruments~~ Bonds

NAIC Designation Assigned by the Securities Valuation Office (SVO)

Unaffiliated ~~1599999~~ 1399999

Affiliated ~~1699999~~ 1499999

NAIC Designation Not Assigned by the Securities Valuation Office (SVO)

Unaffiliated ~~1799999~~ 1599999

Affiliated ~~1899999~~ 1699999

Preferred Stocks

Unaffiliated 1799999

Affiliated 1899999

Common Stocks

Unaffiliated 1999999

Affiliated 2099999

Real Estate

Unaffiliated 2199999

Affiliated 2299999

Mortgage Loans

Unaffiliated 2399999

Affiliated 2499999

Other

Unaffiliated 2599999

Affiliated 2699999

Surplus ~~Debentures, etc.~~ Notes

Unaffiliated 2799999

Affiliated 2899999

Capital Notes

Unaffiliated 2999999

Affiliated 3099999

Collateral Loans

Unaffiliated ~~2999999~~ 3199999

Affiliated ~~3099999~~ 3299999

Non-collateral Loans	
Unaffiliated.....	31999993399999
Affiliated	32999993499999
Capital Notes	
Unaffiliated.....	3399999
Affiliated	3499999
Guaranteed Federal Low Income Housing Tax Credit	
Unaffiliated.....	3599999
Affiliated	3699999
Non-Guaranteed Federal Low Income Housing Tax Credit	
Unaffiliated.....	3799999
Affiliated	3899999
Guaranteed State Low Income Housing Tax Credit	
Unaffiliated.....	3999999
Affiliated	4099999
Non-Guaranteed State Low Income Housing Tax Credit	
Unaffiliated.....	4199999
Affiliated	4299999
All Other Low Income Housing Tax Credit	
Unaffiliated.....	4399999
Affiliated	4499999
Working Capital Finance Investment	
Unaffiliated.....	4599999
Residual Tranches or Interests with Underlying Assets Having Characteristics of:	
Fixed Income Instruments Bonds	
Unaffiliated	4699999
Affiliated.....	4799999
Preferred Stock	
Unaffiliated	4899999
Affiliated.....	4999999
Common Stock	
Unaffiliated	48999995099999
Affiliated.....	49999995199999
Preferred Stock	
Unaffiliated	5099999
Affiliated.....	5199999
Real Estate	
Unaffiliated	5299999
Affiliated.....	5399999
Mortgage Loans	
Unaffiliated	5499999
Affiliated.....	5599999
Other	
Unaffiliated	5699999
Affiliated.....	5799999
Any Other Class of Assets	
Unaffiliated.....	5899999
Affiliated	5999999

Subtotals

Unaffiliated.....	6099999 <u>6899999</u>
Affiliated	6199999 <u>6999999</u>
TOTALS	6299999 <u>7099999</u>

The following listing is intended to give examples of investments to be included in each category; however, the list should not be considered all-inclusive, ~~and it should not be implied that any invested asset currently being reported in Schedules A, B or D is to be reclassified to Schedule BA:~~

~~**Oil and Gas Production**~~

~~Include: _____ Offshore oil and gas leases.~~

~~**Transportation Equipment**~~

~~Include: _____ Aircraft owned under leveraged lease agreements.
Motor Vehicle Trust Certificates.~~

~~**Mineral Rights**~~

~~Include: _____ Investments in extractive materials.~~

~~Timber Deeds.~~

Debt Securities That Do Not Qualify as Bonds

Include: _____ Debt securities captured in SSAP No. 21 – Other Admitted Assets. This is specific to securities, as that term is defined in SSAP No. 26 – Bonds, ~~whereby there is a fixed schedule for one or more future payments (referred to as debt securities), but for which the security does not qualify for bond reporting under SSAP No. 26 as an issuer credit obligation or an asset-backed security.~~

Investments that have been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* shall be reported on Lines 0199999, 0299999, 0599999, 0699999, 0999999, and 1099999.

Investments that have not been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for this category. Designations received from an SEC NRSRO are permitted to be reported but are not required. Report these investments on Lines 0399999, 0499999, 0799999, 0899999, 1199999 and 1299999.

Exclude: _____ Any investment that does not qualify as a security. This term is defined in SSAP No. 26R.

_____ Any investment that is not captured as a debt security that does not qualify as a bond pursuant to SSAP No. 21R—Other Admitted Assets.

~~**Non-Registered Private Funds with Underlying Assets Having Characteristics of a Bond, Mortgage Loan or Other Fixed Income Instrument**~~

~~Include: _____ Fixed income instruments that are not corporate or governmental unit obligations (Schedule D) or secured by real property (Schedule B).~~

~~Any investments deemed by the reporting entity to possess the underlying characteristics of a bond or other fixed income instrument that has been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for this category. Report these investments on Lines 0799999 and 0899999.~~

~~Any investments deemed by the reporting entity to possess the underlying characteristics of a bond or other fixed income investment that has not been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for this category. Report these investments on Lines 0999999, 1099999, 1199999, 1299999, 1399999 and 1499999.~~

Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) Interests with Underlying Assets Having the Characteristics:

Include: Items in scope of SSAP No. 48 – Joint Ventures, Partnerships or Limited Liability Companies, which includes non-registered private funds. Investments shall be reported based on their underlying characteristics as described below. Investments shall be assigned fully to a subcategory. There should not be any bifurcation of the SSAP No. 48 investment among the subcategories.

Structured Security payment rights in scope of SSAP No. 21 that have an SVO- Assigned designation. Structured security payments rights that do not have an SVO- Assigned designation shall be reported as an Any Other Class of Asset.

Exclude: Any investment that is not captured in scope of SSAP No. 48.

Fixed Income Instruments Bonds

Include: Investments in scope of SSAP No. 48 with underlying collateral that has contractual principal and/or interest payments, excluding mortgage loans.

Structured Settlement payment rights in scope of SSAP no. 21R that have an SVO- Assigned designation.

~~Leveraged Buy out Fund, Joint ventures, partnerships or limited liability companies (Including Non Registered Private Funds) investments that are engaged in bond strategies.~~

~~A fund investing in the “Z” strip of Collateralized Mortgage Obligations.~~

~~Any investments deemed by the reporting entity to possess the underlying characteristics of fixed income instruments~~ Investments on the NAIC List of Schedule BA Non-Registered Private Funds with Underlying Assets Having Characteristics of Bonds or Preferred Stock and structured settlement payment rights in scope of SSAP No. 21R that has been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* ~~for this category~~. Report these investments on Lines ~~1599999-1399999~~ and ~~1699999~~ 1499999.

Any investments deemed by the reporting entity to possess the underlying characteristics of ~~fixed income instruments~~ bonds that ~~has~~ have not been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* ~~for this category~~. Designations received from an SEC NRSRO are permitted to be reported but are not required. Report these investments on Lines ~~1799999-1599999~~ and ~~1899999~~ 1699999.

Preferred Stocks

Include: ~~Preferred Stock Interests~~ Investments in scope of SSAP No. 48 with underlying characteristics of securities that represents ownership of a corporation and gives the holder a claim prior to the claims of common stockholders on earnings and also generally on assets in the event of liquidation.

Common Stocks

Include: [Investments in scope of SSAP No. 48 with underlying characteristics of Venture Capital Funds or other underlying equity investments.](#)

Real Estate

Include: [Investments in scope of SSAP No. 48 with underlying collateral that reflects R](#)real estate development interest. Reporting should be consistent with the detailed property analysis appropriate for the corresponding risk-based capital factor for this investment category. If the requisite details are not available for reporting, report under “Other” subcategory.

Mortgage Loans

Include: [Items in scope of SSAP No. 48 that reflect M](#)mortgage obligations. Reporting should be consistent with the detailed property analysis appropriate for the corresponding risk-based capital factor for this investment category. If the requisite details are not available for reporting, report under “Other” subcategory.

Other

Include: [Items in scope of SSAP No. 48 that do not fit within the specific categories.](#)

Limited partnership interests in oil and gas production.

Forest product partnerships.

[Other I](#)nterests within the Joint Venture, ~~and~~ Partnership [or Limited Liability Companies I](#)nterests category that do not qualify for inclusion in the “~~Fixed Income Instruments Bonds~~,” “Common Stocks,” “Real Estate” or “Mortgage Loans” subcategories.

~~Reporting should be consistent with the corresponding risk-based capital factor for this investment category (i.e., Other Long Term Assets).~~

Surplus ~~Debentures, etc.~~ Notes

Include: That portion of any subordinated indebtedness, surplus debenture, surplus note, debenture note, premium income note, bond, or other contingent evidence of indebtedness that is reported in the surplus of the issuer.

Capital Notes

Include: [The portion of any capital note that is reported on the line for capital notes of the issuing insurance reporting entity.](#)

Collateral Loans

Include: Refer to *SSAP No. 21R—Other Admitted Assets* for a definition of collateral loans. [Loans that are backed by any form of collateral, regardless of if the collateral is sufficient to fully cover the loan, shall be captured in this category. Guidance in SSAP No. 21R shall be followed to determine nonadmittance.](#)

In the description column, the name of the actual borrower and state if the borrower is a parent, subsidiary, affiliate, officer or director. Also include the type of collateral held.

Non-collateral Loans

Include: ~~For purposes of this section, n~~ Non-collateral loans are considered the unpaid portion of loans previously made to another organization or individual in which the reporting entity has a right to receive money for the loan, but for which the reporting entity has not obtained collateral to secure the loan.

Non-collateral loans shall not include investments captured in scope of SSAP No. 26 – Bonds, SSAP No. 37 – Mortgage Loans, SSAP No. 43 – Asset-Backed Securities, or SSAP No. 49 – Policy Loans ~~those instruments that meet the definition of a bond, per SSAP No. 26R – Bonds, a mortgage loan per SSAP No. 37 – Mortgage Loans, loan backed or structured asset backed securities per SSAP No. 43R – Loan Backed and Structured Securities, or a policy or contract loan per SSAP No. 49 – Policy Loans.~~

In the description column, provide the name of the actual borrower. For affiliated entities, state if the borrower is a parent, subsidiary, affiliate, officer or director. Refer to *SSAP No. 20—Nonadmitted Assets* and *SSAP No. 25—Affiliates and Other Related Parties* for accounting guidance.

Capital Notes

~~Include: The portion of any capital note that is reported on the line for capital notes of the issuing insurance reporting entity.~~

Low Income Housing Tax Credit

Include: All Low Income Housing Tax Credit Investments (LIHTC or affordable housing) that are in the form of a Limited Partnership or a Limited Liability Company including those investments that have the following risk mitigation factors:

- A. Guaranteed Low Income Housing Tax Credit Investments. There must be an all-inclusive guarantee from a CRP-rated entity that guarantees the yield on the investment.
- B. Non-guaranteed Low Income Housing Tax Credit Investments.
 - I. A level of leverage below 50%. For a LIHTC Fund, the level of leverage is measured at the fund level.
 - II. There is a Tax Credit Guarantee Agreement from General Partner or managing member. This agreement requires the General Partner or managing member to reimburse investors for any shortfalls in tax credits due to errors of compliance, for the life of the partnership. For a LIHTC Fund, a Tax Credit Guarantee is required from the developers of the lower tier LIHTC properties to the upper tier partnership and all other LIHTC investments.
 - III. There are sufficient operating reserves, capital replacement reserves and/or operating deficit guarantees present to mitigate foreseeable foreclosure risk at the time of the investment.

Non-qualifying LIHTCs should be reported in the “All Other” category

Working Capital Finance Investment

Include: Investments in an interest in a Confirmed Supplier Receivables (CSR) under a Working Capital Finance Program (WCFP) that is designated by the SVO as meeting the criteria specified in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for an NAIC “1” or “2.”

Working Capital Finance Program (WCFP)

Open account program under which an Investor may purchase interests, or evidence thereof, in commercial non-insurance receivables. A WCFP is created for the benefit of a commercial investment grade obligor and its suppliers of goods or services and facilitated by a financial intermediary.

Confirmed Supplier Receivables (CSR)

A first priority perfected security interest claim or right to payment of a monetary obligation from the Obligor arising from the sale of goods or services from the Supplier to the Obligor the payment of which the Obligor has confirmed by representing and warranting that it will not protest, delay, or deny, nor offer nor assert any defenses against, payment to the supplier or any party taking claim or right to payment from the supplier.

See SSAP No. 105R—*Working Capital Finance Investments* for accounting guidance.

Residual Tranches or Interests with Underlying Assets Having Characteristics of:

Investment in Residual Tranches or Interests should be assigned to the subcategory with the highest underlying asset concentration. There ~~shouldn't~~ should not be any bifurcation of the underlying assets among the subcategories.

Include: Residual tranches or interests captured in scope of SSAP No. 21R – Other Admitted Assets. The scope of SSAP No. 21R includes all in-substance residuals regardless of the investment form. Therefore, this category shall include investments that reflect in-substance residuals in the form of 1) an investment in a securitization tranche or beneficial interest, 2) an investment in a joint venture, partnership or limited liability company, 3) an investment in preferred stock 4) an investment in common stock, or 5) any other investment structure. ~~captures from securitization tranches and beneficial interests as well as other structures captured in scope of SSAP No. 43R—Loan Backed and Structured Asset Backed Securities, that reflect loss layers without any contractual payments, whether interest or principal, or both. Payments to holders of these investments occur after contractual interest and principal payments have been made to other tranches or interests and are based on the remaining available funds. See SSAP No. 43R for accounting guidance.~~

~~Investments in joint ventures, partnerships and limited liability companies captured in scope of SSAP No. 48.—Joint Ventures, Partnerships and Limited Liability Companies that represent residual interests, or that predominantly hold residual interests.~~

~~This category shall also include residual interests or residual security tranches within investment structures that are not captured in scope of SSAP No. 43R or SSAP No. 48 but that reflect, in substance, residual interests or residual security tranches.~~

Fixed Income Instruments**Bonds**

Include: Investments with underlying collateral which, if held individually, would be reported ~~on Schedule D – Part 1 – Long-Term Bonds~~ as issuer credit obligations on Schedule D – Part 1 – Section 1, or as asset-backed securities on Schedule D – Part 1 – Section 2. Residual tranches from collateralized loan obligations (CLOs) shall be captured within this reporting line.

Preferred Stocks

Include: Investments with underlying collateral which, if held individually, would be reported on Schedule D – Part 2 – Section 1 – Preferred Stocks

Common Stocks

Include: Investments with underlying collateral which, if held individually, would be reported on Schedule D – Part 2 – Section 2 – Common Stocks

Preferred Stocks

~~Include: Investments with underlying collateral which, if held individually, would be reported on Schedule D – Part 2 – Section 1 – Preferred Stocks~~

Real Estate

Include: Investments with underlying collateral which, if held individually, would be reported on Schedule A – Real Estate Owned

Mortgage Loans

Include: Investments with underlying collateral which, if held individually, would be reported on Schedule B – Mortgage Loans

Other

Include: Items that do not qualify for inclusion in the above subcategories. Examples include, but are not limited to, residual tranches from investments with underlying assets of student loans, aircraft leases or train car leases.

Any Other Class of Assets

Include: Investments that do not fit into one of the other categories. An example of items that may be included are reverse mortgages.

All structured settlement income streams acquired as investments where the reporting entity acquires the legal right to receive payments. (Valuation and admittance provisions are detailed in *SSAP No. 21R—Other Admitted Assets.*)

This category shall also include oil and gas leases, aircraft owned under leveraged lease arrangements, investments in extractive materials and timber deeds that are not owned within a partnership, LLC or joint venture structure.

SCHEDULE BA – PART 1

OTHER LONG-TERM INVESTED ASSETS OWNED DECEMBER 31 OF CURRENT YEAR

Refer to SSAP No. 23—*Foreign Currency Transactions and Translations* for accounting guidance.

Column 1 – CUSIP Identification

~~This column must be completed for those investments included on Lines 0799999 and 1599999.~~

CUSIP numbers for all purchased publicly issued securities are available from the broker’s confirmation or the certificate. For private placement securities, the NAIC has created a special number called a PPN to be assigned by the Standard & Poor’s CUSIP Bureau. For foreign securities, use a CINS that is assigned by the Standard & Poor’s CUSIP Bureau: www.cusip.com/cusip/index.htm.

~~For those investments not included on Lines 0799999 and 1599999, a CUSIP should be provided if one has been assigned.~~

If no CUSIP number exists, the CUSIP field should be zero-filled.

Column 2 – Name or Description

Show name of the asset, such as the name of a limited partnership. If not applicable, show description of the asset.

Column 3 – [Restricted Asset](#) Code

~~Enter “^” in this column for all assets that are bifurcated between the insulated separate account filing and the non-insulated separate account filing.~~

If long-term invested assets are not under the exclusive control of the company as shown in the General Interrogatories, it is to be identified by placing one of the **symbols identified in the Investment Schedules General Instructions** in this column.

Separate Account Filing Only:

~~If the asset is a bifurcated asset between the insulated separate account filing and the non-insulated separate account filing, the “^” should appear first, immediately followed by the appropriate code (identified in the Investment Schedules General Instructions).~~



Column 7 – NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol

This column must be completed for those investments included on Lines ~~0799999~~[0199999](#), ~~0899999~~[0299999](#), ~~1599999~~[0599999](#), ~~1699999~~[0699999](#), [0999999](#), [1099999](#), [1399999](#), [1499999](#), and 4599999. For all other lines the column may be completed if the investment has an NAIC Designation received from the SVO or from an NAIC CRP.

For investments noted above, insert the appropriate combination of the NAIC Designation (1 through 6), NAIC Designation Modifier (A through G) and SVO Administrative Symbol. ~~The list of valid SVO Administrative Symbols is shown below.~~

The listing of valid NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol combinations can be found on the NAIC's website for the Securities Valuation Office (www.naic.org/svo.htm).

The NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol will be shown as one column on the printed schedule but will be three sub-columns in the data table.

- ~~NAIC Designation~~ — ~~Column 7A~~
- ~~NAIC Designation Modifier~~ — ~~Column 7B~~
- ~~SVO Administrative Symbol~~ — ~~Column 7C~~

On the printed page the sub-columns should be displayed with a “.” between the NAIC Designation and the NAIC Designation Modifier with a space between the NAIC Designation Modifier and the SVO Administrative Symbol (e.g., “1.A YE”).

NAIC Designation Modifier:

As defined in the P&P Manual, there is not an NAIC Designation Modifier for investments reporting an NAIC Designation 6, therefore, the NAIC Designation Modifier field should be left blank.

Refer to the P&P Manual for the application of these modifiers.



**** Columns 21 through 27 will be electronic only. ****

Column 21 – Investments Involving Related Parties

Required for all investments involving related parties including, but not limited to, those captured as affiliate investments. This disclosure intends to capture information on investments held that reflect interactions involving related parties, regardless of whether the related party meets the affiliate definition, or the reporting entity has received domiciliary state approval to disclaim control/affiliation.

Enter one of the following codes to identify the role of the related party in the investment.

1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.
2. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer, or other similar influential role and for which 50% or more of the underlying collateral represents investments in or direct credit exposure to related parties.
3. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role and for which less than 50% (including 0%) of the underlying collateral represents investments in or direct credit exposure to related parties.
4. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies in which the structure reflects an in-substance related party transaction but does not involve a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role.

5. The investment is identified as related party, but the role of the related party represents a different arrangement than the options provided in choices 1-4.

6. The investment does not involve a related party.

Column ~~24~~22 – Fair Value Hierarchy Level and Method Used to Obtain Fair Value Code

Report the fair value level that represents the inputs used to determine fair value. Whenever possible, the reported fair value shall reflect level 1, followed by level 2, and then level 3. In all situations fair value shall be determined in accordance with SSAP No. 100R – Fair Value. ~~Whenever possible, fair value should represent the price at which the security could be sold, based on market information. Fair value should only be determined analytically when the market based value cannot be obtained.~~

The following is a listing of valid fair value level indicators to show the fair value hierarchy level.

“1” for Level 1

“2” for Level 2

“3” for Level 3

The following is a listing of the valid method indicators to show the method used by the reporting entity to determine the Rate Used to Obtain Fair Value.

“a” for securities where the rate is determined by a pricing service.

“b” for securities where the rate is determined by a stock exchange.

“c” for securities where the rate is determined by a broker or custodian. The reporting entity should obtain and maintain the pricing policy for any broker or custodian used as a pricing source. In addition, the broker must either be approved by the reporting entity as a counterparty for buying and selling securities or be an underwriter of the security being valued. (Reporting entities shall utilize source “c” to capture any other method used by the reporting entity to obtain observable inputs resulting in a hierarchy Level 1 or Level 2. Documentation of this source shall then be included in Column 22.)

“d” for securities where the rate is determined by the reporting entity or a third party contracted by the reporting entity. The reporting entity is required to maintain a record of the pricing methodology used.

“e” for securities where the rate is determined by the unit price published in the NAIC *Valuation of Securities*.

Enter a combination of hierarchy and method indicator. The fair value hierarchy level indicator would be listed first and the method used to determine fair value indicator would be listed next. For example, use “1b” to report Level 1 for the fair value hierarchy level and stock exchange for the method used to determine fair value.

The guidance in *SSAP No. 100R—Fair Value* allows the use of net asset value per share (NAV) instead of fair value for certain investments. If NAV) is used instead of fair value leave blank.

Column ~~22~~23 – Source Used to Obtain Fair Value

For Method Code “a,” identify the specific pricing service used.

For Method Code “b,” identify the specific stock exchange used.

The listing of most **stock exchange codes can be found in the Investment Schedules General Instructions.**

For Method Code “c,” identify the specific broker or custodian used.

For Method Code “d,” leave blank.

For Method Code “e,” leave blank.

If net asset value (NAV) is used instead of fair value, the reporting entity should use “NAV” to indicate net asset value used instead of fair value.

~~Column 23 – Legal Entity Identifier (LEI)~~

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

Column 24 – Postal Code

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated..... 1199999~~

~~Affiliated..... 1299999~~

Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) Interests with Underlying Assets Having the Characteristics of:

Real Estate

Unaffiliated..... 2199999

Affiliated..... 2299999

Mortgage Loans

Unaffiliated..... 2399999

Affiliated..... 2499999

The postal code(s) reported in this column should reflect the location of the underlying property. For U.S. states, territories and possessions, use the five-digit ZIP code and not the ZIP+4 code. Outside the U.S. states, territories and possessions, use that country’s equivalent to the ZIP code. Multiple postal codes should be entered if the underlying properties are located in more than one postal code and listed from highest to lowest value associated with the underlying properties separated by commas.

Example two U.S. postal codes and one United Kingdom postal code (51501,68104,E4 7SD).

Column 25 – Property Type

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated..... 1199999~~

~~Affiliated..... 1299999~~

~~Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) Interests with Underlying Assets Having the Characteristics of:~~

~~Real Estate~~

~~Unaffiliated..... 2199999~~

~~Affiliated..... 2299999~~

~~Mortgage Loans~~

~~Unaffiliated..... 2399999~~

~~Affiliated..... 2499999~~

For property type, use one of the following codes to indicate the primary use of the property:

- OF Office
- RT Retail
- MU Apartment/Multifamily
- IN Industrial
- HC Medical/Health Care
- MX Mixed Use
- LO Lodging
- OT Other

Column 26 – Maturity Date

~~The maturity date shall be reported for all investments on Schedule BA that have a stated maturity date. This is anticipated to include, but not limited to, all investments captured as non-bond debt securities, surplus notes, capital notes, collateral loans, non-collateral loans, and investments in tax credits. However, this list should not be considered all-inclusive for investments captured on other reporting lines with stated maturity dates.~~

~~Use only for securities included in the following subtotal lines.~~

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated..... 1199999~~

~~Affiliated..... 1299999~~

~~State the date the mortgage loan matures.~~

~~Column 27 Investments Involving Related Parties~~

~~Required for all investments involving related parties including, but not limited to, those captured as affiliate investments. This disclosure intends to capture information on investments held that reflect interactions involving related parties, regardless of whether the related party meets the affiliate definition, or the reporting entity has received domiciliary state approval to disclaim control/affiliation.~~

~~Enter one of the following codes to identify the role of the related party in the investment.~~

- ~~1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.~~
- ~~2. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer, or other similar influential role and for which 50% or more of the underlying collateral represents investments in or direct credit exposure to related parties.~~
- ~~3. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role and for which less than 50% (including 0%) of the underlying collateral represents investments in or direct credit exposure to related parties.~~
- ~~4. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies in which the structure reflects an in-substance related party transaction but does not involve a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role.~~
- ~~5. The investment is identified as related party, but the role of the related party represents a different arrangement than the options provided in choices 1-4.~~
- ~~6. The investment does not involve a related party.~~

NAIC Designation Category Footnote:

Provide the total book/adjusted carrying value amount by NAIC Designation Category that represents the amount in reported in Column 12.

SCHEDULE BA – PART 2

OTHER LONG-TERM INVESTED ASSETS ACQUIRED AND ADDITIONS MADE DURING THE YEAR

This schedule should reflect not only those newly acquired long-term invested assets, but also any increases or additions to long-term invested assets acquired in the current and prior periods, including, for example, capital calls from existing limited partnerships.

Column 1 – CUSIP Identification

~~This column must be completed for those investments included on Lines 0799999 and 1599999.~~

CUSIP numbers for all purchased publicly issued securities are available from the broker's confirmation or the certificate. For private placement securities, the NAIC has created a special number called a PPN to be assigned by the Standard & Poor's CUSIP Bureau. For foreign securities, use a CINS that is assigned by the Standard & Poor's CUSIP Bureau: www.cusip.com/cusip/index.htm.

~~For those investments not included on Lines 0799999 and 1599999, a CUSIP should be provided if one has been assigned.~~

If no CUSIP number exists, the CUSIP field should be zero-filled.

↓ **====** **Detail Eliminated To Conserve Space** **====** ↓

**** Columns 12 through 16 will be electronic only. ****

Column 12 – Investments Involving Related Parties

Required for all investments involving related parties including, but not limited to, those captured as affiliate investments. This disclosure intends to capture information on investments held that reflect interactions involving related parties, regardless of whether the related party meets the affiliate definition, or the reporting entity has received domiciliary state approval to disclaim control/affiliation.

Enter one of the following codes to identify the role of the related party in the investment.

1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.
2. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer, or other similar influential role and for which 50% or more of the underlying collateral represents investments in or direct credit exposure to related parties.
3. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role and for which less than 50% (including 0%) of the underlying collateral represents investments in or direct credit exposure to related parties.
4. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies in which the structure reflects an in-substance related party transaction but does not involve a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role.
5. The investment is identified as related party, but the role of the related party represents a different arrangement than the options provided in choices 1-4.

6. The investment does not involve a related party.

~~Column 12~~ — ~~Legal Entity Identifier (LEI)~~

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

Column 13 — Postal Code

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated..... 1199999~~

~~Affiliated..... 1299999~~

Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) Interests with Underlying Assets Having the Characteristics of:

Real Estate

Unaffiliated..... 2199999

Affiliated..... 2299999

Mortgage Loans

Unaffiliated..... 2399999

Affiliated..... 2499999

The postal code(s) reported in this column should reflect the location of the underlying property. For U.S. states, territories and possessions, use the five-digit ZIP code and not the ZIP+4 code. Outside the U.S. states, territories and possessions, use that country's equivalent to the ZIP code. Multiple postal codes should be entered if the underlying properties are located in more than one postal code and listed from highest to lowest value associated with the underlying properties separated by commas.

Example two U.S. postal codes and one United Kingdom postal code (51501,68104,E4 7SD).

Column 14 — Property Type

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated..... 1199999~~

~~Affiliated..... 1299999~~

Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) Interests with Underlying Assets Having the Characteristics of:

Real Estate

Unaffiliated..... 2199999

Affiliated..... 2299999

Mortgage Loans

8/14/24

Unaffiliated..... 2399999

Affiliated..... 2499999

For property type, use one of the following codes to indicate the primary use of the property:

- OF Office
- RT Retail
- MU Apartment/Multifamily
- IN Industrial
- HC Medical/Health Care
- MX Mixed Use
- LO Lodging
- OT Other

Column 15 – Maturity Date

The maturity date shall be reported for all investments on Schedule BA that have a stated maturity date. This is anticipated to include, but not limited to, all investments captured as non-bond debt securities, surplus notes, capital notes, collateral loans, non-collateral loans, and investments in tax credits. However, this list should not be considered all-inclusive for investments captured on other reporting lines with stated maturity dates.

Use only for securities included in the following subtotal lines.

~~Non Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated..... 1199999~~

~~Affiliated..... 1299999~~

~~State the date the mortgage loan matures.~~

Column 16 — Investments Involving Related Parties

~~Required for all investments involving related parties including, but not limited to, those captured as affiliate investments. This disclosure intends to capture information on investments held that reflect interactions involving related parties, regardless of whether the related party meets the affiliate definition, or the reporting entity has received domiciliary state approval to disclaim control/affiliation.~~

~~Enter one of the following codes to identify the role of the related party in the investment.~~

- ~~1. — Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.~~
- ~~2. — Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer, or other similar influential role and for which 50% or more of the underlying collateral represents investments in or direct credit exposure to related parties.~~
- ~~3. — Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role and for which less than 50% (including 0%) of the underlying collateral represents investments in or direct credit exposure to related parties.~~

- ~~4. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies in which the structure reflects an in-substance related party transaction but does not involve a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role.~~
- ~~5. The investment is identified as related party, but the role of the related party represents a different arrangement than the options provided in choices 1-4.~~
- ~~6. The investment does not involve a related party.~~

SCHEDULE BA – PART 3

OTHER LONG-TERM INVESTED ASSETS DISPOSED, TRANSFERRED OR REPAID DURING THE YEAR

This schedule should reflect not only disposals of an entire “other invested asset” but should also include partial disposals and amounts received during the year on investments still held, including, for example, return of capital distributions from limited partnerships.

Column 1 – CUSIP Identification

~~This column must be completed for those investments included on Lines 0799999 and 1599999.~~

CUSIP numbers for all purchased publicly issued securities are available from the broker’s confirmation or the certificate. For private placement securities, the NAIC has created a special number called a PPN to be assigned by the Standard & Poor’s CUSIP Bureau. For foreign securities, use a CINS that is assigned by the Standard & Poor’s CUSIP Bureau: www.cusip.com/cusip/index.htm.

~~For those investments not included on Lines 0799999 and 1599999, a CUSIP should be provided if one has been assigned.~~

If no CUSIP number exists, the CUSIP field should be zero-filled.



**** Columns 21 through 25 will be electronic only. ****

Column 21 – Investments Involving Related Parties

Required for all investments involving related parties including, but not limited to, those captured as affiliate investments. This disclosure intends to capture information on investments held that reflect interactions involving related parties, regardless of whether the related party meets the affiliate definition, or the reporting entity has received domiciliary state approval to disclaim control/affiliation.

Enter one of the following codes to identify the role of the related party in the investment.

1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.
2. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer, or other similar influential role and for which 50% or more of the underlying collateral represents investments in or direct credit exposure to related parties.
3. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role and for which less than 50% (including 0%) of the underlying collateral represents investments in or direct credit exposure to related parties.
4. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies in which the structure reflects an in-substance related party transaction but does not involve a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role.
5. The investment is identified as related party, but the role of the related party represents a different arrangement than the options provided in choices 1-4.

6. The investment does not involve a related party.

Column 21 — Legal Entity Identifier (LEI)

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

Column 22 – Postal Code

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated..... 1199999~~

~~Affiliated..... 1299999~~

Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) Interests with Underlying Assets Having the Characteristics of:

Real Estate

Unaffiliated..... 2199999

Affiliated..... 2299999

Mortgage Loans

Unaffiliated..... 2399999

Affiliated..... 2499999

The postal code(s) reported in this column should reflect the location of the underlying property. For U.S. states, territories and possessions, use the five-digit ZIP code and not the ZIP+4 code. Outside the U.S. states, territories and possessions, use that country's equivalent to the ZIP code. Multiple postal codes should be entered if the underlying properties are located in more than one postal code and listed from highest to lowest value associated with the underlying properties separated by commas.

Example of two U.S. postal codes and one United Kingdom postal code (51501,68104,E4 7SD).

Column 23 – Property Type

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated..... 1199999~~

~~Affiliated..... 1299999~~

Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) Interests with Underlying Assets Having the Characteristics of:

Real Estate

Unaffiliated..... 2199999

Affiliated..... 2299999

Mortgage Loans

Unaffiliated.....	2399999
Affiliated.....	2499999

For property type, use one of the following codes to indicate the primary use of the property:

- OF Office
- RT Retail
- MU Apartment/Multifamily
- IN Industrial
- HC Medical/Health Care
- MX Mixed Use
- LO Lodging
- OT Other

Column 24 – Maturity Date

The maturity date shall be reported for all investments on Schedule BA that have a stated maturity date. This is anticipated to include, but not limited to, all investments captured as non-bond debt securities, surplus notes, capital notes, collateral loans, non-collateral loans, and investments in tax credits. However, this list should not be considered all-inclusive for investments captured on other reporting lines with stated maturity dates.

~~Use only for securities included in the following subtotal lines.~~

~~Non Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

Unaffiliated.....	1199999
Affiliated.....	1299999

~~State the date the mortgage loan matures.~~

Column 25 — Investments Involving Related Parties

~~Required for all investments involving related parties including, but not limited to, those captured as affiliate investments. This disclosure intends to capture information on investments held that reflect interactions involving related parties, regardless of whether the related party meets the affiliate definition, or the reporting entity has received domiciliary state approval to disclaim control/affiliation.~~

~~Enter one of the following codes to identify the role of the related party in the investment.~~

- ~~1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.~~
- ~~2. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer, or other similar influential role and for which 50% or more of the underlying collateral represents investments in or direct credit exposure to related parties.~~
- ~~3. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role and for which less than 50% (including 0%) of the underlying collateral represents investments in or direct credit exposure to related parties.~~

- ~~4. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies in which the structure reflects an in-substance related party transaction but does not involve a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role.~~
- ~~5. The investment is identified as related party, but the role of the related party represents a different arrangement than the options provided in choices 1-4.~~
- ~~6. The investment does not involve a related party.~~

ASSET VALUATION RESERVE
EQUITY AND OTHER INVESTED ASSET COMPONENT –
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS

This supporting form is used to calculate the basic contribution, reserve objective and maximum reserve targets for the common stock, real estate and other invested assets sub-components of the equity component of the AVR. Instructions apply to the general account and to the separate accounts, if applicable.

Detail Eliminated To Conserve Space

Lines 22
through 28

– Other Invested Assets with Underlying Characteristics of Bonds

Report the book/adjusted carrying value of all Schedule BA assets owned where the characteristics of the underlying investment are similar to bonds (Lines ~~0799999 and 0899999 and the portion of Lines 1399999, 1499999, 1599999 and 1699999 that applies to fixed income instruments similar to bonds~~ ~~0199999, 0299999, 0599999, 0699999, 0999999, 1099999, 1399999, and 1499999~~) that have been valued according to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* in Columns 1 and 4. Follow the SVO guidelines and categorize these assets into NAIC designations one through six as directed by the NAIC Securities Valuation Office instructions, except those exempt obligations (as listed in the AVR instructions for Line 2) which 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.

Lines 30
through 35

– Other Invested Assets with Underlying Characteristics of Preferred Stocks

Report the book/adjusted carrying value of all Schedule BA assets owned where the characteristics of the underlying investment are similar to preferred stocks (~~the portion of Lines 1399999, 1499999, 1599999 and 1699999 that applies to fixed income instruments similar to preferred stocks~~ ~~1799999 and 1899999~~), that have been valued according to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* and certain surplus debentures (included in Lines 2799999 and 2899999) and capital notes (included in Lines 3399999 and 3499999) in Columns 1 and 4. Follow the SVO guidelines and categorize these assets into classes P1 through P6 or RP1 through RP6 as directed by the NAIC Securities Valuation Office instructions. For surplus debentures and capital notes, use the Credit Rating Provider (CRP) rating to categorize these assets as if the SVO had assigned an NAIC designation of 1 through 6. ~~ONLY those surplus debentures and capital notes with a CRP rating equivalent to an NAIC 1 or NAIC 2 designation may be included in this section (in Lines 30 and 31).~~ 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.

~~Include: Surplus debentures and capital notes that possess a CRP rating equivalent to an NAIC 1 or NAIC 2 designation.~~

~~Exclude: All surplus debentures and capital notes that do NOT possess an CRP rating equivalent to an NAIC 1 or NAIC 2 designation. These surplus debentures are to be reported in Line 83 (Other Invested Assets – Schedule BA) of this schedule.~~

Lines 38 through 63 – Other Invested Assets with Underlying Characteristics of Mortgage Loans

Report the book/adjusted carrying value of all Schedule BA assets owned where the characteristics of the underlying investment are similar to mortgage loans (Lines ~~1199999, 1299999,~~ 2399999 and 2499999), excluding any mortgage-backed/asset-backed securities included in Lines 22 through 28 above, in Columns 1 and 4. Categorize the mortgage loans as indicated in Lines 38 through 55.

For Lines 38 through 63, the classification methodology for mortgages is outlined in the Life Risk-Based Capital instructions. Multiply the amount in Column 4 for each category by the reserve factors in Columns 5, 7 and 9, Lines 38 through 63. Report the products by category in Columns 6, 8 and 10, respectively. For 2015 reporting, unaffiliated, overdue and in process of foreclosure mortgages that are insured or guaranteed should be included in Lines 47, 49, 52 or 54.



Lines 94 through 100 – Other Invested Assets with Underlying Characteristics of Surplus Notes and Capital Notes

Report the book/adjusted carrying value of all Schedule BA assets owned where the characteristics of the underlying investment are similar to surplus notes and capital notes in Columns 1 and 4. Use the Credit Rating Provider (CRP) rating to categorize these assets as if the SVO had assigned an NAIC designation of 1 through 6. If no CRP rating, then report based on the reporting entity's assumption of credit risk. 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 ~~94-101~~ & ~~102-95~~ – Working Capital Finance Investments

Report the book/adjusted carrying value of all working capital finance investments owned (Schedule BA, Part 1, Line 4599999) in Columns 1 and 4. Categorize the working capital finance investments into NAIC designations 1 or 2 as directed by the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*. 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 ~~96-103~~ – Other Invested Assets – Schedule BA

Report the book/adjusted carrying value of all other Schedule BA investments owned that cannot be classified into one of the above categories (~~Lines 0199999, 0299999, 0399999, 0499999, 0599999, 0699999, 0999999, 1099999, 1799999, 1899999, 2599999, 2699999, 2799999, 2899999, 3399999, 3499999, 5899999 and 5999999~~) in Column 1 and any encumbrances on these assets in Column 3. Schedule DL, Part 1 investments reported on Line 9409999999 would be included in this total if not classified in one of the above categories. Collateral loans (Lines ~~2999999-3199999~~ and ~~3099999-3299999~~) have been intentionally excluded from this total. ~~For surplus debentures and capital notes, the amount to report in Column 1 is to be calculated based upon the accounting prescribed in SSAP No. 41—Surplus Notes. Report the sum of Columns 1 and 3 in Column 4. Column 4 may not be less than zero. Note that ALL surplus debentures and capital notes should be included here in Line 96, EXCEPT those with a CRP rating equivalent to an NAIC 1 or NAIC 2 designation (which are reported in Lines 30 and 31 of this schedule).~~ Multiply the amount in Column 4 by the reserve factors provided in Columns 5, 7 and 9, and report the products in Columns 6, 8 and 10, respectively.

~~Exclude: All surplus debentures and capital notes that possess a CRP rating equivalent to an NAIC 1 or NAIC 2 designation. These surplus debentures are to be reported in Line 30 and 31 (Other Invested Assets with Underlying Characteristics of Preferred Stocks) of this schedule.~~

Line ~~97~~101 – Other Short-Term Invested Assets – Schedule DA

Report the book/adjusted carrying value of all other Schedule DA (Lines 7029999999 and 7509999999) and Schedule DL, Part 1 (Line 9509999999) assets owned that cannot be classified into one of the above categories in Column 1 and any encumbrances on these assets in Column 3. Report the sum of Columns 1 and 3 in Column 4. Multiply the amount on Column 4 by the reserve factors provided in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.

Line ~~98~~105 – Total Other Invested Assets – Schedules BA & DA

The Columns 6, 8 and 10 amounts must be combined with Columns 6, 8 and 10, Line 21 amounts and reported on the Asset Valuation Reserve Page, Column 5, Lines 7, 10 and 9, respectively.

NOTE: Other invested asset reserves will be calculated based on the nature of the underlying investments related to the Schedule BA and Schedule DA assets. Assets should be categorized as if the company owned the underlying investment. For example:

- Mortgage participation certificates and similar holdings should be classified as fixed income assets.
- Gas and oil production and mineral rights have potential variability of return and should be categorized as equity investments.
- Partnership investments should be classified as fixed or equity investments or as equity real estate, depending on the purpose of the partnership. The maximum AVR factor would be that appropriate for the asset classification.
- A “look through” approach should be taken for any Schedule BA and Schedule DA assets not specifically listed, so as to reflect in the AVR calculation the essential nature of the investments.

QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

SCHEDULE BA – PARTS 2 AND 3

OTHER LONG-TERM INVESTED ASSETS ACQUIRED AND DISPOSED OF

Report the other long-term assets acquired during the current quarter. Investments acquired and sold during the same quarter should be reported in both Part 2 and Part 3. Include only those classes of invested assets not clearly or normally includable in any other invested asset schedule, or that have been specifically identified for reporting on Schedule BA: Other Invested Assets. Investments shall be reported in the designated reporting category and reporting line that represents the investment. Investments that do not fit within any specific reporting line shall be captured as an “Any other Class of Asset”. Such assets should include any assets previously written off for book purposes, but that still have a market or investment value. Give a detailed description of each investment and the underlying security. If an asset is to be recorded in Schedule BA that is normally reported in one of the other invested asset schedules, make full disclosure in a footnote of the reason for recording such an asset in Schedule BA.

For accounting guidance related to foreign currency transactions and translations, refer to *SSAP No. 23—Foreign Currency Transactions and Translations*.

If a reporting entity has any detail lines reported for any of the following required groups, categories or subcategories, it shall report the subtotal amount of the corresponding group, category or subcategory, with the specified subtotal line number appearing in the same manner and location as the pre-printed total or grand total line and number:

<u>Group or Category</u>	<u>Line Number</u>
<u>Debt Securities That Do Not Qualify as Bonds</u>	
<u>Debt Securities That Do Not Reflect a Creditor Relationship in Substance</u>	
<u>NAIC Designation Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	0199999
Affiliated	0299999
<u>NAIC Designation Not Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	0399999
Affiliated	0499999
<u>Debt Securities That Lack Substantive Credit Enhancement</u>	
<u>NAIC Designation Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	0599999
Affiliated	0699999
<u>NAIC Designation Not Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	0799999
Affiliated	0899999
<u>Debt Securities That Do Not Qualify as Bonds Solely Solely to a Lack of Meaningful Cash Flows</u>	
<u>NAIC Designation Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	0999999
Affiliated	1099999
<u>NAIC Designation Not Assigned by the Securities Valuation Office (SVO)</u>	
Unaffiliated	1199999
Affiliated	1299999
<u>Oil and Gas Production</u>	
Unaffiliated	0199999
Affiliated	0299999
<u>Transportation Equipment</u>	
Unaffiliated	0399999
Affiliated	0499999
<u>Mineral Rights</u>	

8/14/24

Unaffiliated.....0599999
Affiliated.....0699999

Non-Registered Private Funds with Underlying Assets Having Characteristics of:

Bonds

NAIC Designation Assigned by the Securities Valuation Office (SVO)

Unaffiliated.....0799999
Affiliated.....0899999

NAIC Designation Not Assigned by the Securities Valuation Office (SVO)

Unaffiliated.....0999999
Affiliated.....1099999

Mortgage Loans

Unaffiliated.....1199999
Affiliated.....1299999

Other Fixed Income Instruments

Unaffiliated.....1399999
Affiliated.....1499999

Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including non-Registered Private Funds) Interests with Underlying Assets Having the Characteristics of:

Fixed Income Instruments

NAIC Designation Assigned by the Securities Valuation Office (SVO)

Unaffiliated.....1599999
Affiliated.....1699999

NAIC Designation Not Assigned by the Securities Valuation Office (SVO)

Unaffiliated.....1799999
Affiliated.....1899999

Preferred Stocks

Unaffiliated.....1799999
Affiliated.....1899999

Common Stocks

Unaffiliated.....1999999
Affiliated.....2099999

Real Estate

Unaffiliated.....2199999
Affiliated.....2299999

Mortgage Loans

Unaffiliated.....2399999
Affiliated.....2499999

Other

Unaffiliated.....2599999
Affiliated.....2699999

Surplus Debentures, etc. Notes

Unaffiliated.....2799999
Affiliated.....2899999

Capital Notes

Unaffiliated.....2999999
Affiliated.....3099999

Collateral Loans

Unaffiliated.....2999999
Affiliated.....3099999

Non-collateral Loans	
Unaffiliated.....	3199999 3399999
Affiliated	3299999 3499999
Capital Notes	
Unaffiliated.....	3399999
Affiliated	3499999
Guaranteed Federal Low Income Housing Tax Credit	
Unaffiliated.....	3599999
Affiliated	3699999
Non-Guaranteed Federal Low Income Housing Tax Credit	
Unaffiliated.....	3799999
Affiliated	3899999
Guaranteed State Low Income Housing Tax Credit	
Unaffiliated.....	3999999
Affiliated	4099999
Non-Guaranteed State Low Income Housing Tax Credit	
Unaffiliated.....	4199999
Affiliated	4299999
All Other Low Income Housing Tax Credit	
Unaffiliated.....	4399999
Affiliated	4499999
Working Capital Finance Investment	
Unaffiliated.....	4599999
Residual Tranches or Interests with Underlying Assets Having Characteristics of:	
Fixed Income Instruments Bonds	
Unaffiliated	4699999
Affiliated	4799999
Preferred Stock	
Unaffiliated	4899999
Affiliated	4999999
Common Stock	
Unaffiliated	4899999 5099999
Affiliated	4999999 5199999
Preferred Stock	
Unaffiliated	5099999
Affiliated	5199999
Real Estate	
Unaffiliated	5299999
Affiliated	5399999
Mortgage Loans	
Unaffiliated	5499999
Affiliated	5599999
Other	
Unaffiliated	5699999
Affiliated	5799999
Any Other Class of Assets	
Unaffiliated.....	5899999
Affiliated	5999999

Subtotals

Unaffiliated.....	6099999 <u>6899999</u>
Affiliated	6199999 <u>6999999</u>
TOTALS	6299999<u>7099999</u>

The following listing is intended to give examples of investments to be included in each category; however, the list should not be considered all-inclusive, ~~and it should not be implied that any invested asset currently being reported in Schedules A, B or D is to be reclassified to Schedule BA.~~

Oil and Gas Production

~~Include: Offshore oil and gas leases.~~

Transportation Equipment

~~Include: Aircraft owned under leveraged lease agreements.
Motor Vehicle Trust Certificates.~~

Mineral Rights

~~Include: Investments in extractive materials.

Timber Deeds.~~

Debt Securities That Do Not Qualify as Bonds

Include: Debt securities captured in SSAP No. 21 – Other Admitted Assets. This is specific to securities, as that term is defined in SSAP No. 26 – Bonds, ~~whereby there is a fixed schedule for one or more future payments (referred to as debt securities), but for which the security does not qualify for bond reporting under SSAP No. 26 as an issuer credit obligation or an asset-backed security.~~

Investments that have been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* shall be reported on Lines 0199999, 0299999, 0599999, 0699999, 0999999, and 1099999.

Investments that have not been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for this category. Designations received from an SEC NRSRO are permitted to be reported but are not required. Report these investments on Lines 0399999, 0499999, 0799999, 0899999, 1199999 and 1299999.

Exclude: Any investment that does not qualify as a security. This term is defined in SSAP No. 26R.

Any investment that is not captured as a debt security that does not qualify as a bond pursuant to SSAP No. 21R—Other Admitted Assets.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of a Bond, Mortgage Loan or Other Fixed Income Instrument~~

~~Include: Fixed income instruments that are not corporate or governmental unit obligations (Schedule D) or secured by real property (Schedule B).~~

~~Any investments deemed by the reporting entity to possess the underlying characteristics of a bond or other fixed income instrument that has been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for this category. Report these investments on Lines 0799999 and 0899999.~~

~~Any investments deemed by the reporting entity to possess the underlying characteristics of a bond or other fixed income investment that has not been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for this category. Report these investments on Lines 0999999, 1099999, 1199999, 1299999, 1399999 and 1499999.~~

Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) Interests with Underlying Assets Having the Characteristics:

Include: Items in scope of SSAP No. 48 – Joint Ventures, Partnerships or Limited Liability Companies, which includes non-registered private funds. Investments shall be reported based on their underlying characteristics as described below. Investments shall be assigned fully to a subcategory. There should not be any bifurcation of the SSAP No. 48 investment among the subcategories.

Structured Security payment rights in scope of SSAP No. 21 that have an SVO-Assigned designation. Structured security payments rights that do not have an SVO-Assigned designation shall be reported as an Any Other Class of Asset.

Exclude: Any investment that is not captured in scope of SSAP No. 48.

Fixed Income Instruments Bonds

Include: Investments in scope of SSAP No. 48 with underlying collateral that has contractual principal and/or interest payments, excluding mortgage loans.

Structured Settlement payment rights in scope of SSAP No. 21R that have an SVO-Assigned designation.

~~Joint ventures, partnerships or limited liability companies (including non-registered private funds) investments that are engaged in bond strategies. Leveraged Buy-out Fund.~~

~~A fund investing in the “Z” strip of Collateralized Mortgage Obligations.~~

~~Any investments deemed by the reporting entity to possess the underlying characteristics of fixed income instruments~~Investments on the NAIC List of Schedule BA Non-Registered Private Funds with Underlying Assets Having Characteristics of Bonds or Preferred Stock and structured settlement payment rights in scope of SSAP No. 21R that has been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for this category. Report these investments on Lines 1599999-1399999 and 1699999-1499999.

~~Any investments deemed by the reporting entity to possess the underlying characteristics of fixed income instruments~~bonds that has have not been assigned an NAIC designation by the Securities Valuation Office (SVO) pursuant to the policies in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for this category. Designations received from an SEC NRSRO are permitted to be reported but are not required. Report these investments on Lines 1799999-1599999 and 1899999-1699999.

Preferred Stocks

Include: ~~Preferred Stock Interests~~Investments in scope of SSAP No. 48 with underlying characteristics of securities that represents ownership of a corporation and gives the holder a claim prior to the claims of common stockholders on earnings and also generally on assets in the event of liquidation.

Common Stocks

Include: [Investments in scope of SSAP No. 48 with underlying characteristics of](#) Venture Capital Funds [or other underlying equity investments.](#)

Real Estate

Include: [Investments in scope of SSAP No. 48 with underlying collateral that reflects R](#)real estate development interest. Reporting should be consistent with the detailed property analysis appropriate for the corresponding risk-based capital factor for this investment category. If the requisite details are not available for reporting, report under “Other” subcategory.

Mortgage Loans

Include: [Items in scope of SSAP No. 48 that reflect M](#)mortgage obligations. Reporting should be consistent with the detailed property analysis appropriate for the corresponding risk-based capital factor for this investment category. If the requisite details are not available for reporting, report under “Other” subcategory.

Other

Include: [Items in scope of SSAP No. 48 that do not fit within the specific categories.](#)

Limited partnership interests in oil and gas production.

Forest product partnerships.

Investments within the Joint Venture and Partnership Interests category that do not qualify for inclusion in the “~~Fixed Income Instruments~~[Bonds](#),” “Common Stocks,” “Real Estate” or “Mortgage Loans” subcategories.

~~Reporting should be consistent with the corresponding risk-based capital factor for this investment category (i.e., Other Long Term Assets).~~

Surplus ~~Debentures, etc.~~ Notes

Include: That portion of any subordinated indebtedness, surplus debenture, surplus note, debenture note, premium income note, bond, or other contingent evidence of indebtedness that is reported on the surplus.

Capital Notes

Include: [The portion of any capital note that is reported on the line for capital notes of the issuing insurance reporting entity.](#)

Collateral Loans

Include: Refer to *SSAP No. 21R—Other Admitted Assets*, for a definition of collateral loans. [Loans that are backed by any form of collateral, regardless of if the collateral is sufficient to fully cover the loan, shall be captured in this category. Guidance in SSAP No. 21R shall be followed to determine nonadmittance.](#)

In the description column, the name of the actual borrower and state if the borrower is a parent, subsidiary, affiliate, officer or director. Also include the type of collateral held.

Non-collateral Loans

Include: ~~For purposes of this section, n~~ Non-collateral loans are considered the unpaid portion of loans previously made to another organization or individual in which the reporting entity has a right to receive money for the loan, but for which the reporting entity has not obtained collateral to secure the loan.

Non-collateral loans shall not include investments captured in scope of SSAP No. 26 – Bonds, SSAP No. 37 – Mortgage Loans, SSAP No. 43R – Asset-Backed Securities, or SSAP No. 49 – Policy Loans. ~~those instruments that meet the definition of a bond, per SSAP No. 26R – Bonds, a mortgage loan per SSAP No. 37 – Mortgage Loans, loan backed or structured asset backed securities per SSAP No. 43R – Loan Backed and Structured Securities, or a policy or contract loan per SSAP No. 49 – Policy Loans.~~

In the description column, provide the name of the actual borrower. For affiliated entities, state if the borrower is a parent, subsidiary, affiliate, officer or director. Refer to SSAP No. 20—Nonadmitted Assets and SSAP No. 25—Affiliates and Other Related Parties, for accounting guidance.

Capital Notes

~~Include: The portion of any capital note that is reported on the line for capital notes of the issuing insurance reporting entity.~~

Low Income Housing Tax Credit

Include: All Low Income Housing Tax Credit Investments (LIHTC or affordable housing) that are in the form of a Limited Partnership or a Limited Liability Company, including those investments that have the following risk mitigation factors:

- A. Guaranteed Low Income Housing Tax Credit Investments. There must be an all-inclusive guarantee from a CRP-rated entity that guarantees the yield on the investment.
- B. Non-guaranteed Low Income Housing Tax Credit Investments.
 - I. A level of leverage below 50%. For a LIHTC Fund, the level of leverage is measured at the fund level.
 - II. There is a Tax Credit Guarantee Agreement from General Partner or managing member. This agreement requires the General Partner or managing member to reimburse investors for any shortfalls in tax credits due to errors of compliance, for the life of the partnership. For a LIHTC Fund, a Tax Credit Guarantee is required from the developers of the lower tier LIHTC properties to the upper tier partnership and all other LIHTC investments.
 - III. There are sufficient operating reserves, capital replacement reserves and/or operating deficit guarantees present to mitigate foreseeable foreclosure risk at the time of the investment.

Non-qualifying LIHTCs should be reported in the “All Other” category

Working Capital Finance Investment

Include: Investments in an interest in a Confirmed Supplier Receivables (CSR) under a Working Capital Finance Program (WCFP) that is designated by the SVO as meeting the criteria specified in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for an NAIC “1” or “2.”

Working Capital Finance Program (WCFP)

Open account program under which an Investor may purchase interests, or evidence thereof, in commercial non-insurance receivables. A WCFP is created for the benefit of a commercial investment grade obligor and its suppliers of goods or services and facilitated by a financial intermediary.

Confirmed Supplier Receivables (CSR)

A first priority perfected security interest claim or right to payment of a monetary obligation from the Obligor arising from the sale of goods or services from the Supplier to the Obligor, the payment of which the Obligor has confirmed by representing and warranting that it will not protest, delay, or deny, nor offer nor assert any defenses against payment to the supplier or any party taking claim or right to payment from the supplier.

See SSAP No. 105R—*Working Capital Finance Investments*, for accounting guidance

Residual Tranches or Interests with Underlying Assets Having Characteristics of:

Investment in Residual Tranches or Interests should be assigned to the subcategory with the highest underlying asset concentration. There should not be any bifurcation of the underlying assets among the subcategories.

Include: Residual tranches or interests captured in scope of SSAP No. 21R – Other Admitted Assets. The scope of SSAP No. 21R includes all in-substance residuals regardless of the investment form. Therefore, this category shall include investments that reflect in-substance residuals in the form of 1) an investment in a securitization tranche or beneficial interest, 2) an investment in a joint venture, partnership or limited liability company, 3) an investment in preferred stock, 4) an investment in common stock, or 5) any other investment structure. ~~captures securitization tranches and beneficial interests as well as other structures captured in scope of SSAP No. 43R—*Loan Backed and Structured Asset Backed Securities*, that reflect loss layers without any contractual payments, whether interest or principal, or both. Payments to holders of these investments occur after contractual interest and principal payments have been made to other tranches or interests and are based on the remaining available funds. See SSAP No. 43R for accounting guidance.~~

~~Investments in joint ventures, partnerships and limited liability companies captured in scope of SSAP No. 48.—*Joint Ventures, Partnerships and Limited Liability Companies* that represent residual interests, or that predominantly hold residual interests.~~

~~This category shall also include residual interests or residual security tranches within investment structures that are not captured in scope of SSAP No. 43R or SSAP No. 48 but that reflect, in substance, residual interests or residual security tranches.~~

Fixed Income Instruments**Bonds**

Include: Investments with underlying collateral which, if held individually, would be reported ~~on Schedule D – Part 1 – Long Term Bonds~~ as issuer credit obligations on Schedule D – Part 1 – Section 1, or as asset-backed securities on Schedule D – Part 1 – Section 2. Residual tranches from collateralized loan obligations (CLOs) shall be captured within this reporting line.

Preferred Stocks

~~Include: Investments with underlying collateral which, if held individually, would be reported on Schedule D – Part 2 – Section 1 – Preferred Stocks~~

Common Stocks

Include: Investments with underlying collateral which, if held individually, would be reported on Schedule D – Part 2 – Section 2 – Common Stocks

Preferred Stocks

~~Include: Investments with underlying collateral which, if held individually, would be reported on Schedule D – Part 2 – Section 1 – Preferred Stocks~~

Real Estate

Include: Investments with underlying collateral which, if held individually, would be reported on Schedule A – Real Estate Owned

Mortgage Loans

Include: Investments with underlying collateral which, if held individually, would be reported on Schedule B – Mortgage Loans

Other

Include: Items that do not qualify for inclusion in the above subcategories. Examples include, but are not limited to, residual tranches from investments with underlying assets of student loans, aircraft leases or train car leases.

Any Other Class of Assets

Include: Investments that do not fit into one of the other categories. An example of items that may be included are reverse mortgages.

All structured settlement income streams acquired as investments where the reporting entity acquires the legal right to receive payments. (Valuation and admittance provisions are detailed in SSAP No. 21R—Other Admitted Assets.)

This category shall also include oil and gas leases, aircraft owned under leveraged lease arrangements, investments in extractive materials and timber deeds that are not owned within a partnership, LLC or joint venture structure.

SCHEDULE BA – PART 2

**OTHER LONG-TERM INVESTED ASSETS ACQUIRED
AND ADDITIONS MADE DURING THE CURRENT QUARTER**

This schedule should reflect not only those newly acquired long-term invested assets, but also any increases or additions to long-term invested assets acquired in the current and prior periods, including, for example, capital calls from existing limited partnerships.

Column 1 – CUSIP Identification

~~This column must be completed for those investments included on Lines 0799999, 0899999, 1599999 and 1699999.~~

CUSIP numbers for all purchased publicly issued securities are available from the broker’s confirmation or the certificate. For private placement securities, the NAIC has created a special number called a PPN to be assigned by the Standard & Poor’s CUSIP Bureau. For foreign securities, use a CINS that is assigned by the Standard & Poor’s CUSIP Bureau: www.cusip.com/cusip/index.htm.

~~For those investments not included on Lines 0799999, 0899999, 1599999 and 1699999, a CUSIP should be provided if one has been assigned.~~

If no CUSIP number exists, the CUSIP field should be zero-filled.



Column 6 – NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol

This column must be completed for those investments included on Lines ~~0799999~~0199999, ~~0899999~~0299999, ~~1599999~~0599999, ~~1699999~~0699999, 0999999, 1099999, 1399999, 1499999, and 4599999. For all other lines, the column may be completed if the investment has an NAIC Designation received from the SVO or from an NAIC CRP.

For the investments noted above, insert the appropriate combination of the NAIC Designation (1 through 6), NAIC Designation Modifier (A through G) and SVO Administrative Symbol. ~~The list of valid SVO Administrative Symbols is shown below.~~

The listing of valid NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol combinations can be found on the NAIC’s website for the Securities Valuation Office (www.naic.org/svo.htm).

The NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol will be shown as one column on the printed schedule but will be three sub-columns in the data table.

- ~~NAIC Designation~~ ————— ~~Column 6A~~
- ~~NAIC Designation Modifier~~ ————— ~~Column 6B~~
- ~~SVO Administrative Symbol~~ ————— ~~Column 6C~~

On the printed page the sub-columns should be displayed with a “.” between the NAIC Designation and the NAIC Designation Modifier with a space between the NAIC Designation Modifier and the SVO Administrative Symbol (e.g., “1.A YE”).



↑ **=====
↑ * Columns 14 through 18 will be electronic only. ****

**=====
↑**

Detail Eliminated To Conserve Space

Column 14 – Investments Involving Related Parties

Required for all investments involving related parties including, but not limited to, those captured as affiliate investments. This disclosure intends to capture information on investments held that reflect interactions involving related parties, regardless of whether the related party meets the affiliate definition, or the reporting entity has received domiciliary state approval to disclaim control/affiliation.

Enter one of the following codes to identify the role of the related party in the investment.

1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.
2. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer, or other similar influential role and for which 50% or more of the underlying collateral represents investments in or direct credit exposure to related parties.
3. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role and for which less than 50% (including 0%) of the underlying collateral represents investments in or direct credit exposure to related parties.
4. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies in which the structure reflects an in-substance related party transaction but does not involve a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role.
5. The investment is identified as related party, but the role of the related party represents a different arrangement than the options provided in choices 1-4.
6. The investment does not involve a related party.

~~Column 14 – Legal Entity Identifier (LEI)~~

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

Column 15 – Postal Code

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated.....1199999
Affiliated.....1299999~~

Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) Interests with Underlying Assets Having the Characteristics of:

Real Estate

Unaffiliated.....2199999
Affiliated.....2299999

Mortgage Loans

Unaffiliated.....	2399999
Affiliated.....	2499999

The postal code(s) reported in this column should reflect the location of the underlying property. For U.S. states, territories and possessions, use the five-digit ZIP code and not the ZIP+4 code. Outside the U.S. states, territories and possessions, use that country’s equivalent to the ZIP code. Multiple postal codes should be entered if the underlying properties are located in more than one postal code and listed from highest to lowest value associated with the underlying properties separated by commas.

Example of two U.S. postal codes and one United Kingdom postal code (51501,68104,E4 7SD)

Column 16 – Property Type

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

Unaffiliated.....	1199999
Affiliated.....	1299999

Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) Interests with Underlying Assets Having the Characteristics of:

Real Estate

Unaffiliated.....	2199999
Affiliated.....	2299999

Mortgage Loans

Unaffiliated.....	2399999
Affiliated.....	2499999

For property type, use one of the following codes to indicate the primary use of the property:

- OF Office
- RT Retail
- MU Apartment/Multifamily
- IN Industrial
- HC Medical/Health Care
- MX Mixed Use
- LO Lodging
- OT Other

Column 17 – Maturity Date

The maturity date shall be reported for all investments on Schedule BA that have a stated maturity date. This is anticipated to include, but not limited to, all investments captured as non-bond debt securities, surplus notes, capital notes, collateral loans, non-collateral loans, and investments in tax credits.

However, this list should not be considered all-inclusive for investments captured on other reporting lines with stated maturity dates.

Use only for securities included in the following subtotal lines.

Non-Registered Private Funds with Underlying Assets Having Characteristics of:

Mortgage Loans

Unaffiliated..... 1199999

Affiliated..... 1299999

State the date the mortgage loan matures.

Column 18 Investments Involving Related Parties

~~Required for all investments involving related parties including, but not limited to, those captured as affiliate investments. This disclosure intends to capture information on investments held that reflect interactions involving related parties, regardless of whether the related party meets the affiliate definition, or the reporting entity has received domiciliary state approval to disclaim control/affiliation.~~

~~Enter one of the following codes to identify the role of the related party in the investment.~~

- ~~1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.~~
- ~~2. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer, or other similar influential role and for which 50% or more of the underlying collateral represents investments in or direct credit exposure to related parties.~~
- ~~3. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role and for which less than 50% (including 0%) of the underlying collateral represents investments in or direct credit exposure to related parties.~~
- ~~4. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies in which the structure reflects an in-substance related party transaction but does not involve a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role.~~
- ~~5. The investment is identified as related party, but the role of the related party represents a different arrangement than the options provided in choices 1-4.~~
- ~~6. The investment does not involve a related party.~~

SCHEDULE BA – PART 3

**OTHER LONG-TERM INVESTED ASSETS DISPOSED, TRANSFERRED OR REPAID
DURING THE CURRENT QUARTER**

This schedule should reflect not only disposals of an entire “other invested asset” but should also include partial disposals and amounts received during the year on investments still held, including, for example, return of capital distributions from limited partnerships.

Column 1 – CUSIP Identification

~~This column must be completed for those investments included on Lines 0799999, 0899999, 1599999 and 1699999.~~

CUSIP numbers for all purchased publicly issued securities are available from the broker’s confirmation or the certificate. For private placement securities, the NAIC has created a special number called a PPN to be assigned by the Standard & Poor’s CUSIP Bureau. For foreign securities, use a CINS that is assigned by the Standard & Poor’s CUSIP Bureau: www.cusip.com/cusip/index.htm.

~~For those investments not included on Lines 0799999, 0899999, 1599999 and 1699999, a CUSIP should be provided if one has been assigned.~~

If no CUSIP number exists, the CUSIP field should be zero-filled.



Detail Eliminated To Conserve Space

**** Columns 21 through 25 will be electronic only. ****

Column 21 – Investments Involving Related Parties

Required for all investments involving related parties including, but not limited to, those captured as affiliate investments. This disclosure intends to capture information on investments held that reflect interactions involving related parties, regardless of whether the related party meets the affiliate definition, or the reporting entity has received domiciliary state approval to disclaim control/affiliation.

Enter one of the following codes to identify the role of the related party in the investment.

1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.
2. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer, or other similar influential role and for which 50% or more of the underlying collateral represents investments in or direct credit exposure to related parties.
3. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role and for which less than 50% (including 0%) of the underlying collateral represents investments in or direct credit exposure to related parties.
4. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies in which the structure reflects an in-substance related party transaction but does not involve a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role.

5. The investment is identified as related party, but the role of the related party represents a different arrangement than the options provided in choices 1-4.

6. The investment does not involve a related party.

~~Column 21 – Legal Entity Identifier (LEI)~~

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

Column 22 – Postal Code

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated..... 1199999~~

~~Affiliated..... 1299999~~

Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) Interests with Underlying Assets Having the Characteristics of:

Real Estate

Unaffiliated..... 2199999

Affiliated..... 2299999

Mortgage Loans

Unaffiliated..... 2399999

Affiliated..... 2499999

The postal code(s) reported in this column should reflect the location of the underlying property. For U.S. states, territories and possessions, use the five-digit ZIP code and not the ZIP+4 code. Outside the U.S. states, territories and possessions, use that country's equivalent to the ZIP code. Multiple postal codes should be entered if the underlying properties are located in more than one postal code and listed from highest to lowest value associated with the underlying properties separated by commas.

Example of two U.S. postal codes and one United Kingdom postal code (51501,68104,E4 7SD)

Column 23 – Property Type

Use only for securities included in the following subtotal lines.

~~Non-Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

~~Unaffiliated..... 1199999~~

~~Affiliated..... 1299999~~

Interests in Joint Ventures, Partnerships or Limited Liability Company Companies (Including Non-Registered Private Funds) Interests with Underlying Assets Having the Characteristics of:

Real Estate

Unaffiliated..... 2199999

Affiliated..... 2299999

Mortgage Loans

Unaffiliated.....	2399999
Affiliated.....	2499999

For property type, use one of the following codes to indicate the primary use of the property:

- OF Office
- RT Retail
- MU Apartment/Multifamily
- IN Industrial
- HC Medical/Health Care
- MX Mixed Use
- LO Lodging
- OT Other

Column 24 – Maturity Date

The maturity date shall be reported for all investments on Schedule BA that have a stated maturity date. This is anticipated to include, but not limited to, all investments captured as non-bond debt securities, surplus notes, capital notes, collateral loans, non-collateral loans, and investments in tax credits. However, this list should not be considered all-inclusive for investments captured on other reporting lines with stated maturity dates.

~~Use only for securities included in the following subtotal lines.~~

~~Non Registered Private Funds with Underlying Assets Having Characteristics of:~~

~~Mortgage Loans~~

Unaffiliated.....	1199999
Affiliated.....	1299999

~~State the date the mortgage loan matures.~~

Column 25 — Investments Involving Related Parties

~~Required for all investments involving related parties including, but not limited to, those captured as affiliate investments. This disclosure intends to capture information on investments held that reflect interactions involving related parties, regardless of whether the related party meets the affiliate definition, or the reporting entity has received domiciliary state approval to disclaim control/affiliation.~~

~~Enter one of the following codes to identify the role of the related party in the investment.~~

- ~~1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.~~
- ~~2. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator, manager, servicer, or other similar influential role and for which 50% or more of the underlying collateral represents investments in or direct credit exposure to related parties.~~
- ~~3. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies involving a relationship with a related party as sponsor, originator,~~

~~manager, servicer or other similar influential role and for which less than 50% (including 0%) of the underlying collateral represents investments in or direct credit exposure to related parties.~~

- ~~4. — Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies in which the structure reflects an in-substance related party transaction but does not involve a relationship with a related party as sponsor, originator, manager, servicer or other similar influential role.~~
- ~~5. — The investment is identified as related party, but the role of the related party represents a different arrangement than the options provided in choices 1–4.~~
- ~~6. — The investment does not involve a related party.~~

**ASSET VALUATION RESERVE
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
EQUITY AND OTHER INVESTED ASSET COMPONENT**

Line Number	NAIC Designation	Description	1	2	3	4	Basic Contribution		Reserve Objective		Maximum Reserve	
			Book/ Adjusted Carrying Value	Reclassify Related Party Encumbrances	Add Third Party Encumbrances	Balance for AVR Reserve Calculations (Cols. 1+2+3)	5 Factor	6 Amount (Cols. 4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols. 4x9)
COMMON STOCK												
1		Unaffiliated Public		XXX	XXX		0.0000		0.1580 (a)		0.1580 (a)	
2		Unaffiliated Private		XXX	XXX		0.0000		0.1945		0.1945	
3		Federal Home Loan Bank		XXX	XXX		0.0000		0.0061		0.0097	
4		Affiliated Life with AVR		XXX	XXX		0.0000		0.0000		0.0000	
Affiliated Investment Subsidiary:												
5		Fixed Income Exempt Obligations					XXX		XXX		XXX	
6		Fixed Income Highest Quality					XXX		XXX		XXX	
7		Fixed Income High Quality					XXX		XXX		XXX	
8		Fixed Income Medium Quality					XXX		XXX		XXX	
9		Fixed Income Low Quality					XXX		XXX		XXX	
10		Fixed Income Lower Quality					XXX		XXX		XXX	
11		Fixed Income In or Near Default					XXX		XXX		XXX	
12		Unaffiliated Common Stock Public					0.0000		0.1580 (a)		0.1580 (a)	
13		Unaffiliated Common Stock Private					0.0000		0.1945		0.1945	
14		Real Estate					(b)		(b)		(b)	
15		Affiliated-Certain Other (See SVO Purposes & Procedures Manual)		XXX	XXX		0.0000		0.1580		0.1580	
16		Affiliated - All Other		XXX	XXX		0.0000		0.1945		0.1945	
17		Total Common Stock (Sum of Lines 1 through 16)					XXX		XXX		XXX	
REAL ESTATE												
18		Home Office Property (General Account only)					0.0000		0.0912		0.0912	
19		Investment Properties					0.0000		0.0912		0.0912	
20		Properties Acquired in Satisfaction of Debt					0.0000		0.1337		0.1337	
21		Total Real Estate (Sum of Lines 18 through 20)					XXX		XXX		XXX	
OTHER INVESTED ASSETS												
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF BONDS												
22		Exempt Obligations		XXX	XXX		0.0000		0.0000		0.0000	
23	1	Highest Quality		XXX	XXX		0.0005		0.0016		0.0033	
24	2	High Quality		XXX	XXX		0.0021		0.0064		0.0106	
25	3	Medium Quality		XXX	XXX		0.0099		0.0263		0.0376	
26	4	Low Quality		XXX	XXX		0.0245		0.0572		0.0817	
27	5	Lower Quality		XXX	XXX		0.0630		0.1128		0.1880	
28	6	In or Near Default		XXX	XXX		0.0000		0.2370		0.2370	
29		Total with Bond Characteristics (Sum of Lines 22 through 28)		XXX	XXX		XXX		XXX		XXX	

ASSET VALUATION RESERVE (Continued)
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
EQUITY AND OTHER INVESTED ASSET 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)
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF PREFERRED STOCKS												
30	1	Highest Quality		XXX	XXX		0.0005		0.0016		0.0033	
31	2	High Quality		XXX	XXX		0.0021		0.0064		0.0106	
32	3	Medium Quality		XXX	XXX		0.0099		0.0263		0.0376	
33	4	Low Quality		XXX	XXX		0.0245		0.0572		0.0817	
34	5	Lower Quality		XXX	XXX		0.0630		0.1128		0.1880	
35	6	In or Near Default		XXX	XXX		0.0000		0.2370		0.2370	
36		Affiliated Life with AVR		XXX	XXX		0.0000		0.0000		0.0000	
37		Total with Preferred Stock Characteristics (Sum of Lines 30 through 36)		XXX	XXX		XXX		XXX		XXX	
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF MORTGAGE LOANS												
In Good Standing Affiliated:												
38		Mortgages – CM1 – Highest Quality			XXX		0.0011		0.0057		0.0074	
39		Mortgages – CM2 – High Quality			XXX		0.0040		0.0114		0.0149	
40		Mortgages – CM3 – Medium Quality			XXX		0.0069		0.0200		0.0257	
41		Mortgages – CM4 – Low Medium Quality			XXX		0.0120		0.0343		0.0428	
42		Mortgages – CM5 – Low Quality			XXX		0.0183		0.0486		0.0628	
43		Residential Mortgages – Insured or Guaranteed			XXX		0.0003		0.0007		0.0011	
44		Residential Mortgages – All Other		XXX	XXX		0.0015		0.0034		0.0046	
45		Commercial Mortgages – Insured or Guaranteed			XXX		0.0003		0.0007		0.0011	
Overdue, Not in Process Affiliated:												
46		Farm Mortgages			XXX		0.0480		0.0868		0.1371	
47		Residential Mortgages – Insured or Guaranteed			XXX		0.0006		0.0014		0.0023	
48		Residential Mortgages – All Other			XXX		0.0029		0.0066		0.0103	
49		Commercial Mortgages – Insured or Guaranteed			XXX		0.0006		0.0014		0.0023	
50		Commercial Mortgages – All Other			XXX		0.0480		0.0868		0.1371	
In Process of Foreclosure Affiliated:												
51		Farm Mortgages			XXX		0.0000		0.1942		0.1942	
52		Residential Mortgages – Insured or Guaranteed			XXX		0.0000		0.0046		0.0046	
53		Residential Mortgages – All Other			XXX		0.0000		0.0149		0.0149	
54		Commercial Mortgages – Insured or Guaranteed			XXX		0.0000		0.0046		0.0046	
55		Commercial Mortgages – All Other			XXX		0.0000		0.1942		0.1942	
56		Total Affiliated (Sum of Lines 38 through 55)			XXX		XXX		XXX		XXX	
57		Unaffiliated – In Good Standing With Covenants			XXX		(c)		(c)		(c)	
58		Unaffiliated – In Good Standing Defeased With Government Securities			XXX		0.0011		0.0057		0.0074	
59		Unaffiliated – In Good Standing Primarily Senior			XXX		0.0040		0.0114		0.0149	
60		Unaffiliated – In Good Standing All Other			XXX		0.0069		0.0200		0.0257	
61		Unaffiliated – Overdue, Not in Process			XXX		0.0480		0.0868		0.1371	
62		Unaffiliated – In Process of Foreclosure			XXX		0.0000		0.1942		0.1942	
63		Total Unaffiliated (Sum of Lines 57 through 62)			XXX		XXX		XXX		XXX	
64		Total with Mortgage Loan Characteristics (Lines 56 + 63)			XXX		XXX		XXX		XXX	

ASSET VALUATION RESERVE (Continued)
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
EQUITY AND OTHER INVESTED ASSET 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)
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF COMMON STOCK												
65		Unaffiliated Public		XXX	XXX		0.0000		0.1580(a)		0.1580(a)	
66		Unaffiliated Private		XXX	XXX		0.0000		0.1945		0.1945	
67		Affiliated Life with AVR.....		XXX	XXX		0.0000		0.0000		0.0000	
68		Affiliated Certain Other (See SVO Purposes & Procedures Manual).....		XXX	XXX		0.0000		0.1580		0.1580	
69		Affiliated Other - All Other.....		XXX	XXX		0.0000		0.1945		0.1945	
70		Total with Common Stock Characteristics (Sum of Lines 65 through 69)		XXX	XXX		XXX		XXX		XXX	
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF REAL ESTATE												
71		Home Office Property (General Account only).....					0.0000		0.0912		0.0912	
72		Investment Properties					0.0000		0.0912		0.0912	
73		Properties Acquired in Satisfaction of Debt					0.0000		0.1337		0.1337	
74		Total with Real Estate Characteristics (Sum of Lines 71 through 73)					XXX		XXX		XXX	
LOW INCOME HOUSING TAX CREDIT INVESTMENTS												
75		Guaranteed Federal Low-Income Housing Tax Credit					0.0003		0.0006		0.0010	
76		Non-guaranteed Federal Low-Income Housing Tax Credit					0.0063		0.0120		0.0190	
77		Guaranteed State Low Income Housing Tax Credit					0.0003		0.0006		0.0010	
78		Non-guaranteed State Low Income Housing Tax Credit					0.0063		0.0120		0.0190	
79		All Other Low-Income Housing Tax Credit					0.0273		0.0600		0.0975	
80		Total LIHTC (Sum of Lines 75 through 79)					XXX		XXX		XXX	
RESIDUAL TRanches OR INTERESTS												
81		Fixed Income Instruments/Bonds - Unaffiliated		XXX	XXX		0.0000		0.1580		0.1580	
82		Fixed Income Instruments/Bonds - Affiliated		XXX	XXX		0.0000		0.1580		0.1580	
83		Common Stock - Unaffiliated		XXX	XXX		0.0000		0.1580		0.1580	
84		Common Stock - Affiliated		XXX	XXX		0.0000		0.1580		0.1580	
85		Preferred Stock - Unaffiliated		XXX	XXX		0.0000		0.1580		0.1580	
86		Preferred Stock - Affiliated		XXX	XXX		0.0000		0.1580		0.1580	
87		Real Estate - Unaffiliated					0.0000		0.1580		0.1580	
88		Real Estate - Affiliated					0.0000		0.1580		0.1580	
89		Mortgage Loans - Unaffiliated		XXX	XXX		0.0000		0.1580		0.1580	
90		Mortgage Loans - Affiliated		XXX	XXX		0.0000		0.1580		0.1580	
91		Other - Unaffiliated		XXX	XXX		0.0000		0.1580		0.1580	
92		Other - Affiliated		XXX	XXX		0.0000		0.1580		0.1580	
93		Total Residual Tranches or Interests (Sum of Lines 81 through 92)					XXX		XXX		XXX	
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF SURPLUS NOTES & CAPITAL NOTES												
94	1	Highest Quality		XXX	XXX		0.0005		0.0016		0.0033	
95	2	High Quality		XXX	XXX		0.0021		0.0064		0.0106	
96	3	Medium Quality		XXX	XXX		0.0099		0.0263		0.0376	
97	4	Low Quality		XXX	XXX		0.0245		0.0572		0.0817	
98	5	Lower Quality		XXX	XXX		0.0630		0.1128		0.1880	
99	6	In or Near Default		XXX	XXX		0.0000		0.2370		0.2370	
100		Total with Bond Characteristics (Sum of Lines 94 through 100)		XXX	XXX		XXX		XXX		XXX	
ALL OTHER INVESTMENTS												
10194		NAIC 1 Working Capital Finance Investments		XXX			0.0000		0.0042		0.0042	
10295		NAIC 2 Working Capital Finance Investments		XXX			0.0000		0.0137		0.0137	
10396		Other Invested Assets - Schedule BA		XXX			0.0000		0.1580		0.1580	
10497		Other Short-Term Invested Assets - Schedule DA		XXX			0.0000		0.1580		0.1580	
10598		Total All Other (Sum of Lines 94, 95, 96 and 97)		XXX			XXX		XXX		XXX	
10699		Total Other Invested Assets - Schedules BA & DA (Sum of Lines 29, 37, 64, 70, 74, 80, 93, 100 and 98, 105)					XXX		XXX		XXX	

(a) Times the company's weighted average portfolio beta (Minimum .1215, Maximum .2431).
 (b) Determined using same factors and breakdowns used for directly owned real estate.
 (c) This will be the factor associated with the risk category determined in the company generated worksheet.

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

<p style="text-align: right;">DATE: <u>01/03/2024</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., 3rd FL., Ste. 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2024-01BWG</u></p> <p>Year <u>2024</u></p> <p>Changes to Existing Reporting <input checked="" type="checkbox"/> [X]</p> <p>New Reporting Requirement <input type="checkbox"/> []</p> <hr/> <p style="text-align: center;">REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</p> <p>No Impact <input type="checkbox"/> []</p> <p>Modifies Required Disclosure <input checked="" type="checkbox"/> [X]</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 style="text-align: center;">DISPOSITION</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 checked="" type="checkbox"/> [X] Adopted Date <u>05/23/2024</u></p> <p><input type="checkbox"/> [] Rejected Date _____</p> <p><input type="checkbox"/> [] Deferred Date _____</p> <p><input type="checkbox"/> [] Other (Specify) _____</p>
--	--

BLANK(S) TO WHICH PROPOSAL APPLIES

- | | | |
|---|---|---|
| <input checked="" type="checkbox"/> [X] ANNUAL STATEMENT | <input checked="" 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 2024

IDENTIFICATION OF ITEM(S) TO CHANGE

Identify where common stock and preferred stock residual interests should be reported on the investment schedules.

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

This proposal updates the Investment Schedules General Instructions to identify that common and preferred stock residual interests should be reported on Schedule BA. (SAPWG Item 2023-23)

*****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 – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

INVESTMENT SCHEDULES GENERAL INSTRUCTIONS

(Applies to all investment schedules)



General Classifications Preferred Stock Only:

Refer to SSAP No. 32R—*Preferred Stock* and SSAP No. 97—*Investments in Subsidiary, Controlled and Affiliated Entities*.

Investments in the form of preferred stock that are in substance residual interests or a residual security tranche, as defined in SSAP No. 43R—*Loan-Backed and Structured Securities* or SSAP No. 48—*Joint Ventures, Partnerships, and Limited Liability Companies*, shall be reported on Schedule BA – Other Long-Term Assets in the reporting lines for residuals.

Industrial and Miscellaneous (Unaffiliated):

All unaffiliated preferred stocks. Include Public Utilities, Banks, Trusts and Insurance Companies. This category includes Exchange Traded Funds included on the “List of Exchange Traded Funds Eligible for Reporting as a Schedule D Preferred Stock” as found on the Securities Valuation Office Web page (<https://www.naic.org/svo.htm>). Include publicly traded stock warrants captured in the scope of SSAP No. 32R—*Preferred Stock*.

Parent, Subsidiaries and Affiliates:

Defined by SSAP No. 97—*Investments in Subsidiary, Controlled and Affiliated Entities*.

General Classifications Common Stock Only:

Refer to SSAP No. 30R—*Unaffiliated Common Stock* and SSAP No. 97—*Investments in Subsidiary, Controlled and Affiliated Entities*.

Investments in the form of common stock that are in substance residual interests or a residual security tranche, as defined in SSAP No. 43R—*Loan-Backed and Structured Securities* or SSAP No. 48—*Joint Ventures, Partnerships, and Limited Liability Companies*, shall be reported on Schedule BA – Other Long-Term Assets in the reporting lines for residuals.

SCHEDULE D – PART 2 – SECTION 1

PREFERRED STOCKS OWNED DECEMBER 31 OF CURRENT YEAR

Stocks are to be grouped as listed below and arranged alphabetically, showing a subtotal for each category.

[Investments that are in substance residual interests or a residual security tranche shall not be captured on this schedule. These investments shall be reported on Schedule BA – Other Long-Term Assets.](#)

SCHEDULE D – PART 2 – SECTION 2

COMMON STOCKS OWNED DECEMBER 31 OF CURRENT YEAR

Stocks are to be grouped as listed below and arranged alphabetically, showing a subtotal for each category.

[Investments that are in substance residual interests or a residual security tranche shall not be captured on this schedule. These investments shall be reported on Schedule BA – Other Long-Term Assets.](#)

QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

INVESTMENT SCHEDULES GENERAL INSTRUCTIONS

(Applies to all investment schedules)



Detail Eliminated To Conserve Space

General Classifications Preferred Stock Only:

Refer to SSAP No. 32R—*Preferred Stock* and SSAP No. 97—*Investments in Subsidiary, Controlled and Affiliated Entities*.

Investments in the form of preferred stock that are in substance residual interests or a residual security tranche, as defined in SSAP No. 43R—*Loan-Backed and Structured Securities* or SSAP No. 48—*Joint Ventures, Partnerships, and Limited Liability Companies*, shall be reported on Schedule BA – Other Long-Term Assets in the reporting lines for residuals.

Industrial and Miscellaneous (Unaffiliated):

All unaffiliated preferred stocks. Include Public Utilities, Banks, Trusts and Insurance Companies. This category includes Exchange Traded Funds included on the “List of Exchange Traded Funds Eligible for Reporting as a Schedule D Preferred Stock” as found on the Securities Valuation Office Web page (<https://www.naic.org/svo.htm>). Include publicly traded stock warrants captured in the scope of SSAP No. 32R—*Preferred Stock*.

Parent, Subsidiaries and Affiliates:

Defined by SSAP No. 97—*Investments in Subsidiary, Controlled and Affiliated Entities*.

General Classifications Common Stock Only:

Refer to SSAP No. 30R—*Unaffiliated Common Stock* and SSAP No. 97—*Investments in Subsidiary, Controlled and Affiliated Entities*.

Investments in the form of common stock that are in substance residual interests or a residual security tranche, as defined in SSAP No. 43R—*Loan-Backed and Structured Securities* or SSAP No. 48—*Joint Ventures, Partnerships, and Limited Liability Companies*, shall be reported on Schedule BA – Other Long-Term Assets in the reporting lines for residuals.

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

<p style="text-align: right;">DATE: <u>01/03/2024</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., 3rd FL., Ste. 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;"><u>FOR NAIC USE ONLY</u></p> <p>Agenda Item # <u>2024-02BWG MOD</u> Year <u>2024</u> Changes to Existing Reporting [X] New Reporting Requirement []</p> <p style="text-align: center;"><u>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</u></p> <p>No Impact [] Modifies Required Disclosure [X]</p> <p>Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No] <i>***If Yes, complete question below***</i></p> <p style="text-align: center;"><u>DISPOSITION</u></p> <p>[] Rejected For Public Comment [] Referred To Another NAIC Group [] Received For Public Comment [X] Adopted Date <u>05/23/2024</u> [] Rejected Date _____ [] Deferred Date _____ [] Other (Specify) _____</p>
--	---

BLANK(S) TO WHICH PROPOSAL APPLIES

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

Anticipated Effective Date: 1st Quarter 2025

IDENTIFICATION OF ITEM(S) TO CHANGE

Remove categories from Schedule DA, Part 1 and Schedule E, Part 2 that should be reported on Schedule BA. Add clarifying instructions on what should be included in Other Short-Term and Other Cash Equivalent categories. Make corresponding changes to Schedule DA Verification, 5-year Historical, and Asset Valuation Reserve.

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

This proposal updates the Investment Schedules General Instructions to identify what should be included in the Other Short-Term and Other Cash Equivalent categories and to add clarity of what should be reported on Schedule BA. (SAPWG Item 2023-17).

*****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 – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

INVESTMENT SCHEDULES GENERAL INSTRUCTIONS

(Applies to all investment schedules)



Detail Eliminated To Conserve Space

General Classifications Short-Term Investments Only:

Refer to SSAP No. 2R— Cash, Cash Equivalents, Drafts and Short-Term Investments. The following investments are not permitted to be reported as short-term investments regardless of maturity date:

- Asset-backed securities captured in scope of SSAP No. 43R - Asset-backed Securities
- All investments that are reported on Schedule BA, including but not limited to:
 - All debt securities that do not qualify as bonds in scope of SSAP No. 21R – Other Admitted Assets
 - Collateral/Non-Collateral loans captured in scope of SSAP No. 21R.
 - Working capital finance investments in scope of SSAP No. 105R – Working Capital Finance Investments
 - Surplus notes in scope of SSAP No. 41R – Surplus Notes
- Mortgage loans captured in scope of SSAP No. 37 – Mortgage Loans
- Derivative instruments in scope of SSAP No. 86 – Derivatives or SSAP No. 108 – Derivatives Hedging Variable Annuity Guarantees
- Securities with terms that are reset at predefined dates (e.g., an auction-rate security that has a long-term maturity and an interest rate that is regularly reset through a Dutch auction) or have other features an investor may believe results in a different term than the related contractual maturity shall be accounted for based on the contractual maturity at the date of acquisition, except where other specific rules within the statutory accounting framework currently exist.

Other Short-Term Investments:

Report investments that qualify as short-term investments pursuant to SSAP No. 2R - Cash, Cash Equivalents, Drafts and Short-Term Investments that do not fit within a specific reporting line. (Specific reporting lines shall be utilized when applicable.)

General Classifications Cash Equivalents Only:

Refer to SSAP No. 2R— Cash, Cash Equivalents, Drafts and Short-Term Investments. The following investments are not permitted to be reported as short-term investments regardless of maturity date:

- Asset-backed securities captured in scope of SSAP No. 43R - Asset-backed Securities
- All investments that are reported on Schedule BA, including but not limited to:
 - All debt securities that do not qualify as bonds in scope of SSAP No. 21R – Other Admitted Assets
 - Collateral/Non-Collateral loans captured in scope of SSAP No. 21R.
 - Working capital finance investments in scope of SSAP No. 105R – Working Capital Finance Investments
 - Surplus notes in scope of SSAP No. 41R – Surplus Notes
- Mortgage loans captured in scope of SSAP No. 37 – Mortgage Loans
- Derivative instruments in scope of SSAP No. 86 – Derivatives or SSAP No. 108 – Derivatives Hedging Variable Annuity Guarantees
- Securities with terms that are reset at predefined dates (e.g., an auction-rate security that has a long-term maturity and an interest rate that is regularly reset through a Dutch auction) or have other features an investor may believe results in a different term than the related contractual maturity shall be accounted for based on the contractual maturity at the date of acquisition, except where other specific rules within the statutory accounting framework currently exist.

Money Market Mutual Funds:

All investment in shares of funds regulated as money market mutual funds by the U.S. Securities and Exchange Commission.

Other Cash Equivalent:

Report investments that qualify as Cash Equivalents pursuant to SSAP No. 2R - Cash, Cash Equivalents, Drafts and Short-Term Investments that do not fit within a specific reporting line. (Specific reporting lines shall be utilized when applicable.)

SCHEDULE DA – PART 1

SHORT-TERM INVESTMENTS OWNED DECEMBER 31 OF CURRENT YEAR

Detail Eliminated To Conserve Space	Line Number
<u>Category</u>	<u>Line Number</u>
Issuer Credit Obligations	
U.S. Government Obligations (Exempt from RBC).....	0019999999
Other U.S. Government Obligations (Not Exempt from RBC).....	0029999999
Non-U.S. Sovereign Jurisdiction Securities	0039999999
Municipal Bonds – General Obligations (Direct and Guaranteed).....	0049999999
Municipal Bonds – Special Revenue.....	0059999999
Project Finance Bonds Issued by Operating Entities (Unaffiliated).....	0069999999
Project Finance Bonds Issued by Operating Entities (Affiliated)	0079999999
Corporate Bonds (Unaffiliated).....	0089999999
Corporate Bonds (Affiliated).....	0099999999
Mandatory Convertible Bonds (Unaffiliated).....	0109999999
Mandatory Convertible Bonds (Affiliated).....	0119999999
Single Entity Backed Obligations (Unaffiliated)	0129999999
Single Entity Backed Obligations (Affiliated).....	0139999999
SVO-Identified Bond Exchange Traded Funds – Fair Value.....	0149999999
SVO-Identified Bond Exchange Traded Funds – Systematic Value	0159999999
Bonds Issued from SEC-Registered Business Development Corps, Closed End Funds & REITS (Unaffiliated)	0169999999
Bonds Issued from SEC-Registered Business Development Corps, Closed End Funds & REITS (Affiliated).....	0179999999
Bank Loans – Issued (Unaffiliated).....	0189999999
Bank Loans – Issued (Affiliated).....	0199999999
Bank Loans – Acquired (Unaffiliated).....	0209999999
Bank Loans – Acquired (Affiliated).....	0219999999
Mortgages Loans that Qualify as SVO-Identified Credit Tenant Loans (Unaffiliated)	0229999999
Mortgages Loans that Qualify as SVO-Identified Credit Tenant Loans (Affiliated).....	0239999999
Other Issuer Credit Obligations (Unaffiliated).....	0269999999
Other Issuer Credit Obligations (Affiliated)	0279999999
Total Issuer Credit Obligations	
Subtotals – Issuer Credit Obligations (Unaffiliated)	0489999999
(Sum of Lines: 0019999999, 0029999999, 0039999999, 0049999999, 0059999999, 0069999999, 0089999999, 0109999999, 0129999999, 0149999999, 0159999999, 0169999999, 0189999999, 0209999999, 0229999999, and 0269999999)	
Subtotals – Issuer Credit Obligations (Affiliated).....	0499999999
(Sum of Lines: 0079999999, 0099999999, 0119999999, 0139999999, 0179999999, 0199999999, 0219999999, 0239999999, and 0279999999)	
Subtotals – Issuer Credit Obligations.....	0509999999
Parent, Subsidiaries and Affiliates	
Mortgage Loans.....	7019999999
Other Short Term Invested Assets.....	7029999999

Subtotals — Parent, Subsidiaries and Affiliates	7109999999
Mortgage Loans	7309999999
<u>Other Short-Term Invested Assets (Unaffiliated)</u>	<u>7499999999</u>
Other Short-Term Invested Assets (<u>Affiliated</u>)	7509999999
<u>Total Short-Term Investments (Unaffiliated)</u>	<u>7689999999</u>
<u>(Sum of Lines: 0489999999 and 7499999999)</u>	
<u>Total Short-Term Investments (Affiliated)</u>	<u>7699999999</u>
<u>(Sum of Lines: 0499999999 and 7509999999)</u>	
<hr/> Total Short-Term Investments.....	7709999999

SCHEDULE E – PART 2 – CASH EQUIVALENTS

List all investments owned whose maturities (or repurchase dates under repurchase agreement) at the time of acquisition were three months or less and defined as cash equivalents in accordance with *SSAP No. 2R—Cash, Cash Equivalents, Drafts, and Short-Term Investments*. Include Money Market Mutual Funds.

=
=
Detail Eliminated To Conserve Space
=
=

<u>Category</u>	<u>Line Number</u>
Issuer Credit Obligations:	
U.S. Government Obligations (Exempt from RBC).....	0019999999
Other U.S. Government Obligations (Not Exempt from RBC).....	0029999999
Non-U.S. Sovereign Jurisdiction Securities	0039999999
Municipal Bonds – General Obligations (Direct & Guaranteed).....	0049999999
Municipal Bonds – Special Revenue.....	0059999999
Project Finance Bonds Issued by Operating Entities (Unaffiliated)	0069999999
Project Finance Bonds Issued by Operating Entities (Affiliated)	0079999999
Corporate Bonds (Unaffiliated).....	0089999999
Corporate Bonds (Affiliated).....	0099999999
Mandatory Convertible Bonds (Unaffiliated).....	0109999999
Mandatory Convertible Bonds (Affiliated).....	0119999999
Single Entity Backed Obligations (Unaffiliated)	0129999999
Single Entity Backed Obligations (Affiliated).....	0139999999
SVO-Identified Bond Exchange Traded Funds – Fair Value.....	0149999999
SVO-Identified Bond Exchange Traded Funds – Systematic Value	0159999999
Bonds Issued from SEC-Registered Business Development Corps, Closed End Funds & REITS (Unaffiliated)	0169999999
Bonds Issued from SEC-Registered Business Development Corps, Closed End Funds & REITS (Affiliated).....	0179999999
Bank Loans – Issued (Unaffiliated).....	0189999999
Bank Loans – Issued (Affiliated).....	0199999999
Bank Loans – Acquired (Unaffiliated).....	0209999999
Bank Loans – Acquired (Affiliated).....	0219999999
Mortgages Loans that Qualify as SVO-Identified Credit Tenant Loans (Unaffiliated)	0229999999
Mortgages Loans that Qualify as SVO-Identified Credit Tenant Loans (Affiliated).....	0239999999
Certificates of Deposit (Unaffiliated).....	0249999999
Certificates of Deposit (Affiliated).....	0259999999
Other Issuer Credit Obligations (Unaffiliated).....	0269999999
Other Issuer Credit Obligations (Affiliated)	0279999999
 Total – Issuer Credit Obligations (Unaffiliated).....	 0489999999
(Sum of Lines: 0019999999, 0029999999, 0039999999, 0049999999, 0059999999, 0069999999, 0089999999, 0109999999, 0129999999, 0149999999, 0159999999, 0169999999, 0189999999, 0209999999, 0229999999, 0249999999, and 0269999999)	
Total – Issuer Credit Obligations (Affiliated).....	0499999999

(Sum of Lines: 0079999999, 0099999999, 0119999999, 0139999999, 0179999999, 0199999999, 0219999999, 0239999999, 0259999999, and 0279999999)	
Total – Total Issuer Credit Obligations.....	0509999999
Sweep Accounts.....	8109999999
Exempt Money Market Mutual Funds – as Identified by SVO	8209999999
All Other Money Market Mutual Funds	8309999999
Qualified Cash Pools Under SSAP No. 2R	8409999999
<u>Other Cash Equivalents (Unaffiliated).....</u>	<u>8499999999</u>
Other Cash Equivalents (Affiliated).....	8509999999
<u>Total Cash Equivalents (Unaffiliated).....</u>	<u>8589999999</u>
<u>(Sum of Lines: 0489999999, 8409999999, and 8499999999)</u>	
<u>Total Cash Equivalents (Affiliated).....</u>	<u>8599999999</u>
<u>(Sum of Lines: 0499999999, 8109999999, 8209999999, 8309999999, and 8509999999)</u>	
Total Cash Equivalents.....	8609999999

SCHEDULE DA – VERIFICATION BETWEEN YEARS

SHORT-TERM INVESTMENTS

Report the aggregate amounts required by type of short-term investment asset. The categories of assets to be reported are: bonds; ~~mortgage loans;~~ and other short-term investment assets; ~~and investments in parent, subsidiaries and affiliates~~. A grand total of all activity is also required.

ANNUAL STATEMENT INSTRUCTIONS – HEALTH

FIVE-YEAR HISTORICAL DATA



Detail Eliminated To Conserve Space

Investments in Parent, Subsidiaries and Affiliates

Line 26 – Affiliated Bonds

All yearsSchedule D Summary, Line 12, Column 1

Line 27 – Affiliated Preferred Stocks

All yearsSchedule D Summary, Line 18, Column 1

Line 28 – Affiliated Common Stocks

All yearsSchedule D Summary, Line 24, Column 1

~~Line 29 – Affiliated Short-term Investment~~

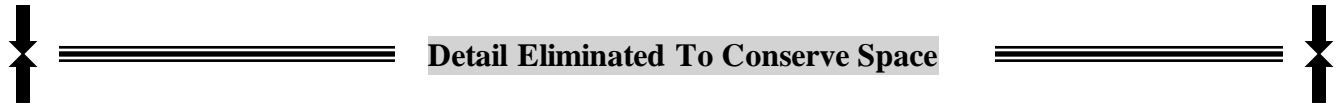
~~All yearsSubtotal included in Schedule DA, Verification Between Years, Column 5,
Line 10~~

Line 33 – Total Investment in Parent

Report the amount of investments reported in Lines 26 to 31 above that are in an immediate or indirect parent.

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL

FIVE-YEAR HISTORICAL DATA



Detail Eliminated To Conserve Space

Investments in Parent, Subsidiaries and Affiliates

Line 44 – Affiliated Bonds

All yearsSchedule D Summary, Line 12, Column 1

Line 45 – Affiliated Preferred Stocks

All yearsSchedule D Summary, Line 18, Column 1

Line 46 – Affiliated Common Stocks

All yearsSchedule D Summary, Line 24, Column 1

~~Line 47 – Affiliated Short-term Investments~~

~~All yearsSubtotal included in Schedule DA, Verification Between Years, Column 5, Line 10~~

Line 51 – Total Investment in Parent

Report the amount of investments reported in Lines 44 to 49 above that are in an immediate or indirect parent.

ASSET VALUATION RESERVE

DEFAULT COMPONENT –

BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS



Detail Eliminated To Conserve Space



~~Line 59 Total Schedule DA Mortgages~~

~~Report the book/adjusted carrying value of all Schedule DA mortgage loans (Lines 7019999999 and 7309999999) and any applicable investments from Schedule DL, Part 1, Line 9509999999 owned in Column 1. Any related encumbrances should be deducted in Column 2. Multiply the amount in Column 4 by the reserve factors for the Schedule B mortgages and report the products in Columns 6, 8 and 10.~~

ANNUAL STATEMENT INSTRUCTIONS – PROPERTY

FIVE-YEAR HISTORICAL DATA

**=====
=====
Detail Eliminated To Conserve Space
=====
=====**

Investments in Parent, Subsidiaries and Affiliates

Line 42 – Affiliated Bonds

All yearsSchedule D Summary, Line 12, Column 1

Line 43 – Affiliated Preferred Stocks

All yearsSchedule D Summary, Line 18, Column 1

Line 44 – Affiliated Common Stock

All yearsSchedule D Summary, Line 24, Column 1

~~Line 45 – Affiliated Short-term Investments~~

~~All yearsSchedule DA Verification Between Years, Column 5, Line 10~~

Line 49 – Total Investment in Parent

Report the amount of investments reported in Lines 42 to 47 above that are in an immediate or indirect parent.

Line 50 – Percentage of Investments in Parents, Subsidiaries and Affiliates to Surplus as Regards Policyholders

All yearsFive Year Historical, Line 48 divided by Page 3, Column 1, Line 37 x 100.0

ANNUAL STATEMENT INSTRUCTIONS – TITLE

FIVE-YEAR HISTORICAL DATA



Detail Eliminated To Conserve Space

Investment in Parent, Subsidiaries and Affiliates

Line 38 – Affiliated Bonds

All yearsSchedule D Summary, Line 12, Column 1

Line 39 – Affiliated Preferred Stock

All yearsSchedule D Summary, Line 18, Column 1

Line 40 – Affiliated Common Stock

All yearsSchedule D Summary, Line 24, Column 1

~~Line 41 – Affiliated Short-term Investments~~

~~All yearsSubtotal included in Schedule DA, Verification Between Years, Column 5,
Line 10~~

Line 45 – Total Investment in Parent

Report the amount of investments reported in Lines 38 to 43 above that are in an immediate or indirect parent.

Line 46 – Percentage of Investments in Parent, Subsidiaries and Affiliates to Surplus as Regards to Policyholders

All yearsLine 44 divided by Page 3, Line 32, Column 1 x 100.0

QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

INVESTMENT SCHEDULES GENERAL INSTRUCTIONS

(Applies to all investment schedules)



General Classifications Short-Term Investments Only:

Refer to SSAP No. 2R— Cash, Cash Equivalents, Drafts and Short-Term Investments. The following investments are not permitted to be reported as short-term investments regardless of maturity date:

- Asset-backed securities captured in scope of SSAP No. 43R - Asset-backed Securities
- All investments that are reported on Schedule BA, including but not limited to:
 - All debt securities that do not qualify as bonds in scope of SSAP No. 21R – Other Admitted Assets
 - Collateral/Non-Collateral loans captured in scope of SSAP No. 21R.
 - Working capital finance investments in scope of SSAP No. 105R – Working Capital Finance Investments
 - Surplus notes in scope of SSAP No. 41R – Surplus Notes
- Mortgage loans captured in scope of SSAP No. 37 – Mortgage Loans
- Derivative instruments in scope of SSAP No. 86 – Derivatives or SSAP No. 108 – Derivatives Hedging Variable Annuity Guarantees
- Securities with terms that are reset at predefined dates (e.g., an auction-rate security that has a long-term maturity and an interest rate that is regularly reset through a Dutch auction) or have other features an investor may believe results in a different term than the related contractual maturity shall be accounted for based on the contractual maturity at the date of acquisition, except where other specific rules within the statutory accounting framework currently exist.

Other Short-Term Investments:

Report investments that qualify as short-term investments pursuant to SSAP No. 2R - Cash, Cash Equivalents, Drafts and Short-Term Investments that do not fit within a specific reporting line. (Specific reporting lines shall be utilized when applicable.)

General Classifications Cash Equivalents Only:

Refer to SSAP No. 2R— Cash, Cash Equivalents, Drafts and Short-Term Investments. The following investments are not permitted to be reported as short-term investments regardless of maturity date:

- Asset-backed securities captured in scope of SSAP No. 43R - Asset-backed Securities
- All investments that are reported on Schedule BA, including but not limited to:
 - All debt securities that do not qualify as bonds in scope of SSAP No. 21R – Other Admitted Assets
 - Collateral/Non-Collateral loans captured in scope of SSAP No. 21R.
 - Working capital finance investments in scope of SSAP No. 105R – Working Capital Finance Investments
 - Surplus notes in scope of SSAP No. 41R – Surplus Notes
- Mortgage loans captured in scope of SSAP No. 37 – Mortgage Loans
- Derivative instruments in scope of SSAP No. 86 – Derivatives or SSAP No. 108 – Derivatives Hedging Variable Annuity Guarantees
- Securities with terms that are reset at predefined dates (e.g., an auction-rate security that has a long-term maturity and an interest rate that is regularly reset through a Dutch auction) or have other features an investor may believe results in a different term than the related contractual maturity shall be accounted for based on the contractual maturity at the date of acquisition, except where other specific rules within the statutory accounting framework currently exist.

Money Market Mutual Funds:

All investment in shares of funds regulated as money market mutual funds by the U.S. Securities and Exchange Commission.

Other Cash Equivalent:

Report investments that qualify as Cash Equivalents pursuant to SSAP No. 2R - Cash, Cash Equivalents, Drafts and Short-Term Investments that do not fit within a specific reporting line. (Specific reporting lines shall be utilized when applicable.)

SCHEDULE E – PART 2 – CASH EQUIVALENTS

INVESTMENTS OWNED END OF CURRENT QUARTER

Detail Eliminated To Conserve Space	Line Number
<u>Category</u>	<u>Line Number</u>
Issuer Credit Obligations:	
U.S. Government Obligations (Exempt from RBC).....	0019999999
Other U.S. Government Obligations (Not Exempt from RBC).....	0029999999
Non-U.S. Sovereign Jurisdiction Securities	0039999999
Municipal Bonds – General Obligations (Direct and Guaranteed).....	0049999999
Municipal Bonds – Special Revenue.....	0059999999
Project Finance Bonds Issued by Operating Entities (Unaffiliated)	0069999999
Project Finance Bonds Issued by Operating Entities (Affiliated)	0079999999
Corporate Bonds (Unaffiliated).....	0089999999
Corporate Bonds (Affiliated).....	0099999999
Mandatory Convertible Bonds (Unaffiliated).....	0109999999
Mandatory Convertible Bonds (Affiliated).....	0119999999
Single Entity Backed Obligations (Unaffiliated)	0129999999
Single Entity Backed Obligations (Affiliated).....	0139999999
SVO-Identified Bond Exchange Traded Funds – Fair Value.....	0149999999
SVO-Identified Bond Exchange Traded Funds – Systematic Value	0159999999
Bonds Issued from SEC-Registered Business Development Corps, Closed End Funds & REITS (Unaffiliated)	0169999999
Bonds Issued from SEC-Registered Business Development Corps, Closed End Funds & REITS (Affiliated).....	0179999999
Bank Loans – Issued (Unaffiliated).....	0189999999
Bank Loans – Issued (Affiliated).....	0199999999
Bank Loans – Acquired (Unaffiliated).....	0209999999
Bank Loans – Acquired (Affiliated).....	0219999999
Mortgage Loans that Quality as SVO-Identified Credit Tenant Loans (Unaffiliated)	0229999999
Mortgage Loans that Quality as SVO-Identified Credit Tenant Loans (Affiliated).....	0229999999
Other Issuer Credit Obligations (Unaffiliated).....	0269999999
Other Issuer Credit Obligations (Affiliated)	0279999999
Total – Issuer Credit Obligations (Unaffiliated).....	0489999999
(Sum of Lines: 0019999999, 0029999999, 0039999999, 0049999999, 0059999999, 0069999999, 0089999999, 0109999999, 0129999999, 0149999999, 0159999999, 0169999999, 0189999999, 0209999999, 0229999999, 0249999999, and 0269999999)	
Total – Issuer Credit Obligations (Affiliated).....	0499999999
(Sum of Lines: 0079999999, 0099999999, 0119999999, 0139999999, 0179999999, 0199999999, 0219999999, 0239999999, 0259999999, and 0279999999)	
Total Issuer Credit Obligations	0509999999
Sweep Accounts.....	8109999999
Exempt Money Market Mutual Funds – as Identified by SVO	8209999999
All Other Money Market Mutual Funds	8309999999
Qualified Cash Pools Under SSAP No. 2R	8409999999
<u>Other Cash Equivalents (Unaffiliated)</u>	<u>8499999999</u>
Other Cash Equivalents <u>(Affiliated)</u>	8509999999

<u>Total Cash Equivalents (Unaffiliated).....</u>	<u>8589999999</u>
<u>(Sum of Lines: 0489999999, 8109999999, 8209999999, 8309999999,</u>	
<u>8409999999, and 8499999999)</u>	
<u>Total Cash Equivalents (Affiliated).....</u>	<u>8599999999</u>
<u>(Sum of Lines: 0499999999 and 8509999999)</u>	
Total Cash Equivalents.....	8609999999

ANNUAL STATEMENT BLANK – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

SCHEDULE DA – VERIFICATION BETWEEN YEARS
 Short-Term Investments

	1	2	3	4	5
	Total	Bonds	Mortgage Loans	Other Short-term Investment Assets (a)	Investments in Parent, Subsidiaries and Affiliates
1. Book/adjusted carrying value, December 31 of prior year
2. Cost of short-term investments acquired.....
3. Accrual of discount.....
4. Unrealized valuation increase/(decrease).....
5. Total gain (loss) on disposals.....
6. Deduct consideration received on disposals.....
7. Deduct amortization of premium.....
8. Total foreign exchange change in book/adjusted carrying value.....
9. Deduct current year's other-than-temporary impairment recognized.....
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....
11. Deduct total nonadmitted amounts.....
12. Statement value at end of current period (Line 10 minus Line 11)

(a) Indicate the category of such assets, for example, joint ventures, transportation equipment:

ANNUAL STATEMENT BLANK –HEALTH

FIVE-YEAR HISTORICAL DATA

	1 2024	2 2023	3 2022	4 2021	5 2020
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28)					
2. Total liabilities (Page 3, Line 24)					
3. Statutory minimum capital and surplus requirement.....					
4. Total capital and surplus (Page 3, Line 33).....					
Income Statement (Page 4)					
5. Total revenues (Line 8).....					
6. Total medical and hospital expenses (Line 18).....					
7. Claims adjustment expenses (Line 20).....					
8. Total administrative expenses (Line 21).....					
9. Net underwriting gain (loss) (Line 24).....					
10. Net investment gain (loss) (Line 27).....					
11. Total other income (Lines 28 plus 29).....					
12. Net income or (loss) (Line 32).....					
Cash Flow (Page 6)					
13. Net cash from operations (Line 11).....					
Risk-Based Capital Analysis					
14. Total adjusted capital.....					
15. Authorized control level risk-based capital.....					
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7).....					
17. Total members months (Column 6, Line 7).....					
Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5).....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19).....					
20. Cost containment expenses.....					
21. Other claims adjustment expenses.....					
22. Total underwriting deductions (Line 23).....					
23. Total underwriting gain (loss) (Line 24).....					
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 17, Col. 5).....					
25. Estimated liability of unpaid claims-[prior year (Line 17, Col. 6)]					
Investments in Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)					
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1)					
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10).....					
30. Affiliated mortgage loans on real estate.....					
31. All other affiliated.....					
32. Total of above Lines 26 to 31.....					
33. Total investment in parent included in Lines 26 to 31 above.					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3—Accounting Changes and Correction of Errors? Yes [] No []
 If no, please explain

FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e., 17.6
\$000 omitted for amounts of life insurance

	1 2024	2 2023	3 2022	4 2021	5 2020
Life Insurance in Force					
(Exhibit of Life Insurance)					
1. Ordinary-whole life and endowment (Line 34, Col. 4).....					
2. Ordinary-term (Line 21, Col. 4, less Line 34, Col. 4).....					
3. Credit life (Line 21, Col. 6).....					
4. Group, excluding FEGLI/SGLI (Line 21, Col. 9 less Lines 43 & 44, Col. 4).....					
5. Industrial (Line 21, Col. 2).....					
6. FEGLI/SGLI (Lines 43 & 44, Col. 4).....					
7. Total (Line 21, Col. 10).....					
7.1 Total in force for which VM-20 deterministic/stochastic reserves are calculated.....					
New Business Issued					
(Exhibit of Life Insurance)					
8. Ordinary-whole life and endowment (Line 34, Col. 2).....					
9. Ordinary-term (Line 2, Col. 4, less Line 34, Col. 2).....					
10. Credit life (Line 2, Col. 6).....					
11. Group (Line 2, Col. 9).....					
12. Industrial (Line 2, Col. 2).....					
13. Total (Line 2, Col. 10).....					
Premium Income-Lines of Business					
(Exhibit 1 – Part 1)					
14. Individual life (Line 20.4, Col. 2).....					
15. Group life (Line 20.4, Col. 3).....					
16. Individual annuities (Line 20.4, Col. 4).....					
17. Group annuities (Line 20.4, Col. 5).....					
18. Accident & Health (Line 20.4, Col. 6).....					
19. Other lines of business (Line 20.4, Col. 8).....					
20. Total.....					
Balance Sheet					
(Pages 2 and 3)					
21. Total admitted assets excluding Separate Accounts business (Page 2, Line 26, Col. 3).....					
22. Total liabilities excluding Separate Accounts business (Page 3, Line 26).....					
23. Aggregate life reserves (Page 3, Line 1).....					
23.1 Excess VM-20 deterministic/stochastic reserve over NPR related to Line 7.1.....					
24. Aggregate A & H reserves (Page 3, Line 2).....					
25. Deposit-type contract funds (Page 3, Line 3).....					
26. Asset valuation reserve (Page 3, Line 24.01).....					
27. Capital (Page 3, Lines 29 & 30).....					
28. Surplus (Page 3, Line 37).....					
Cash Flow (Page 5)					
29. Net cash from operations (Line 11).....					
Risk-Based Capital Analysis					
30. Total adjusted capital.....					
31. Authorized control level risk-based capital.....					
Percentage Distribution of Cash, Cash Equivalents and Invested Assets					
(Page 2, Col. 3) (Line No./Page 2, Line 12, Col. 3) x 100.0					
32. Bonds (Line 1).....					
33. Stocks (Lines 2.1 and 2.2).....					
34. Mortgage loans on real estate (Lines 3.1 and 3.2).....					
35. Real estate (Lines 4.1, 4.2 and 4.3).....					
36. Cash, cash equivalents and short-term investments (Line 5).....					
37. Contract loans (Line 6).....					
38. Derivatives (Page 2, Line 7).....					
39. Other invested assets (Line 8).....					
40. Receivables for securities (Line 9).....					
41. Securities lending reinvested collateral assets (Line 10).....					
42. Aggregate write-ins for invested assets (Line 11).....					
43. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
44. Affiliated bonds (Sch. D Summary, Line 12, Col. 1).....					
45. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1).....					
46. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1).....					
47. Affiliated short-term investments (subtotal included in Schedule DA Verification, Col. 5, Line 10).....					
48. Affiliated mortgage loans on real estate.....					
49. All other affiliated.....					
50. Total of above Lines 44 to 49.....					
51. Total investment in parent included in Lines 44 to 49 above					

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

Line Number	NAIC Designation	Description	1	2	3	4	Basic Contribution		Reserve Objective		Maximum Reserve	
			Book/ Adjusted Carrying Value	Reclassify Related Party Encumbrances	Add Third Party Encumbrances	Balance for AVR Reserve Calculations (Cols. 1+2+3)	5 Factor	6 Amount (Cols. 4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols. 4x9)
MORTGAGE LOANS												
In Good Standing:												
35		Farm Mortgages – CM1 – Highest Quality.....			XXX		0.0011		0.0057		0.0074	
36		Farm Mortgages – CM2 – High Quality.....			XXX		0.0040		0.0114		0.0149	
37		Farm Mortgages – CM3 – Medium Quality.....			XXX		0.0069		0.0200		0.0257	
38		Farm Mortgages – CM4 – Low Medium Quality.....			XXX		0.0120		0.0343		0.0428	
39		Farm Mortgages – CM5 – Low Quality.....			XXX		0.0183		0.0486		0.0628	
40		Residential Mortgages – Insured or Guaranteed.....			XXX		0.0003		0.0007		0.0011	
41		Residential Mortgages – All Other.....			XXX		0.0015		0.0034		0.0046	
42		Commercial Mortgages – Insured or Guaranteed.....			XXX		0.0003		0.0007		0.0011	
43		Commercial Mortgages – All Other – CM1 – Highest Quality.....			XXX		0.0011		0.0057		0.0074	
44		Commercial Mortgages – All Other – CM2 – High Quality.....			XXX		0.0040		0.0114		0.0149	
45		Commercial Mortgages – All Other – CM3 – Medium Quality.....			XXX		0.0069		0.0200		0.0257	
46		Commercial Mortgages – All Other – CM4 – Low Medium Quality.....			XXX		0.0120		0.0343		0.0428	
47		Commercial Mortgages – All Other – CM5 – Low Quality.....			XXX		0.0183		0.0486		0.0628	
Overdue, Not in Process:												
48		Farm Mortgages.....			XXX		0.0480		0.0868		0.1371	
49		Residential Mortgages – Insured or Guaranteed.....			XXX		0.0006		0.0014		0.0023	
50		Residential Mortgages - All Other.....			XXX		0.0029		0.0066		0.0103	
51		Commercial Mortgages - Insured or Guaranteed.....			XXX		0.0006		0.0014		0.0023	
52		Commercial Mortgages - All Other.....			XXX		0.0480		0.0868		0.1371	
In Process of Foreclosure:												
53		Farm Mortgages.....			XXX		0.0000		0.1942		0.1942	
54		Residential Mortgages - Insured or Guaranteed.....			XXX		0.0000		0.0046		0.0046	
55		Residential Mortgages - All Other.....			XXX		0.0000		0.0149		0.0149	
56		Commercial Mortgages - Insured or Guaranteed.....			XXX		0.0000		0.0046		0.0046	
57		Commercial Mortgages - All Other.....			XXX		0.0000		0.1942		0.1942	
58		Total Schedule B Mortgages (Sum of Lines 35 through 57).....			XXX		XXX		XXX		XXX	
59		Schedule DA Mortgages.....			XXX		0.0034		0.0114		0.0149	
60		Total Mortgage Loans on Real Estate (Lines 58 + 59)			XXX		XXX		XXX		XXX	

FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e., 17.6.

	1 2024	2 2023	3 2022	4 2021	5 2020
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....					
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....					
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....					
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
5. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
6. Total (Line 35).....					
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....					
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....					
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....					
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
11. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
12. Total (Line 35).....					
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8).....					
14. Net investment gain (loss) (Line 11).....					
15. Total other income (Line 15).....					
16. Dividends to policyholders (Line 17).....					
17. Federal and foreign income taxes incurred (Line 19).....					
18. Net income (Line 20).....					
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....					
20. Premiums and considerations (Page 2, Col. 3).....					
20.1 In course of collection (Line 15.1).....					
20.2 Deferred and not yet due (Line 15.2).....					
20.3 Accrued retrospective premiums (Line 15.3).....					
21. Total liabilities excluding protected cell business (Page 3, Line 26).....					
22. Losses (Page 3, Line 1).....					
23. Loss adjustment expenses (Page 3, Line 3).....					
24. Unearned premiums (Page 3, Line 9).....					
25. Capital paid up (Page 3, Lines 30 & 31).....					
26. Surplus as regards policyholders (Page 3, Line 37).....					
Cash Flow (Page 5)					
27. Net cash from operations (Line 11).....					
Risk-Based Capital Analysis					
28. Total adjusted capital.....					
29. Authorized control level risk-based capital.....					
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1).....					
31. Stocks (Lines 2.1 & 2.2).....					
32. Mortgage loans on real estate (Lines 3.1 and 3.2).....					
33. Real estate (Lines 4.1, 4.2 & 4.3).....					
34. Cash, cash equivalents and short-term investments (Line 5).....					
35. Contract loans (Line 6).....					
36. Derivatives (Line 7).....					
37. Other invested assets (Line 8).....					
38. Receivables for securities (Line 9).....					
39. Securities lending reinvested collateral assets (Line 10).....					
40. Aggregate write-ins for invested assets (Line 11).....					
41. Cash, cash equivalents and invested assets (Line 12).....	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1).....					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1).....					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1).....					
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10).....					
46. Affiliated mortgage loans on real estate.....					
47. All other affiliated.....					
48. Total of above Lines 42 to 47.....					
49. Total investment in parent included in Lines 42 to 47 above.....					
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)					

ANNUAL STATEMENT BLANK – TITLE

FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e. 17.6.

	1 2024	2 2023	3 2022	4 2021	5 2020
Source of Direct Title Premiums Written (Part 1A)					
1. Direct operations (Part 1A, Line 1, Col. 1).....					
2. Non-affiliated agency operations (Part 1A, Line 1, Col. 2).....					
3. Affiliated agency operations (Part 1A, Line 1, Col. 3).....					
4. Total					
Operating Income Summary (Page 4 & Part 1)					
5. Premiums earned (Part 1B, Line 3)					
6. Escrow and settlement service charges (Part 1A, Line 2).....					
7. Title examinations (Part 1A, Line 3).....					
8. Searches and abstracts (Part 1A, Line 4).....					
9. Surveys (Part 1A, Line 5).....					
10. Aggregate write-ins for service charges (Part 1A, Line 6)					
11. Other operating income (Page 4, Line 2)					
12. Total operating income (Page 4, Line 3)					
Statement of Income (Page 4)					
13. Net operating gain or (loss) (Line 8).....					
14. Net investment gain or (loss) (Line 11).....					
15. Total other income (Line 12).....					
16. Federal and foreign income taxes incurred (Line 14).....					
17. Net income (Line 15)					
Balance Sheet (Pages 2 and 3)					
18. Title insurance premiums and fees receivable (Page 2, Line 15, Col. 3).....					
19. Total admitted assets excluding segregated accounts (Page 2, Line 26, Col. 3).....					
20. Known claims reserve (Page 3, Line 1).....					
21. Statutory premium reserve (Page 3, Line 2).....					
22. Total liabilities (Page 3, Line 23).....					
23. Capital paid up (Page 3, Lines 25 + 26)					
24. Surplus as regards policyholders (Page 3, Line 32)					
Cash Flow (Page 5)					
25. Net cash from operations (Line 11).....					
Percentage Distribution of Cash, Cash-Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
26. Bonds (Line 1).....					
27. Stocks (Lines 2.1 & 2.2).....					
28. Mortgage loans on real estate (Line 3.1 and 3.2).....					
29. Real estate (Lines 4.1, 4.2 & 4.3).....					
30. Cash, cash equivalents and short-term investments (Line 5).....					
31. Contract loans (Line 6).....					
32. Derivatives (Line 7)					
33. Other invested assets (Line 8).....					
34. Receivable for securities (Line 9).....					
35. Securities lending reinvested collateral assets (Line 10).....					
36. Aggregate write-ins for invested assets (Line 11).....					
37. Subtotals cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
38. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)					
39. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1).....					
40. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)					
41. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10).....					
42. Affiliated mortgage loans on real estate.....					
43. All other affiliated.....					
44. Total of above Lines 38 to 43.....					
45. Total investment in parent included in Lines 38 to 43 above.....					
46. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 44 above divided by Page 3, Line 32, Col. 1 x 100.0)					

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

<p style="text-align: right;">DATE: <u>01/11/2024</u></p> <p>CONTACT PERSON: <u>Charles Therriault</u></p> <p>TELEPHONE: <u>212-386-1920</u></p> <p>EMAIL ADDRESS: <u>ctherriault@naic.org</u></p> <p>ON BEHALF OF: _____</p> <p>NAME: <u>Carrie Mears</u></p> <p>TITLE: <u>Chief Insurance Investment Specialist - IA</u></p> <p>AFFILIATION: <u>Valuation of Securities (E) Task Force</u></p> <p>ADDRESS: _____</p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2024-03BWG MOD</u></p> <p>Year <u>2024</u></p> <p>Changes to Existing Reporting <input checked="" type="checkbox"/> [X]</p> <p>New Reporting Requirement <input type="checkbox"/> []</p> <hr/> <p style="text-align: center;">REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</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> <hr/> <p style="text-align: center;">DISPOSITION</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 checked="" type="checkbox"/> [X] Adopted Date <u>05/23/2024</u></p> <p><input type="checkbox"/> [] Rejected Date _____</p> <p><input type="checkbox"/> [] Deferred Date _____</p> <p><input type="checkbox"/> [] Other (Specify) _____</p>
--	--

BLANK(S) TO WHICH PROPOSAL APPLIES

- | | | |
|---|---|---|
| <input checked="" type="checkbox"/> [X] ANNUAL STATEMENT | <input type="checkbox"/> [] INSTRUCTIONS | <input type="checkbox"/> [] CROSSCHECKS |
| <input type="checkbox"/> [] QUARTERLY STATEMENT | <input checked="" type="checkbox"/> [X] BLANK | |
| <input checked="" type="checkbox"/> [X] Life, Accident & Health/Fraternal | <input type="checkbox"/> [] 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 2024

IDENTIFICATION OF ITEM(S) TO CHANGE

Update General Interrogatory 35 for private letter rating security reporting to clarify what should be included.

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

This proposal adds clarification on what should be reported in interrogatory 35 for private letter rating securities. There was inconsistent reporting for this interrogatory and with the new instructions it should help identify what needs to be reported.

*****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 BLANK – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

INVESTMENT



Detail Eliminated To Conserve Space

35. By self-designating PLGI securities, the reporting entity is certifying its compliance with the requirements as specified in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual)* for private letter rating (PLR) securities and the following elements of each self-designated PLGI security:
- a. The security was either:
 - i. ~~purchased~~ issued prior to January 1, 2018 (which is exempt from PLR filing requirements pursuant to the P&P Manual), or
 - ii. issued from January 1, 2018 to December 31, 2021 and subject to a confidentiality agreement executed prior to January 1, 2022 which confidentiality agreement remains in force, for which an insurance company cannot provide a copy of a private letter rating rationale report to the SVO due to confidentiality or other contractual reasons (“waived submission PLR securities”).
 - b. The reporting entity is holding capital commensurate with the NAIC Designation and NAIC Designation Category reported for the security.
 - c. The NAIC Designation and NAIC Designation Category was/were derived from the credit rating assigned by an NAIC CRP in its legal capacity as an NRSRO which is shown on a current private letter rating, dated during the financial statement year, held by the insurer and available for examination by state insurance regulators.
 - d. The Other than for waived submission PLR securities, defined above, on or after January 1, 2024 for any PLR securities issued on or after January 1, 2022, if the reporting entity is not permitted to share this private credit rating or the private rating letter rationale report of the PL security with the SVO, it certifies that it is reporting it as an NAIC 5.B GI and may not assign any other self-designation.

Has the reporting entity self-designated PLGI ~~securities~~to securities, all of which meet the above requirement and as specified in the P&P Manual?

Yes [] No []

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

<p style="text-align: right;">DATE: <u>1/10/24</u></p> <p>CONTACT PERSON: <u>Scott O'Neal</u></p> <p>TELEPHONE: <u>816 783 8814</u></p> <p>EMAIL ADDRESS: <u>soneal@naic.org</u></p> <p>ON BEHALF OF: <u>Rachel Hemphill, Chair, LATF</u></p> <p>NAME: <u>Scott O'Neal</u></p> <p>TITLE: <u>Life Examination Actuary</u></p> <p>AFFILIATION: <u>NAIC</u></p> <p>ADDRESS: <u>1100 Walnut St, Suite 1500</u> <u>Kansas City, MO 64106</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2024-04BWG</u></p> <p>Year <u>2024</u></p> <p>Changes to Existing Reporting <input checked="" type="checkbox"/> [X]</p> <p>New Reporting Requirement <input type="checkbox"/> []</p> <hr/> <p style="text-align: center;">REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</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> <hr/> <p style="text-align: center;">DISPOSITION</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 checked="" type="checkbox"/> [X] Adopted Date <u>05/23/2024</u></p> <p><input type="checkbox"/> [] Rejected Date _____</p> <p><input type="checkbox"/> [] Deferred Date _____</p> <p><input type="checkbox"/> [] Other (Specify) _____</p>
---	--

BLANK(S) TO WHICH PROPOSAL APPLIES

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

Anticipated Effective Date: 2024 Annual

IDENTIFICATION OF ITEM(S) TO CHANGE

Add clarifying language to VM-20 supplement to include separate accounts where applicable.

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

This proposal is to address the inconsistent reporting by companies not including separate account amounts on the VM-20 supplement.

*****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: For 2024 Annual Statement Blank Instructions

Other Comments:

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

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL

VM-20 RESERVES SUPPLEMENT

Life Insurance Reserves Valued According to VM-20 by Product Type

This Supplement provides information on the reserves required to be calculated by Section VM-20 of the *Valuation Manual*. This includes the Net Premium Reserve and, as applicable, the Deterministic Reserve and the Stochastic Reserve. Only business issued on or after Jan. 1, 2017, valued by the requirements of VM-20 should be reported in Part 1A and Part 1B. Part 1A and Part 1B are intended to aid regulators in the analysis of reserves as determined under Section VM-20 of the *Valuation Manual* for both the prior and current year.

This Supplement also provides information regarding business where VM-20 of the *Valuation Manual* is not required to be applied. Companies exempted from the requirements of Section VM-20 are not required to complete Part 1A or Part 1B of this Supplement but must complete Part 2 or Part 3 as applicable.

VM-20 RESERVES SUPPLEMENT – PART 1A

Life Insurance Reserves Valued According to VM-20 by Product Type

Part 1A of this Supplement breaks out, by product type, the prior year and current year reported reserves on a Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded basis as defined in Section 8.D of Section VM-20 of the *Valuation Manual*. The Due and Deferred Premium Asset for the current year is also shown.

Section VM-20 of the *Valuation Manual* requires that the Post-Reinsurance-Ceded Reserve be determined by three VM-20 Reserving Categories: Term Insurance, Universal Life with Secondary Guarantees (ULSG) and all other. Term Insurance should be reported on line 1.1. ULSG, including Variable Universal Life with a secondary guarantee, Indexed life insurance with a secondary guarantee, regular Universal Life with a secondary guarantee, and ULSG policies with a non-material secondary guarantee as defined in Section VM-01 of the *Valuation Manual*, should be reported on line 1.2. Each of the other products reported in lines 1.3 – 1.8 should be determined as the sum of the policy reserves using the policy reserves determined following the allocation process of VM-20 Section 2. A similar process should be used for each of the pre-reinsurance-ceded reserves. [Both Post-Reinsurance-Ceded Reserves and Pre-Reinsurance-Ceded Reserves, as defined in VM-20, include separate account amounts where applicable to the policies in scope.](#)

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

<p style="text-align: right;">DATE: <u>1/18/24</u></p> <p>CONTACT PERSON: <u>Bruce Jenson (NAIC)</u></p> <p>TELEPHONE: <u>816-783-8348</u></p> <p>EMAIL ADDRESS: <u>bjenson@naic.org</u></p> <p>ON BEHALF OF: <u>Risk-Focused Surveillance (E) Working Group</u></p> <p>NAME: <u>Amy Malm - Chair</u></p> <p>TITLE: <u>Administrator, Division of Financial Reg</u></p> <p>AFFILIATION: <u>Wisconsin Office of the Commissioner</u></p> <p>ADDRESS: <u>125 S Webster St</u> <u>Madison, WI 53703</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2024-05BWG</u></p> <p>Year <u>2024</u></p> <p>Changes to Existing Reporting [X]</p> <p>New Reporting Requirement []</p> <hr/> <p style="text-align: center;">REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</p> <p>No Impact [X]</p> <p>Modifies Required Disclosure []</p> <p>Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [NO]</p> <p><i>***If Yes, complete question below***</i></p> <hr/> <p style="text-align: center;">DISPOSITION</p> <p>[] Rejected For Public Comment</p> <p>[] Referred To Another NAIC Group</p> <p>[] Received For Public Comment</p> <p>[X] Adopted Date <u>05/23/2024</u></p> <p>[] Rejected Date _____</p> <p>[] Deferred Date _____</p> <p>[] Other (Specify) _____</p>
--	---

BLANK(S) TO WHICH PROPOSAL APPLIES

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

Anticipated Effective Date: Annual 2024

IDENTIFICATION OF ITEM(S) TO CHANGE

Add clarifying language to Annual General Interrogatory 29.05 (Quarterly General Interrogatory 17.5) to clarify that all investment advisors with discretion to make investment decisions, including sub-advisors, should be disclosed through the interrogatory.

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

Some insurers are not disclosing sub-advisors with discretion to make investment decisions through the interrogatory.

*****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 – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

INVESTMENT



Detail Eliminated To Conserve Space

29.05 Identify all investment advisors, investment managers and broker/dealers, including individuals who have the authority to make investment decisions on behalf of the reporting entity. [This includes both primary and sub-advisors.](#) For assets that are managed internally by employees of the reporting entity, note as such.

Name of Firm or Individual:

Should be name of firm or individual that is party to the Investment Management Agreement

Affiliation:

Note if firm or individual is affiliated, unaffiliated or an employee by using the following codes:

- A Investment management is handled by firms/individuals affiliated with the reporting entity.
- U Investment management is handled by firms/individuals unaffiliated with the reporting entity.
- I Investment management is handled internally by individuals that are employees of the reporting entity.

29.0597 If the total assets under management of any the firms/individuals unaffiliated with the reporting entity (i.e., designated with a “U”) listed in the table for Question 29.05 are greater than 10% of the reporting entity’s invested assets (Line 12 of the Asset page), answer “YES” to Question 29.0597.

29.0598 If the total assets under management of all the firms/individuals unaffiliated with the reporting entity (i.e., designated with a “U”) listed in the table for Question 29.05 are greater than 50% of the reporting entity’s invested assets (Line 12 of the Asset page), answer “YES” to Question 29.0598. When determining the aggregate total of assets under management, include all firms/individuals unaffiliated with the reporting entity not just those who manage more than 10% of the reporting entity’s assets.

29.06 For assets managed by an affiliated or unaffiliated firm or individual, provide for each firm or individual the Central Registration Depository Number, Legal Entity Identifier (LEI), who they are registered with and if an Investment Management Agreement has been filed for each firm or individual.

Central Registration Depository Number

[The Central Registration Depository \(CRD\) number is a number issued by the Financial Industry Regulatory Authority \(FINRA\) to brokers, dealers or individuals when licensed, and can be verified against their database \[www.finra.org\]\(http://www.finra.org\). These brokers, dealers or individuals would be those contracted to manage some of the reporting entity’s investments or funds and invest them for the reporting entity. The brokers, dealers or individuals can be affiliated or unaffiliated with the reporting entity. The reporting entity must list all brokers, dealers or individuals who have the authority to make investments on behalf of the reporting entity.](#)

Name of Firm or Individual:

Should be name of firm or individual provided for 29.05.

Central Registration Depository Number

~~The Central Registration Depository (CRD) number is a number issued by the Financial Industry Regulatory Authority (FINRA) to brokers, dealers or individuals when licensed, and can be verified against their database www.finra.org. These brokers, dealers or individuals would be those contracted to manage some of the reporting entity's investments or funds and invest them for the reporting entity. The brokers, dealers or individuals can be affiliated or unaffiliated with the reporting entity. The reporting entity must list all brokers, dealers or individuals who have the authority to make investments on behalf of the reporting entity.~~

Legal Entity Identifier (LEI)

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

Registered With:

If a Registered Investment Advisor, specify if registered with Securities Exchange Commission or state securities authority. Note if not a Registered Investment Advisor.

Investment Management Agreement (IMA) Filed:

Indicate if a current Investment Management Agreement (IMA) has been filed with the state of domicile or the insurance department in another state(s). Use one of the codes below to indicate if the IMA has been filed and with whom it was filed.

- DS If the current IMA has been filed with the state of domicile regardless if it was also filed with another state.
- OS If the current IMA has been filed with a state(s) other than the state of domicile but not the state of domicile.
- NO If the current IMA has not been filed with any state.

QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

GENERAL INTERROGATORIES

INVESTMENT



Detail Eliminated To Conserve Space

17.5 Identify all investment advisors, investment managers and broker/dealers, including individuals who have the authority to make investment decisions on behalf of the reporting entity. [This includes both primary and sub-advisors.](#) For assets that are managed internally by employees of the reporting entity, note as such.

Name of Firm or Individual:

Should be name of firm or individual that is party to the Investment Management Agreement

Affiliation:

Note if firm or individual is affiliated, unaffiliated or an employee by using the following codes:

- A Investment management is handled by firms/individuals affiliated with the reporting entity.
- U Investment management is handled by firms/individuals unaffiliated with the reporting entity.
- I Investment management is handled internally by individuals that are employees of the reporting entity.

17.5097 If the total assets under management of any the firms/individuals unaffiliated with the reporting entity (i.e., designated with a “U”) listed in the table for Question 17.5 are greater than 10% of the reporting entity’s invested assets (Line 12 of the Asset page), answer “YES” to Question 17.5097.

17.5098 If the total assets under management of all the firms/individuals unaffiliated with the reporting entity (i.e., designated with a “U”) listed in the table for Question 17.5 are greater than 50% of the reporting entity’s invested assets (Line 12 of the Asset page), answer “YES” to Question 17.5098. When determining the aggregate total of assets under management, include all firms/individuals unaffiliated with the reporting entity, not just those who manage more than 10% of the reporting entity’s assets.

17.6 For assets managed by an affiliated or unaffiliated firm or individual, provide for each firm or individual the Central Registration Depository Number, Legal Entity Identifier (LEI), who they are registered with and if an Investment Management Agreement has been filed for each firm or individual.

Central Registration Depository Number

[The Central Registration Depository \(CRD\) number is a number issued by the Financial Industry Regulatory Authority \(FINRA\) to brokers, dealers or individuals when licensed, and can be verified against their database \[www.finra.org\]\(http://www.finra.org\). These brokers, dealers or individuals would be those contracted to manage some of the reporting entity’s investments or funds and invest them for the reporting entity. The brokers, dealers or individuals can be affiliated or unaffiliated with the reporting entity. The reporting entity must list all brokers, dealers or individuals who have the authority to make investments on behalf of the reporting entity.](#)

Name of Firm or Individual:

Should be name of firm or individual provided for 17.5

Central Registration Depository Number

~~The Central Registration Depository (CRD) number is a number issued by the Financial Industry Regulatory Authority (FINRA) to brokers, dealers or individuals when licensed, and can be verified against their database www.finra.org. These brokers, dealers or individuals would be those contracted to manage some of the reporting entity's investments or funds and invest them for the reporting entity. The brokers, dealers or individuals can be affiliated or unaffiliated with the reporting entity. The reporting entity must list all brokers, dealers or individuals who have the authority to make investments on behalf of the reporting entity.~~

Legal Entity Identifier (LEI)

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

Registered With:

If a Registered Investment Advisor, specify if registered with the Securities Exchange Commission or state securities authority. Note if not a Registered Investment Advisor.

Investment Management Agreement (IMA) Filed:

Indicate if a current Investment Management Agreement (IMA) has been filed with the state of domicile or the insurance department in another state(s). Use one of the codes below to indicate if the IMA has been filed and with whom it was filed.

- DS If the current IMA has been filed with the state of domicile regardless if it was also filed with another state.
- OS If the current IMA has been filed with a state(s) other than the state of domicile but not the state of domicile.
- NO If the current IMA has not been filed with any state.

ANNUAL STATEMENT BLANK – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

INVESTMENT



Detail Eliminated To Conserve Space

29.05 Investment management – Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. This includes both primary and sub-advisors. For assets that are managed internally by employees of the reporting entity, note as such. [“...that have access to the investment accounts”; “...handle securities”]

1 Name of Firm or Individual	2 Affiliation

29.0597 For those firms/individuals listed in the table for Question 29.05, do any firms/individuals unaffiliated with the reporting entity (i.e., designated with a “U”) manage more than 10% of the reporting entity’s invested assets? Yes [] No []

29.0598 For firms/individuals unaffiliated with the reporting entity (i.e., designated with a “U”) listed in the table for Question 29.05, does the total assets under management aggregate to more than 50% of the reporting entity’s invested assets? Yes [] No []

29.06 For those firms or individuals listed in the table for 29.05 with an affiliation code of “A” (affiliated) or “U” (unaffiliated), provide the information for the table below.

1 Central Registration Depository Number	2 Name of Firm or Individual	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed

QUARTERLY STATEMENT BLANK – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

INVESTMENT



17.5 Investment management – Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. This includes both primary and sub-advisors. For assets that are managed internally by employees of the reporting entity, note as such. [“...that have access to the investment accounts”; “...handle securities”]

1 Name of Firm or Individual	2 Affiliation

17.5097 For those firms/individuals listed in the table for Question 17.5, do any firms/individuals unaffiliated with the reporting entity (i.e., designated with a “U”) manage more than 10% of the reporting entity’s invested assets? Yes [] No []

17.5098 For firms/individuals unaffiliated with the reporting entity (i.e., designated with a “U”) listed in the table for Question 17.5, does the total assets under management aggregate to more than 50% of the reporting entity’s invested assets? Yes [] No []

17.6 For those firms or individuals listed in the table for 17.5 with an affiliation code of “A” (affiliated) or “U” (unaffiliated), provide the information for the table below.

1 Central Registration Depository Number	2 Name of Firm or Individual	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

<p style="text-align: right;">DATE: <u>01/24/2024</u></p> <p>CONTACT PERSON: <u>Kris DeFrain</u></p> <p>TELEPHONE: <u>816-783-8229</u></p> <p>EMAIL ADDRESS: <u>kdefrain@naic.org</u></p> <p>ON BEHALF OF: _____</p> <p>NAME: <u>Miriam Fisk</u></p> <p>TITLE: <u>Chair</u></p> <p>AFFILIATION: <u>Actuarial Opinion (C) Working Group</u></p> <p>ADDRESS: <u>Miriam.fisk@tdi.texas.gov</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2024-06BWG</u></p> <p>Year <u>2024</u></p> <p>Changes to Existing Reporting <input checked="" type="checkbox"/> [X]</p> <p>New Reporting Requirement <input type="checkbox"/> []</p> <hr/> <p style="text-align: center;">REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</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 style="text-align: center;">DISPOSITION</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 checked="" type="checkbox"/> [X] Adopted Date <u>05/23/2024</u></p> <p><input type="checkbox"/> [] Rejected Date _____</p> <p><input type="checkbox"/> [] Deferred Date _____</p> <p><input type="checkbox"/> [] Other (Specify) _____</p>
---	--

BLANK(S) TO WHICH PROPOSAL APPLIES

- | | | |
|--|---|---|
| <input checked="" type="checkbox"/> [X] ANNUAL STATEMENT | <input type="checkbox"/> [] INSTRUCTIONS | <input type="checkbox"/> [] CROSSCHECKS |
| <input type="checkbox"/> [] QUARTERLY STATEMENT | <input type="checkbox"/> [] BLANK | |
| <input type="checkbox"/> [] Life, Accident & Health/Fraternal | <input type="checkbox"/> [] 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 type="checkbox"/> [] Health | <input type="checkbox"/> [] Health (Life Supplement) | <input type="checkbox"/> [] Life (Health Supplement) |

Anticipated Effective Date: Annual 2024

IDENTIFICATION OF ITEM(S) TO CHANGE

Property/Casualty Changes: Limit the requirement to send qualification documentation to the Board of Directors only at the initial appointment and not annually thereafter.

Title Changes: Update the title instructions so they are more similar to Property/Casualty instructions.

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

The qualification documentation provides useful information to the Board and to regulators. The qualification documentation for a particular Appointed Actuary does not change significantly from year to year, which reduces the need for the Board and regulators to receive the documentation annually. That said, both the Board and regulators can still request updated qualification documentation at any time.

It has been beneficial in years past to maintain consistency between the title and property/casualty instructions. The proposal brings the title instructions up to date with the property/casualty instructions. One exception is the extensive requirements for evaluation of P/C appointed actuary qualification are not proposed for title because title insurance was not included in the NAIC's appointed actuary qualifications project.

*****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.**

Revised 11/17/2022

ANNUAL STATEMENT INSTRUCTION –PROPERTY/CASUALTY

ACTUARIAL OPINION

1. There is to be included with or attached to Page 1 of the Annual Statement the statement of the Appointed Actuary, entitled “Statement of Actuarial Opinion” (Actuarial Opinion), setting forth his or her opinion relating to reserves specified in the SCOPE paragraph. The Actuarial Opinion, both the narrative and required Exhibits, shall be in the format of and contain the information required by this section of the *Annual Statement Instructions – Property and Casualty*.

Upon initial engagement, the Appointed Actuary must be appointed by the Board of Directors by Dec. 31 of the calendar year for which the opinion is rendered. The Company shall notify the domiciliary commissioner within five business days of the initial appointment with the following information:

- a. Name and title (and, in the case of a consulting actuary, the name of the firm).
- b. Manner of appointment of the Appointed Actuary (e.g., who made the appointment and when).
- c. A statement that the person meets the requirements of a Qualified Actuary (or was approved by the domiciliary commissioner) and that documentation was provided to the Board of Directors.

Once this notification is furnished, no further notice is required with respect to this person unless the Board of Directors takes action to no longer appoint or retain the actuary or the actuary no longer meets the requirements of a Qualified Actuary.

If subject to the *U.S. Qualification Standards*, the Appointed Actuary shall annually attest to having met the continuing education requirements under Section 3 of the *U.S. Qualification Standards* for issuing Actuarial Opinions. As agreed with the actuarial organizations, the Casualty Actuarial Society (CAS) and Society of Actuaries (SOA) will determine the process for receiving the attestations for their respective members and make available the attestations to the public. An Appointed Actuary subject to the *U.S. Qualification Standards* and not a member of the CAS or SOA shall select one of the above organizations to submit their attestation.

The Appointed Actuary shall provide to the Board of Directors qualification documentation on occasion of their appointment, ~~and on an annual basis thereafter~~, directly or through company management. The documentation should include brief biographical information and a description of how the definition of “Qualified Actuary” is met or expected to be met (in the case of continuing education) for that year. The documentation should describe the Appointed Actuary’s responsible experience relevant to the subject of the Actuarial Opinion. The Board of Directors shall document their review of those materials and any other information they may deem relevant, including information that may be requested directly from the Appointed Actuary. It is generally expected that the review of the Appointed Actuary’s qualification documentation should take place at the level within a holding company structure that is responsible for overseeing insurance operations. If a statutory entity is a subsidiary or a non-lead pool member with an Appointed Actuary whose qualifications were reviewed by the pool lead or principal’s Board, the statutory entity’s Board can satisfy the review requirement by acknowledging the parent Board’s review. This can be done by noting in the meeting minutes the name of the principal or lead entity and the date the parent Board reviewed the qualification documentation, or by attaching a copy of the parent Board’s meeting minutes reflecting their review of the qualification documentation. The qualification documentation shall be considered workpapers and be available for inspection upon regulator request or during a financial examination.

If an actuary who was the Appointed Actuary for the immediately preceding filed Actuarial Opinion is replaced by an action of the Board of Directors, the Insurer shall within five (5) business days notify the Insurance Department of the state of domicile of this event. The Insurer shall also furnish the domiciliary commissioner with a separate letter within ten (10) business days of the above notification stating whether in the twenty-four (24) months preceding such event there were any disagreements with the former Appointed Actuary regarding the content of the opinion on matters of the risk of material adverse deviation, required disclosures, scope, procedures, type of opinion issued, substantive wording of the opinion or data quality. The disagreements required to be reported in response to this paragraph include both those resolved to the former Appointed Actuary’s satisfaction and those not resolved to the former Appointed Actuary’s satisfaction. The letter should include a description of ~~the each~~ disagreement and the nature of its resolution (or that it was not resolved). Within this same ten (10) business days, the Insurer shall in writing also request such

former Appointed Actuary to furnish a letter addressed to the Insurer stating whether the Appointed Actuary agrees with the statements contained in the Insurer's letter and, if not, stating the reasons for which he or she does not agree. The former Appointed Actuary shall provide a written response to the insurer within ten (10) business days of such request, and the Insurer shall furnish such responsive letter from the former Appointed Actuary to the domiciliary commissioner together with its own responses.

The Appointed Actuary must report to the Board of Directors each year on the items within the scope of the Actuarial Opinion. The Actuarial Opinion and the Actuarial Report must be made available to the Board of Directors. The minutes of the Board of Directors should indicate that the Appointed Actuary has presented such information to the Board of Directors and identify the manner of presentation (e.g., webinar, in-person presentation, written). A separate Actuarial Opinion is required for each company filing an Annual Statement. When there is an affiliated company pooling arrangement, one Actuarial Report for the aggregate pool is sufficient, but there must be addendums to the Actuarial Report to cover non-pooled reserves for individual companies.

The Actuarial Opinion and the supporting Actuarial Report and workpapers should be consistent with the appropriate Actuarial Standards of Practice (ASOPs), including, but not limited to, ASOP No. 23, ASOP No. 36, ASOP No. 41 and ASOP No. 43, as promulgated by the Actuarial Standards Board.



Detail Eliminated To Conserve Space

1C. Reporting Requirements for Pooled Companies

For each company in the pool, the Appointed Actuary shall include a description of the pool, identification of the lead company and a listing of all companies in the pool, their state of domicile and their respective pooling percentages.

Exhibits A and B for each company in the pool should represent the company's share of the pool and should reconcile to the financial statement for that company.

The following paragraph applies to companies that have a 0% share of the pool (no reported Schedule P data). The company shall submit an Actuarial Opinion that reads similar to that provided for the lead company. For example, the IRIS ratio and risk of material adverse deviation discussions, and other relevant comments shall relate to the risks of the lead company in the pool. The Exhibit B responses to question 5 should be \$0 and to question 6 should be "not applicable." Exhibits A and B of the lead company should be attached as an addendum to the PDF file and/or hard copy being filed (but would not be reported by the 0% companies in their data capture).

2. The Actuarial Opinion must consist of an IDENTIFICATION paragraph identifying the Appointed Actuary; a SCOPE paragraph identifying the subjects on which an opinion is to be expressed and describing the scope of the Appointed Actuary's work; an OPINION paragraph expressing his or her opinion with respect to such subjects; and one or more additional RELEVANT COMMENTS paragraphs. These four sections must be clearly designated.
3. The IDENTIFICATION paragraph should indicate the Appointed Actuary's relationship to the Company, qualifications for acting as Appointed Actuary and date of appointment and specify that the appointment was made by the Board of Directors. ~~Additionally, the IDENTIFICATION paragraph should include a statement asserting that the Appointed Actuary has complied with the requirement to provide qualification documentation to the Board of Directors, either directly or through company management.~~

If the Appointed Actuary was approved by the Academy to be a "Qualified Actuary," with or without limitation, or if the Appointed Actuary is not a Qualified Actuary but was approved by the domiciliary commissioner, the company must attach, each year, the approval letter and reference such in the identification paragraph.

ANNUAL STATEMENT INSTRUCTIONS – TITLE

ACTUARIAL OPINION

1. There is to be included with or attached to Page 1 of the Annual Statement, the statement of a Qualified Actuary, entitled “Statement of Actuarial Opinion” (Actuarial Opinion) setting forth his or her opinion relating to reserves specified in the SCOPE paragraph. The Actuarial Opinion, both the narrative and **required** exhibits, shall be in the format of and contain the information required by this section of the *Annual Statement Instructions – Title*.

Upon initial engagement, ~~The Qualified Appointed~~ Actuary must be appointed by the Board of Directors ~~or its equivalent, or by a committee of the Board,~~ by ~~December~~ Dec. 31 of the calendar year for which the opinion is rendered. ~~Upon initial appointment (or “retention”), the~~ The Company shall notify the domiciliary commissioner within five business days of the appointment with the following information:

- a. Name and title (and, in the case of a consulting actuary, the name of the firm).
- b. Manner of appointment of the Appointed Actuary (e.g., who made the appointment and when).
- c. A statement that the person meets the requirements of a Qualified Actuary (or was approved by the domiciliary commissioner).

Once this notification is furnished, no further notice is required with respect to this person unless the Board of Directors takes action to no longer appoint or retain the actuary or the actuary no longer meets ~~the actuary ceases to be appointed or retained or ceases to meet~~ the requirements of a Qualified Actuary.

If an actuary who was the Appointed Actuary for the immediately preceding filed Actuarial Opinion is replaced by an action of the Board of Directors, the Insurer shall within five (5) business days notify the Insurance Department of the state of domicile of this event. The Insurer shall also furnish the domiciliary commissioner with a separate letter within ten (10) business days of the above notification stating whether in the twenty-four (24) months preceding such event there were any disagreements with the former Appointed Actuary regarding the content of the opinion on matters of the risk of material adverse deviation, required disclosures, scope, procedures, type of opinion issued, substantive wording of the opinion or data quality. The disagreements required to be reported in response to this paragraph include both those resolved to the former ~~Appointed a~~ Actuary’s satisfaction and those not resolved to the former ~~Appointed a~~ Actuary’s satisfaction. The letter should include a description of ~~the each~~ disagreements and the nature of its resolution (or that it was not resolved). Within this same ten (10) business days, ~~The~~ Insurer shall in writing also request ~~in writing~~ such former ~~Appointed a~~ Actuary to furnish a letter addressed to the Insurer stating whether the ~~Appointed a~~ Actuary agrees with the statements contained in Insurer’s letter and, if not, stating the reasons for which he or she does not agree; The former Appointed Actuary shall provide a written response to the insurer within ten (10) business days of such request, and the Insurer shall furnish such responsive letter from the former ~~Appointed a~~ Actuary to the domiciliary commissioner together with its own responses.

The Appointed Actuary must report to the Board of Directors ~~or the Audit Committee~~ each year on the items within the scope of the Actuarial Opinion. The Actuarial Opinion and the Actuarial Report must be made available to the Board of Directors. The minutes of the Board of Directors should indicate that the Appointed Actuary has presented such information to the Board of Directors ~~or the Audit Committee~~ and ~~that the Actuarial Opinion and the Actuarial Report were made available~~ identify the manner of presentation (e.g., webinar, in-person presentation, written). A separate Actuarial Opinion is required for each company filing an Annual Statement. When there is an affiliated company pooling arrangement, one Actuarial Report for the aggregate pool is sufficient, but there must be addendums to the Actuarial Report to cover non-pooled reserves for individual companies.

The Actuarial Opinion and the supporting Actuarial Report and workpapers, should be consistent with the appropriate Actuarial Standards of Practice (ASOPs), including but not limited to ASOP No. 23, ASOP No. 36, ASOP No. 41 and ASOP No. 43, as promulgated by the Actuarial Standards Board.

1A. Definitions

“Appointed Actuary” is a Qualified Actuary (or individual otherwise approved by the domiciliary commissioner) appointed by the Board of Directors in accordance with Section 1 of these instructions.

“Board of Directors” can include the designated Board of Directors, its equivalent or an appropriate committee directly reporting to the Board of Directors.

“Qualified Actuary” is a person who is either:

- (i) A member in good standing of the Casualty Actuarial Society; or
- (ii) An actuary evaluated by the Casualty Practice Council of the American Academy of Actuaries and determined to be a Qualified Actuary for title insurance.~~A member in good standing of the American Academy of Actuaries who has been approved as qualified for signing casualty loss reserve opinions by the Casualty Practice Council of the American Academy of Actuaries.~~

“Insurer” or “Company” means a reporting entity authorized to write title insurance under the laws of any state and who files on the Title Blank.

“Actuarial Report” means a document or other presentation, prepared as a formal means of conveying to the state regulatory authority and the Board of Directors, ~~or its equivalent,~~ the Appointed a Actuary’s professional conclusions and recommendations, of recording and communicating the methods and procedures, of assuring that the parties addressed are aware of the significance of the Appointed a Actuary’s opinion or findings and of documenting the analysis underlying the opinion. The ~~expected~~required content of the Actuarial Report is further described in paragraph 7. (Note that the inclusion of the Board of Directors as part of the intended audience for the Actuarial Report does not change the content of the Actuarial Report as described in paragraph 7. The Appointed Actuary should present findings to the Board of Directors in a manner deemed suitable for such audience.)

1B. Exemptions

An insurer who intends to file for one of the exemptions under this section must submit a letter of intent to its domiciliary commissioner no later than December 1 of the calendar year for which the exemption is to be claimed. The commissioner may deny the exemption prior to December 31 of the same year if the exemption is deemed inappropriate.

A copy of the approved exemption must be filed with the Annual Statement in all jurisdictions in which the company is authorized.

Exemption for Small Companies

An insurer that has less than \$1,000,000 total direct plus assumed written premiums during a calendar year, and less than \$1,000,000 total direct plus assumed loss and loss adjustment expense reserves at year-end, in lieu of the Actuarial Opinion required for the calendar year, may submit an affidavit under oath of an officer of the insurer that specifies the amounts of direct plus assumed written premiums and direct plus assumed loss and loss adjustment reserves.

Exemption for Insurers under Supervision or Conservatorship

Unless ordered by the domiciliary commissioner, an insurer that is under supervision or conservatorship pursuant to statutory provision is exempt from the filing requirements contained herein.

Exemption for Nature of Business

An insurer otherwise subject to the requirement and not eligible for an exemption as enumerated above may apply to its domiciliary commissioner for an exemption based on the nature of business written.

Financial Hardship Exemption

An insurer otherwise subject to this requirement and not eligible for an exemption as enumerated above may apply to the commissioner for a financial hardship exemption.

Financial hardship is presumed to exist if the projected reasonable cost of the opinion would exceed the lesser of:

- (i) One percent (1%) of the insurer's capital and surplus reflected in the insurer's latest quarterly statement for the calendar year for which the exemption is sought; or
 - (ii) Three percent (3%) of the insurer's direct plus assumed premiums written during the calendar year for which the exemption is sought as projected from the insurer's latest quarterly statements filed with its domiciliary commissioner.
2. The ~~Statement of~~ Actuarial Opinion must consist of an IDENTIFICATION paragraph identifying the Appointed Actuary; a SCOPE paragraph identifying the subjects on which an opinion is to be expressed and describing the scope of the Appointed ~~a~~ Actuary's work; an OPINION paragraph expressing his or her opinion with respect to such subjects; and one or more additional RELEVANT COMMENTS paragraphs. These four sections must be clearly designated.
 3. The IDENTIFICATION paragraph should indicate the Appointed Actuary's relationship to the Company, qualifications for acting as Appointed Actuary, and date of appointment, and specify that the appointment was made by the Board of Directors ~~(or its equivalent) or by a committee of the Board.~~

~~A member of the American Academy of Actuaries qualifying under paragraph 1A(ii) must attach, each year, a copy of the approval letter from the Academy.~~

If the Appointed Actuary was approved by the Academy to be a "Qualified Actuary," with or without limitation, or if the Appointed Actuary is not a Qualified Actuary but was approved by the domiciliary commissioner, the company must attach, each year, the approval letter and reference such in the identification paragraph. ~~These instructions require that a Qualified Actuary prepare the Actuarial Opinion. If a person who does not meet the definition of a Qualified Actuary has been approved by the insurance regulatory official of the domiciliary state, the Company must attach, each year, a letter from that official stating that the individual meets the state's requirements for rendering the Actuarial Opinion.~~

4. The SCOPE paragraph should contain a sentence such as the following:

"I have examined the actuarial assumptions and methods used in determining reserves listed in Exhibit A, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials, as of December 31, 20__, and reviewed information provided to me through XXX date."

Exhibit A should list those items and amounts with respect to which the Appointed Actuary is expressing an opinion.

The Appointed Actuary should state that the items in the SCOPE paragraph, on which he or she is expressing an opinion, reflect the Disclosure items (8 through 1413) in Exhibit B.

The SCOPE paragraph should include a paragraph such as the following regarding the data used by the Appointed Actuary in forming the opinion:

"In forming my opinion on the loss and loss adjustment expense reserves, I relied upon data prepared by _____ (officer name, affiliation and relation to ~~title at the~~ Company). I evaluated that data for reasonableness and consistency. I also reconciled that data to Schedule P, Parts 1 and 2 of the Company's current Annual Statement. In other respects, my examination included such review of the actuarial assumptions and methods used and such tests of the calculations as I considered necessary."

5. The OPINION paragraph should include a sentence that at least covers the points listed in the following illustration:

“In my opinion, the amounts carried in Exhibit A on account of the items identified:

- A. Meet the requirements of the insurance laws of (state of domicile).
- B. Are computed in accordance with accepted actuarial standards.
- C. Make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements.”

If there is any aggregation or combination of items in Exhibit A, the opinion language should clearly identify the combined items.

Insurance laws and regulations shall at all times take precedence over the actuarial standards.

If the [Appointed Actuary](#) has made use of the work of another actuary [not within the Appointed Actuary’s control](#) (such as for pools and associations, for a subsidiary or for special lines of business) for a material portion of the reserves, the other actuary must be identified by name, [credential](#) and affiliation within the OPINION paragraph. [If the Appointed Actuary has made use of the work of a non-actuary \(such as for modeling\) for a material portion of the reserves, that individual must be identified by name and affiliation and a description of the type of analysis performed must be provided.](#)

A Statement of Actuarial Opinion should be made in accordance with one of the following sections (a through e). The [Appointed Actuary](#) must explicitly identify in Exhibit B which type applies.

- a. [Determination of Reasonable Provision](#). When the carried reserve amount is within the [Appointed Actuary’s](#) range of reasonable reserve estimates, the [Appointed Actuary](#) should issue a Statement of Actuarial Opinion that the carried reserve amount makes a reasonable provision for the liabilities associated with the specified reserves.
- b. [Determination of Deficient or Inadequate Provision](#). When the carried reserve amount is less than the minimum amount that the [Appointed Actuary](#) believes is reasonable, the [Appointed Actuary](#) should issue a ~~S~~Statement of ~~A~~Actuarial ~~O~~pinion that the carried reserve amount does not make a reasonable provision for the liabilities associated with the specified reserves. In addition, the [Appointed Actuary](#) should disclose the minimum amount that the [Appointed Actuary](#) believes is reasonable.
- c. [Determination of Redundant or Excessive Provision](#). When the carried reserve amount is greater than the maximum amount that the [Appointed Actuary](#) believes is reasonable, the [Appointed Actuary](#) should issue a Statement of Actuarial Opinion that the carried reserve amount does not make a reasonable provision for the liabilities associated with the specified reserves. In addition, the [Appointed Actuary](#) should disclose the maximum amount that the [Appointed Actuary](#) believes is reasonable.
- d. [Qualified Opinion](#). When, in the [Appointed Actuary’s](#) opinion, the reserves for a certain item or items are in question because they cannot be reasonably estimated or the [Appointed Actuary](#) is unable to render an opinion on those items, the [Appointed Actuary](#) should issue a qualified Statement of Actuarial Opinion. The [Appointed Actuary](#) should disclose the item (or items) to which the qualification relates, the reason(s) for the qualification, and the amounts for such item(s), if disclosed by the Company. Such a qualified opinion should state whether the ~~stated-carried~~ reserve amount makes a reasonable provision for the liabilities associated with the specified reserves, *except for* the item (or items) to which the qualification relates. The [Appointed Actuary](#) is not required to issue a qualified opinion if the [Appointed Actuary](#) reasonably believes that the item (or items) in question are not likely to be material.
- e. [No Opinion](#). The [Appointed Actuary’s](#) ability to give an opinion is dependent upon data, analyses, assumptions, and related information that are sufficient to support a conclusion. If the [Appointed Actuary](#) cannot reach a conclusion due to deficiencies or limitations in the data, analyses, assumptions,

or related information, then the Appointed ~~a~~Actuary may issue a statement of no opinion. A statement of no opinion should include a description of the reasons why no opinion could be given.

6. The Appointed Actuary must provide RELEVANT COMMENT paragraphs to address the following topics of regulatory importance.

A. Company-Specific Risk Factors

The Appointed Actuary should include an explanatory paragraph to describe the major factors, combination of factors or particular conditions underlying the risks and uncertainties the actuary considers relevant. The explanatory paragraph should not include general, broad statements about risks and uncertainties due to economic changes, judicial decisions, regulatory actions, political or social forces, etc., nor is the Appointed Actuary required to include an exhaustive list of all potential sources of risks and uncertainties.

~~a~~B. Risk of Material Adverse Deviation.

The Appointed Actuary must provide specific RELEVANT COMMENT paragraphs to address the risk of material adverse deviation. The Appointed Actuary must identify the materiality standard and the basis for establishing this standard ~~with respect to the relevant characteristics of the Company~~. The materiality standard must also be disclosed in U.S. dollars in Exhibit B: Disclosures. ~~The Appointed Actuary should include an explanatory paragraph to describe the major factors, combination of factors or particular conditions underlying the risks and uncertainties the actuary considers relevant. The explanatory paragraph should not include general, broad statements about risks and uncertainties due to economic changes, judicial decisions, regulatory actions, political or social forces, etc., nor is the Appointed Actuary required to include an exhaustive list of all potential sources of risks and uncertainties.~~ The Appointed Actuary should explicitly state whether or not he or she reasonably believes that there are significant risks and uncertainties that could result in material adverse deviation. This determination is also to be disclosed in Exhibit B.

~~b~~C. Other Disclosures in Exhibit B

RELEVANT COMMENT paragraphs should describe the significance of each of the remaining Disclosure items (8 through 14) in Exhibit B. The Appointed Actuary should address the items individually and in combination when commenting on a material impact.

~~If the Company's reserves will cause the ratio of One Year or Two Year Known Claims Reserve Development (shown in Schedule P, Part 3) to the respective prior year's Policyholders' Surplus to be greater than 20%, the Appointed Actuary must include RELEVANT COMMENT on the factors that led to the exceptional reserve development.~~

~~e~~D. Reinsurance

RELEVANT COMMENT paragraphs should address reinsurance collectability, retroactive reinsurance and financial reinsurance .

The Appointed Actuary's comments on reinsurance collectability should address any uncertainty associated with including potentially-uncollectable amounts in the estimate of ceded reserves. Before commenting on reinsurance collectability, the Appointed Actuary should solicit information from management on any actual collectability problems, review ratings given to reinsurers by a recognized rating service, and examine Schedule F for the current year for indications of regulatory action or reinsurance recoverable on paid losses over ninety (90) days past due. The comment should also reflect any other information the actuary has received from management or that is publicly available about the capability or willingness of reinsurers to pay claims. The Appointed Actuary's comments do not imply an opinion on the financial condition of any reinsurer.

Retroactive reinsurance refers to agreements referenced in *SSAP No. 62R—Property and Casualty Reinsurance of the Accounting Practices and Procedures Manual*.

Financial reinsurance refers to contracts referenced in *SSAP No. 62R—Property and Casualty Reinsurance of the Accounting Practices and Procedures Manual* in which credit is not allowed for the ceding insurer because the arrangements do not include a transfer of both timing and underwriting risk that the reinsurer undertakes in fact to indemnify the ceding insurer against loss or liability by reason of the original insurance.

eE. Reserve Development

If the Company's reserves will cause the ratio of [One-Year or Two-Year Known Claims Reserve Development \(shown in Schedule P, Part 3\)](#) or One-Year or Two-Year Reserve Development (shown in Schedule P, Part 2) to the respective prior year's Policyholders' Surplus to be greater than 20%, the Appointed actuary must include RELEVANT COMMENT on the factors that led to the exceptional reserve development.

eF. Methods and Assumptions

If there has been any significant change in the actuarial assumptions and/or methods from those previously employed, that change should be described in a RELEVANT COMMENT paragraph. If the Appointed Actuary is newly-appointed and does not review the work of the prior Appointed Actuary, then the Appointed Actuary should disclose this.

7. The Actuarial Opinion must include assurance that an Actuarial Report and underlying actuarial workpapers supporting the Actuarial Opinion will be maintained at the Company and available for examination for seven (7) years. The Actuarial Report contains significant proprietary information. It is expected that the Actuarial Report be held confidential and not be intended for public inspection. The Actuarial Report must be available by May 1 of the year following the year-end for which the [Actuarial](#) Opinion was rendered or within two (2) weeks after a request from an individual state commissioner.

The Actuarial Report should be consistent with the documentation and disclosure requirements of ASOP No. 41, Actuarial Communications. The Actuarial Report must contain both narrative and technical components. The narrative component should provide sufficient detail to clearly explain to [eCompany](#) management, the Board of Directors, the regulator, or other authority the findings, recommendations and conclusions, as well as their significance. The technical component should provide sufficient documentation and disclosure for another actuary practicing in the same field to evaluate the work. This technical component must show the analysis from the basic data (e.g., loss triangles) to the conclusions.

The Actuarial Report must also include:

- A description of the Appointed Actuary's relationship to the Company, with clear presentation of the Appointed Actuary's role in advising the Board [of Directors](#) and/or management regarding the carried reserves. The Actuarial Report should identify how and when the Appointed Actuary presents the analysis to the Board and, where applicable, to the officer(s) of the Company responsible for determining the carried reserves.
- An exhibit that ties to the Annual Statement and compares the Appointed Actuary's conclusions to the carried amounts consistent with the segmentation of exposure or liability groupings used in the analysis. The Appointed Actuary's conclusions include the Appointed Actuary's point estimate(s), range(s) of reasonable estimates or both.
- An exhibit that reconciles and maps the data used by the Appointed Actuary, consistent with the segmentation of exposure or liability groupings used in the Appointed Actuary's analysis, to the Annual Statement Schedule P.

- An exhibit or appendix showing the change in the Appointed Actuary's estimates from the prior Actuarial Report, including extended discussion of factors underlying any material changes. [The exhibit or appendix should illustrate the changes on a net basis but should also include the changes on a gross basis, if relevant.](#) If the Appointed Actuary is newly-appointed and does not review the work of the prior Appointed Actuary, then the Appointed Actuary should disclose this.
 - Extended comments on trends that indicate the presence or absence of risks and uncertainties that could result in material adverse deviation.
 - Extended comments on factors that led to exceptional reserve development, as defined in ~~6C and 6D~~[6E](#), and how these factors were addressed in prior and current analyses.
8. The ~~statement~~[Actuarial Opinion](#) should conclude with the signature of the Appointed Actuary responsible for providing the Actuarial Opinion and the date when the Opinion was rendered. The signature and date should appear in the following format:

Signature of Appointed Actuary
Printed name of Appointed actuary
Employer's name
Address of Appointed Actuary
Telephone number of Appointed Actuary
Email address of Appointed Actuary
Date opinion was rendered

[The same information should be reproduced within the Actuarial Report, along with the date the Actuarial Report was finalized.](#)

9. The Insurer required to furnish an Actuarial Opinion shall require its Appointed Actuary to notify its Board of Directors or its audit committee in writing within five (5) business days after any determination by the Appointed Actuary that the [Actuarial](#) Opinion submitted to the domiciliary commissioner was in error as a result of reliance on data or other information (other than assumptions) that, as of the balance sheet date, was factually incorrect. The Opinion shall be considered to be in error if the [Actuarial](#) Opinion would have not been issued or would have been materially altered had the correct data or other information been used. The [Actuarial](#) Opinion shall not be considered to be in error if it would have been materially altered or not issued solely because of data or information concerning events subsequent to the balance sheet date or because actual results differ from those projected. [Notification is required when discovery is made between the issuance of the Actuarial Opinion and Dec. 31 of that year. Notification should include a summary of such findings.](#)

~~Notification shall be required for any such determination made between the issuance of the Actuarial Opinion and the balance sheet date for which the next Actuarial Opinion will be issued. The notification should include a summary of such findings and an amended Actuarial Opinion.~~

~~An Insurer who is notified pursuant to the preceding paragraphs shall forward a copy of the summary and the amended Actuarial Opinion to the domiciliary commissioner within five (5) business days of receipt of such and shall provide the Appointed Actuary making the notification with a copy of the summary and amended Actuarial Opinion being furnished to the domiciliary commissioner. If the Appointed Actuary fails to receive such copy within the five (5) business day period referred to in the previous sentence, the Appointed Actuary shall notify the domiciliary commissioner within the next five (5) business days that the submitted Actuarial Opinion should no longer be relied upon or such other notification recommended by the actuary's attorney.~~

If the Appointed Actuary learns that the data or other information relied upon was factually incorrect, but cannot immediately determine what, if any, changes are needed in the Actuarial Opinion, the [Appointed a](#) Actuary and the Company should [quickly](#) undertake ~~as quickly as is reasonably practical those~~ procedures necessary for the Appointed Actuary to make ~~the such~~ determination ~~discussed above~~. If the Insurer does not provide the necessary data corrections and other support (including financial support) within ten (10) business days, the [Appointed a](#) Actuary should proceed with the notification [to the Board of Directors and the domiciliary commissioner](#) ~~discussed above~~.

An Insurer who is notified pursuant to the preceding paragraphs shall forward a copy of the amended Actuarial Opinion to the domiciliary commissioner within five (5) business days of receipt of such and shall provide the Appointed Actuary making the notification with a copy of the letter and amended Actuarial Opinion being furnished to the domiciliary commissioner. If the Appointed Actuary fails to receive such copy within the five (5) business day period referred to in the previous sentence, the Appointed Actuary shall notify the domiciliary commissioner within the next five (5) business days that an amended Actuarial Opinion has been finalized.

No Appointed Actuary shall be liable in any manner to any person for any statement made in connection with the above paragraphs if such statement is made in a good faith effort to comply with the above paragraphs.

10. Data in Exhibit A and Exhibit B are to be filed in both print and data capture format.

STATEMENT OF ACTUARIAL OPINION

Exhibit A: SCOPE

DATA TO BE FILED IN BOTH PRINT AND DATA CAPTURE FORMAT

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES:	<u>Amount</u>
1. Unpaid Losses and Loss Adjustment Expenses (Schedule P, Part 1, Total Column 24 * 1000 or Total Column 34 * 1000 if discounting is allowable under state law)	\$ _____
2. Unpaid Losses and Loss Adjustment Expenses - Direct and Assumed (Should equal Schedule P, Part 1, Summary, Totals from Columns 17, 18, 20, 21, and 23, Line 12 * 1000)	\$ _____
3. Other items on which the Appointed Actuary is expressing an Opinion (list separately, adding additional lines as needed)	\$ _____

Exhibit B: DISCLOSURES

DATA TO BE FILED IN BOTH PRINT AND DATA CAPTURE FORMAT

NOTE: Exhibit B should be completed for Net dollar amounts included in the SCOPE. If an answer would be different for Direct and Assumed amounts, identify and discuss the difference within RELEVANT COMMENTS.

	Last	First	Middle
1. Name of the Appointed Actuary	_____	_____	_____
2. The Appointed Actuary's relationship to the Company. Enter E or C based upon the following: E - If an Employee of the Company or Group C - If a Consultant			_____ _____
3. The Appointed Actuary has the following designation (indicated by the letter code): F - If a Fellow of the Casualty Actuarial Society (FCAS) A - If an Associate of the Casualty Actuarial Society (ACAS) M - If not a member of the Casualty Actuarial Society, but a Member of the American Academy of			_____ _____ _____

Actuaries (MAAA) approved by the Casualty Practice Council, as documented with the attached approval letter.

O - For Other

4. Type of Opinion, as identified in the OPINION paragraph. Enter R, I, E, Q, or N based upon the following:

R - If Reasonable

I - If Inadequate or Deficient Provision

E - If Excessive or Redundant Provision

Q - If Qualified (use Q when part of the OPINION is Qualified)

N - If No Opinion

5. Materiality Standard expressed in U.S. dollars (used to answer question #6)

\$ _____

6. Are there significant risks that could result in Material Adverse Deviation?

7. Statutory Surplus (Liabilities, Surplus, and Other Funds Page, Line 32)

\$ _____

8. Known claims reserve (Liabilities, Surplus, and Other Funds Page, Line 1)

\$ _____

9. Statutory premium reserve (Liabilities, Surplus, and Other Funds Page, Line 2)

\$ _____

10. Aggregate of other reserves required by law (Liabilities, Surplus, and Other Funds Page, Line 3)

\$ _____

11. Supplemental reserve (Liabilities, Surplus, and Other Funds Page, Line 4)

\$ _____

12. Anticipated net salvage and subrogation included as a reduction to loss reserves as reported in Schedule P

\$ _____

13. Discount included as a reduction to loss reserves and loss adjustment expense reserves as reported in Schedule P

\$ _____

14. Other items on which the Appointed Actuary is providing relevant comment (list separately, adding additional lines as needed)

\$ _____

NAIC BLANKS (E) WORKING GROUP
Blanks Agenda Item Submission Form

<p style="text-align: right;">DATE: <u>03/01/2024</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., 3rd Fl., Ste. 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2024-07BWG</u></p> <p>Year <u>2024</u></p> <p>Changes to Existing Reporting []</p> <p>New Reporting Requirement [X]</p> <hr/> <p style="text-align: center;">REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</p> <p>No Impact [X]</p> <p>Modifies Required Disclosure []</p> <p>Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No]</p> <p><i>***If Yes, complete question below***</i></p> <hr/> <p style="text-align: center;">DISPOSITION</p> <p>[] Rejected For Public Comment</p> <p>[] Referred To Another NAIC Group</p> <p>[] Received For Public Comment</p> <p>[X] Adopted Date <u>05/23/2024</u></p> <p>[] Rejected Date _____</p> <p>[] Deferred Date _____</p> <p>[] Other (Specify) _____</p>
--	---

BLANK(S) TO WHICH PROPOSAL APPLIES

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

Anticipated Effective Date: Annual 2024

IDENTIFICATION OF ITEM(S) TO CHANGE

Update the illustration under Note 5S(A) – Investments for Net Negative (Disallowed) Interest Maintenance Reserve (IMR) to add separate account breakout. Add a new general interrogatory for a company attestation for separate accounts. *(This goes with adopted Blanks Working Group proposal 2023-13BWG)*

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

This proposal updates Notes to Financial Statement and General Interrogatories for the Statutory Accounting Principles Working Group’s disclosure on Net Negative (Disallowed) Interest Maintenance Reserve (INT 23-01)

*****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 – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

NOTES TO FINANCIAL STATEMENTS

5. Investments

Illustration:



THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.

S. Reporting Net Negative (Disallowed) Interest Maintenance Reserve (IMR)

(1) Net negative (disallowed) IMR

Total	General Account	Insulated Separate Account	Non-Insulated Separate Account
\$	\$	\$	\$

(2) Negative (disallowed) IMR admitted

Total	General Account	Insulated Separate Account	Non-Insulated Separate Account
\$	\$	\$	\$

(3) Calculated adjusted capital and surplus

	Total
Prior Period General Account Capital & Surplus	\$
From Prior Period SAP Financials	
Net Positive Goodwill (admitted)	\$
EDP Equipment & Operating System Software (admitted)	\$
Net DTAs (admitted)	\$
Net Negative (disallowed) IMR (admitted)	\$
Adjusted Capital & Surplus	\$

(4) Percentage of adjusted capital and surplus

	Total
Percentage of Total Net Negative (disallowed) IMR admitted in General Account or recognized in Separate Account to adjusted capital and surplus	%

(5) Allocated gains/losses to IMR from derivatives

a. General Account

	Gains	Losses
Unamortized Fair Value Derivative Gains & Losses Realized to IMR – Prior Period	\$	\$

Fair Value Derivative Gains & Losses Realized to IMR – Added in Current Period	\$	\$
Fair Value Derivative Gains & Losses Amortized Over Current Period	\$	\$
Unamortized Fair Value Derivative Gains & Losses Realized to IMR – Current Period Total	\$	\$

b. Separate Account - Insulated

	<u>Gains</u>	<u>Losses</u>
<u>Unamortized Fair Value Derivative Gains & Losses Realized to IMR – Prior Period</u>	<u>\$</u>	<u>\$</u>
<u>Fair Value Derivative Gains & Losses Realized to IMR – Added in Current Period</u>	<u>\$</u>	<u>\$</u>
<u>Fair Value Derivative Gains & Losses Amortized Over Current Period</u>	<u>\$</u>	<u>\$</u>
<u>Unamortized Fair Value Derivative Gains & Losses Realized to IMR – Current Period Total</u>	<u>\$</u>	<u>\$</u>

c. Separate Account – Non-Insulated

	<u>Gains</u>	<u>Losses</u>
<u>Unamortized Fair Value Derivative Gains & Losses Realized to IMR – Prior Period</u>	<u>\$</u>	<u>\$</u>
<u>Fair Value Derivative Gains & Losses Realized to IMR – Added in Current Period</u>	<u>\$</u>	<u>\$</u>
<u>Fair Value Derivative Gains & Losses Amortized Over Current Period</u>	<u>\$</u>	<u>\$</u>
<u>Unamortized Fair Value Derivative Gains & Losses Realized to IMR – Current Period Total</u>	<u>\$</u>	<u>\$</u>

ANNUAL STATEMENT BLANK – SEPARATE ACCOUNTS

GENERAL INTERROGATORIES



Detail Eliminated To Conserve Space

Reporting Differences Between GAAP and SAP Financial Statements (This disclosure is applicable to all reporting entities regardless if they file GAAP financial statements)

- 8.1 Does the reporting entity file GAAP financial statements? Yes [] No []
- 8.2 In accordance with the different separate account reporting requirements between GAAP (SOP 03-1) and statutory accounting, does the reporting entity have products that are classified within the separate account that were, or would have been if GAAP financial statements had been completed, required to be reported within the general account under GAAP financials? Pursuant to SOP 03-1, all of the following conditions must be met to receive separate account reporting classification under GAAP: Yes [] No [] N/A []
- a. Legal Recognition - The separate account is legally recognized. That is, the separate account is established, approved, and regulated under special rules such as state insurance laws, federal securities laws, or similar foreign laws.
 - b. Legally Insulated - The separate account assets supporting the contract liabilities are legally insulated from the general account liabilities of the insurance enterprise (that is, the contract holder is not subject to insurer default risk to the extent of the assets held in the separate account).
 - c. Investment Directive - The reporting entity must, as a result of contractual, statutory, or regulatory requirements, invest the contract holder's funds within the separate account as directed by the contract holder in designated investment alternatives or in accordance with specific investment objectives or policies.
 - d. Investment Performance - All investment performance, net of contract fees and assessments, must as a result of contractual, statutory, or regulatory requirements be passed through to the individual contract holder. Contracts may specify conditions under which there may be a minimum guarantee, but not a ceiling, as a ceiling would prohibit all investment performance from being passed through to the contract holder.
- 8.3 Identify all separate account products and identify whether each product was classified within a separate account for GAAP reporting purposes. (For non-GAAP filers, this disclosure should reflect whether the GAAP classification would have been the same if GAAP financials had been completed.) For products that were (or would have been) reported differently, identify which SOP 03-1 condition prevented separate account GAAP classification for that particular product.

1	2
Product Identifier	Same as GAAP / Condition that Requires GAAP General Account Reporting

Interest Maintenance Reserve (IMR)

9. Reporting entities admitting net negative (disallowed) interest maintenance reserve (IMR) attest to the following:
- a. Fixed income investments generating IMR losses comply with the reporting entity's documented investment or liability management policies.
 - b. IMR losses for fixed income related derivatives are all in accordance with prudent and documented risk management procedures, in accordance with a reporting entity's derivative use plans and reflect symmetry with historical treatment in which unrealized derivative gains were reversed to IMR and amortized in lieu of being recognized as realized gains upon derivative termination.
 - c. Any deviation to (a) was either because of a temporary and transitory timing issue or related to a specific event, such as a reinsurance transaction, that mechanically made the cause of IMR losses not reflective of reinvestment activities.
 - d. Asset sales that were generating admitted negative IMR were not compelled by liquidity pressures (e.g., to fund significant cash outflows including, but not limited to excess withdrawals and collateral calls).
- Is the reporting entity admitting net negative (disallowed) IMR in accordance with these criteria? Yes [] No [] N/A []

NAIC BLANKS (E) WORKING GROUP
Blanks Agenda Item Submission Form

<p style="text-align: right;">DATE: <u>03/01/2024</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., 3rd FL., Ste. 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2024-08BWG</u></p> <p>Year <u>2024</u></p> <p>Changes to Existing Reporting [X]</p> <p>New Reporting Requirement []</p> <hr/> <p style="text-align: center;">REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</p> <p>No Impact []</p> <p>Modifies Required Disclosure [X]</p> <p>Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No]</p> <p><i>***If Yes, complete question below***</i></p> <p style="text-align: center;">DISPOSITION</p> <p>[] Rejected For Public Comment</p> <p>[] Referred To Another NAIC Group</p> <p>[] Received For Public Comment</p> <p>[X] Adopted Date <u>05/23/2024</u></p> <p>[] Rejected Date _____</p> <p>[] Deferred Date _____</p> <p>[] Other (Specify) _____</p>
--	---

BLANK(S) TO WHICH PROPOSAL APPLIES

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

Anticipated Effective Date: Annual 2024

IDENTIFICATION OF ITEM(S) TO CHANGE

Update the Interest Maintenance Reserve and Asset Valuation Reserve instructions for specific allocation guidance for NAIC Designation Changes for Debt Securities (excluding LBSS), Mortgage Loans, and perpetual preferred stocks. (*SAPWG agenda items: 2023-15 & 2023-29*)

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

Update the instructions for the changes made in the SAPWG agenda items 2023-15 and 2023-29.

*****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.**

Revised 11/17/2022

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL

INTEREST MAINTENANCE RESERVE

This exhibit is designed to capture the realized capital gains (losses) that result from changes in the overall level of interest rates and amortize them into income over the approximate remaining life of the investment sold.

↓ **=====
=====
=====
=====
=====** **Detail Eliminated To Conserve Space** **=====
=====
=====
=====
=====** ↓
Line 2 – Current Year’s Realized Pre-tax Capital Gains (Losses) of \$ _____ Transferred into the Reserve Net of Taxes of \$ _____

Include interest-rate-related realized capital gains (losses), net of capital gains tax thereon. All realized capital gains (losses) transferred to the IMR are net of capital gains taxes thereon. Exclude non-interest-related (default) realized capital gains and (losses), realized capital gains (losses) on equity investments, and unrealized capital gains (losses).

All realized capital gains (losses), due to interest rate changes on fixed income investments, net of related capital gains tax, should be captured in the IMR and amortized into income (Column 2, Lines 1 through 31) according to Table 1 or the seriatim method. Realized capital gains (losses) must be classified as either interest (IMR) or non-interest (AVR) related, not a combination except as specified in *SSAP No. 43R—Loan-Backed and Structured Securities*. Purchase lots with the same CUSIP are treated as individual assets for IMR and Asset Valuation Reserve (AVR) purposes.

Exclude those capital gains and (losses) that, in accordance with contract terms have been used to directly increase or (decrease) contract benefit payments or reserves during the reporting period. The purpose of this exclusion is to avoid the duplicate utilization of such gains and (losses).

Capital gains tax should be determined using the method developed by the company to allocate taxes used for statutory financial reporting purposes. By capturing the realized capital gains (losses) net of tax, the capital gains tax associated with those capital gains (losses) due to an interest rate change is charged or credited to the IMR and amortized in proportion to the before-tax amortization.

Include realized capital gains (losses) on:

Debt securities (excluding loan-backed and structured securities) and redeemable preferred stocks whose National Association of Insurance Commissioners (NAIC)/Securities Valuation Office (SVO) designation at the end of the holding period is **NOT** different from its NAIC designation at the beginning of the holding period by more than one one or less NAIC designation. ~~Exclude any such gains (losses) exempt from the IMR.~~ However, if the security sold also includes the following, it should not be included in IMR:

- Between the purchase and sale date there was an acute credit event (a known event that significantly negatively impacts the price of the security), that was not yet reflected in CRP ratings and/or the SVO feed at the time of the sale, where the resulting gain (loss) from the sale was predominantly credit related.

Exchange Traded Funds (ETFs) as listed on the SVO Identified Bond ETF List (thereafter subject to bond IMR guidelines) ~~and the SVO Identified Preferred Stock ETF List (thereafter subject to preferred stock IMR guidelines)~~. Include any capital gains (losses) realized by the Company, whether from sale of the ETF or capital gains distributions by the ETF. If the ETF is removed from either SVO ETF list, the ETF is reported and treated as common stock, with any capital gains/(losses) excluded from the IMR. (Mandatory convertible preferred stocks (regardless if redeemable or perpetual) and investments on the SVO-Identified Preferred Stock List are captured

as perpetual preferred stock and treated as equity investments, with gains and losses excluded from IMR.)

SVO Identified Funds designated for systematic value

Called bonds, tendered bonds, and sinking fund payments.

Mortgage loans where the realized gains (losses) more predominantly reflect interest-related changes. By default, mortgage loans that meet any of the following criteria shall not be considered to reflect interest-related losses. Realized gains (losses) from mortgage loans with these characteristics shall be reported in the AVR:

- Any mortgage loan sold/disposed with an established valuation allowance under SSAP No. 37, or
- Interest is **NOT** more than 90 days past due, or
- The loan is **NOT** in process of foreclosure, or
- The loan is **NOT** in course of voluntary conveyance, or
- The terms of the loan have **NOT** been restructured during the prior two years.

Additional Provisions for Including/Excluding Gains (Losses) from IMR:

Mortgage loan prepayment penalties are not included in IMR. Treat them as regular investment income.

Interest-related gains (losses) realized on directly held capital and surplus notes reported on Schedule BA should be transferred to the IMR in the same manner as similar gains and (losses) on fixed income assets held on Schedule D. A capital gain (loss) on such a note is classified as an interest rate gain if the note is eligible for amortized-value accounting at both the time of acquisition and the time of disposition.

Determination of IMR gain (loss) on multiple lots of the same securities should follow the underlying accounting treatment in determining the gain (loss). Thus, the designation, on a purchase lot basis, should be compared to the designation at the end of the holding period to determine IMR or AVR gain or (loss).

Realized capital gains (losses) on any debt security (excluding loan-backed and structured securities) that has had an NAIC/SVO designation of 6 at any time during the holding period should be excluded from the IMR and included as a non-interest-related gain (loss) in the AVR.

Realized capital gains (losses) on ~~any~~ redeemable preferred stock that had an NAIC/SVO designation of ~~RP4, RP5 or RP6 or P4, P5 or P6~~ 4-6 at any time during the holding period should be reported as non-interest-related gains (losses) in the AVR.

The holding period for debt securities (excluding loan-backed and structured securities) and redeemable preferred stocks is defined as the period from the date of purchase to the date of sale. For the end of period classification, the most recent available designation should be used. For bonds acquired before Jan. 1, 1991, the holding period is presumed to have begun on Dec. 31, 1990. For redeemable preferred stocks acquired before Jan. 1, 1993, the holding period is presumed to have begun on Dec. 31, 1992. For ~~SVO-SVO-Identified~~ Bond ETFs, the holding period is defined as one calendar year to expected maturity. For ~~SVO-SVO-Identified~~ Funds-Bond ETFs designated for systematic value, the holding period is the weighted-average life of the underlying bonds.

=====
Detail Eliminated To Conserve Space
=====

ASSET VALUATION RESERVE

This exhibit and its supporting calculations are designed to address the non-interest-related (default) and equity risks of the company's assets by calculating a basic contribution, a reserve objective and a maximum reserve amount and controlling the flow of the reserve from/into surplus. These instructions cover the Asset Valuation Reserve (AVR) for both the General Account Statement and the Separate Account Statement. If an AVR is required for investments in the Separate Accounts Statement, it is combined with the General Account AVR and accounted for in the General Accounts statement. Worksheets supporting the separate accounts portion of the reserve are included with the Separate Accounts Statement. The criteria for determining when an AVR is required for separate accounts are described in the Separate Accounts AVR Worksheet instructions.

===== Detail Eliminated To Conserve Space =====

Line 2 – Realized Capital Gains (Losses) Net of Taxes – General Account

Report all realized non-interest-related (default) and equity capital gains (losses) [\(which includes, but is not limited to, common stock, perpetual preferred stock, mandatory convertible preferred stock \(regardless if redeemable or perpetual\) and SVO-Identified Preferred Stock ETFs\)](#), net of capital gains tax, applicable to the assets in each component and sub-component. All realized capital gains (losses) transferred to the AVR are net of capital gains taxes thereon. Exclude all interest rate-related capital gains (losses) from the AVR.

Capital gains tax should be determined using the method developed by the company to allocate taxes used for statutory financial reporting purposes.

Report all realized capital gains (losses), net of capital gains tax, on each debt security (excluding loan-backed and structured securities) whose NAIC/SVO designation at the end of the holding period is different from its NAIC/SVO designation at the beginning of the holding period [by more than on NAIC designation shall be considered to reflect non-interest-related changes. Gains \(losses\) from those debt instruments shall be reported in the AVR. by more than one NAIC/SVO designation. The holding period is defined as the period from the date of purchase to the date of sale. For end of period classification, the most recent available designation should be used. For bonds acquired before Jan. 1, 1991, the holding period is presumed to have begun on Dec. 31, 1990. However, securities without more than one designation change shall be included in the AVR if it includes the following:](#)

- [Between the purchase and sale date there was an acute credit event \(a known event that significantly negatively impacts the price of the security\), that was not yet reflected in CRP ratings and/or the SVO feed at the time of the sale, where the resulting gain \(loss\) from the sale was predominantly credit related.](#)

Determination of AVR gain (loss) on multiple lots of the same fixed income securities should follow the underlying accounting treatment in determining gain (loss). Thus, the designation, on a purchase lot basis, should be compared to the designation at the end of the holding period to determine IMR or AVR gain or (loss).

In accordance with *SSAP No. 26R—Bonds*, securities with other-than-temporary impairment losses shall be recorded entirely to either AVR or IMR and not bifurcated between interest and non-interest components.

In accordance with *SSAP No. 43R—Loan-Backed and Structured Securities*, for loan-backed and structured securities only:

- Other-Than-Temporary Impairment – Non-interest-related other-than-temporary impairment losses shall be recorded through the AVR. If the reporting entity wrote the security down to fair value due to the intent to sell or does not have the intent and ability to retain the investment for a period of time sufficient to recover the amortized cost basis, the non-interest-related portion of the other-than-

temporary impairment losses shall be recorded through the AVR; the interest related other-than-temporary impairment losses shall be recorded through the IMR. The analysis for bifurcating impairment losses between AVR and IMR shall be completed as of the date when the other-than-temporary impairment is determined.

- Security Sold at a Loss Without Prior OTTI – An entity shall bifurcate the loss into AVR and IMR portions depending on interest- and non-interest-related declines in accordance with the analysis performed as of the date of sale. As such, an entity shall report the loss in separate AVR and IMR components as appropriate.
- Security Sold at a Loss with Prior OTTI – An entity shall bifurcate the current realized loss into AVR and IMR portions depending on interest- and non-interest-related declines in accordance with the analysis performed as of the date of sale. An entity shall not adjust previous allocations to AVR and IMR that resulted from previous recognition of other-than-temporary impairments.
- Security Sold at a Gain with Prior OTTI – An entity shall bifurcate the gain into AVR and IMR portions depending on interest and non-interest factors in accordance with the analysis performed as of the date of sale. The bifurcation between AVR and IMR that occurs as of the date of sale may be different from the AVR and IMR allocation that occurred at the time of previous other-than-temporary impairments. An entity shall not adjust previous allocations to AVR and IMR that resulted from previous recognition of other-than-temporary impairments.
- Security Sold at a Gain Without Prior OTTI – An entity shall bifurcate the gain into AVR and IMR portions depending on interest and non-interest factors in accordance with the analysis performed as of the date of sale.

In addition, all gains (losses), net of capital gains tax, on mortgage loans where [the realized gains \(losses\) more predominantly reflect non-interest-related changes. By default, mortgage loans that meet any of the following criteria shall be considered to reflect non-interest-related changes and realized gains \(losses\) from mortgage loans with these characteristics shall be reported in the AVR:](#)

- [Any mortgage loan sold/disposed with an established valuation allowance under SSAP No. 37, or](#)
- Interest is more than 90 days past due, or
- The loan is in the process of foreclosure, or
- The loan is in course of voluntary conveyance, or
- The terms of the loan have been restructured during the prior two years

~~Would be classified as non interest related gains (losses).~~

The gain (loss), net of capital gains tax, on any debt security (excluding loan-backed and structured securities) that has had an NAIC/SVO designation of “6” at any time during the holding period should be reported as a credit related gain (loss).

All capital gains (losses), net of capital gains tax, from [redeemable](#) preferred stock that had an NAIC/SVO designation of ~~RP4, RP5 or RP6 or P4, P5 or P6~~[4-6](#) at any time during the holding period should be reported as on-interest-related gains (losses) in the AVR.

However, for a convertible bond or [redeemable](#) preferred stock purchased while its conversion value exceeds its par value, any gain (loss) realized from its sale before conversion must be included in the Equity Component of the AVR. Conversion Value is defined to mean the number of shares available currently or at next conversion date multiplied by the stock’s current market price.

Report all realized equity capital gains (losses), net of capital gains tax, in the appropriate sub-components.

The following guidance pertains to instruments in Scope of *SSAP No. 86—Derivatives*:

- For derivative instruments used in hedging transactions, the determination of whether the capital gains (losses) are allocable to the IMR or the AVR is based on how the underlying asset is treated. Realized gains (losses), net of capital gains tax, on portfolio or general hedging instruments should be included with the hedged asset. Gains (losses), net of capital gains tax, on hedges used, as specific hedges should be included only if the specific hedged asset is sold or disposed of.
- For income generation derivative transactions, the determination of whether the capital gains (losses) are allocable to the IMR or the AVR is based on how the underlying interest (for a put) or covering asset (for a call, cap or floor) is treated. Realized gains (losses), net of capital gains tax should be included in the same sub-component where the realized gains (losses) of the underlying interest (for a put) or covering asset (for a call, cap or floor) is reported. Refer to *SSAP No. 86—Derivatives* for accounting guidance.

Realized gains (losses), net of capital gains tax, resulting from the sale of U.S. government securities and the direct or guaranteed securities of agencies which are backed by the full faith and credit of the U.S. government are exempt from the AVR. This category is described in the Investment Schedules General Instructions.

NAIC BLANKS (E) WORKING GROUP
Blanks Agenda Item Submission Form

<p style="text-align: right;">DATE: <u>03/01/2024</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., 3rd Fl., Ste. 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2024-09BWG MOD</u> Year <u>2024</u> Changes to Existing Reporting [] New Reporting Requirement [X]</p> <p style="text-align: center;">REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</p> <p>No Impact [X] Modifies Required Disclosure []</p> <p>Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No] <i>***If Yes, complete question below***</i></p> <p style="text-align: center;">DISPOSITION</p> <p>[] Rejected For Public Comment [] Referred To Another NAIC Group [] Received For Public Comment [X] Adopted Date <u>05/23/2024</u> [] Rejected Date _____ [] Deferred Date _____ [] Other (Specify) _____</p>
--	--

BLANK(S) TO WHICH PROPOSAL APPLIES

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

Anticipated Effective Date: Annual 2024

IDENTIFICATION OF ITEM(S) TO CHANGE

Add a note (5T) to the Notes to Financials to be data captured to report the aggregate collateral loans by qualifying investment collateral. [Add crosscheck between Schedule BA, Part 1 Book Adjusted Carrying Value column and Note 5\(T\) Total Line.](#)

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

This proposal updates Notes to Financial Statement for the Statutory Accounting Principles Working Group's disclosure on Collateral Loan Reporting (INT 23-28)

*****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 – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

NOTES TO FINANCIAL STATEMENTS

5. Investments

Instruction:

T. Aggregate Collateral Loans by Qualifying Investment Collateral

Pursuant to SSAP No. 21 R – Other Admitted Assets, nonadmittance of a collateral loan is required when the fair value of the collateral is not sufficient to cover the collateral loan or if the collateral securing the loan is not a qualifying investment. This includes situations in which collateral in form of joint ventures, partnerships, limited liability companies (LLCs) or subsidiaries, controlled, and affiliates (SCAs) is not supported by an audit as required by SSAP No. 48 or SSAP No. 97.

Collateral loans shall be reported based on the type of qualifying investment that secures the loan. An aggregate note disclosure shall identify the total amount of collateral loans, and the collateral loans admitted and nonadmitted by qualifying investment type.

The other qualifying investment category shall only be used to capture collateral loans secured by collateral in the form of contract loans, derivatives, other invested assets not separately reported, receivables for securities, securities lending and any investments that would qualify as a write-in for invested assets. All collateral loans secured by collateral that does not qualify as an investment are required to be nonadmitted under SSAP No. 21R.

Note: Collateral Loans with collateral that does not qualify as an investment are not permitted under SSAP No. 21R. Amounts reported as admitted within this category shall be supported by a prescribed or permitted practice disclosure.



Detail Eliminated To Conserve Space

Illustration:

T. Aggregate Collateral Loans by Qualifying Investment Collateral

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.

<u>Collateral Type</u>	<u>Aggregate Collateral Loan*</u>	<u>Admitted</u>	<u>Nonadmitted</u>
<u>(1) Cash, Cash Equivalent & ST Investments</u>			
<u>a. Affiliated</u>
<u>b. Unaffiliated</u>
<u>(2) Bonds</u>			
<u>a. Affiliated</u>
<u>b. Unaffiliated</u>
<u>(3) Loan-Backed and Structured Securities</u>			
<u>a. Affiliated</u>
<u>b. Unaffiliated</u>
<u>(4) Preferred Stocks</u>			
<u>a. Affiliated</u>
<u>b. Unaffiliated</u>
<u>(5) Common Stocks</u>			
<u>a. Affiliated</u>
<u>b. Unaffiliated</u>
<u>(6) Real Estate</u>			
<u>a. Affiliated</u>
<u>b. Unaffiliated</u>
<u>(7) Mortgage Loans</u>			
<u>a. Affiliated</u>
<u>b. Unaffiliated</u>
<u>(8) Joint Ventures, Partnerships, LLC</u>			
<u>a. Affiliated</u>
<u>b. Unaffiliated</u>
<u>(9) Other Qualifying Investments</u>			
<u>a. Affiliated</u>
<u>b. Unaffiliated</u>
<u>(10) Collateral Does not Qualify as an Investment</u>			
<u>a. Affiliated</u>
<u>b. Unaffiliated</u>
<u>(11) Total</u>

* Aggregate Collateral Loan Total Line should equal Schedule BA, Part 1, Column 12, Book Adjusted Carrying Value

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

<p style="text-align: right;">DATE: <u>03/01/2024</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., 3rd Fl., Ste. 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2024-10BWG MOD</u> Year <u>2024</u> Changes to Existing Reporting [X] New Reporting Requirement []</p> <p style="text-align: center;">REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</p> <p>No Impact [X] Modifies Required Disclosure []</p> <p>Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No] <i>***If Yes, complete question below***</i></p> <p style="text-align: center;">DISPOSITION</p> <p>[] Rejected For Public Comment [] Referred To Another NAIC Group [] Received For Public Comment [X] Adopted Date <u>05/23/2024</u> [] Rejected Date _____ [] Deferred Date _____ [] Other (Specify) _____</p>
--	--

BLANK(S) TO WHICH PROPOSAL APPLIES

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

Anticipated Effective Date: Annual 2024

IDENTIFICATION OF ITEM(S) TO CHANGE

Remove the ACA SSAP No. 107 disclosure on the transitional reinsurance program and the risk corridors program from Note 24E in the Notes to Financials (Note 24F for Property/Casualty) in the Annual Statement Instructions.

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

This proposal updates Notes to Financial Statement for the Statutory Accounting Principles Working Group's disclosure on updating SSAP No. 107 disclosures. (SAPWG Ref # 2024-13)

*****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 – LIFE/FRATERNAL AND HEALTH

NOTES TO FINANCIAL STATEMENTS

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

Instruction:



Detail Eliminated To Conserve Space

E. Risk-Sharing Provisions of the Affordable Care Act (ACA)

- (1) Reporting entities shall also indicate if they wrote any accident and health insurance premium that is subject to the Affordable Care Act risk-sharing provisions. In the event that the balances are zero, the reporting entity should provide context to explain the reasons for the zero balances, including insufficient data to make an estimate, no balances or premium was excluded from the program, etc.

NOTE: Any reporting entity that reports accident and health insurance premium and losses on their statement that is subject to the Affordable Care Act risk-sharing provisions **MUST** complete the tables illustrated for the disclosures below, even if all amounts in the illustrated table are zero.

- (2) Impact of Risk-Sharing Provisions of the Affordable Care Act on Admitted Assets, Liabilities and Revenue for the Current Year

The financial statements shall disclose the admitted assets, liabilities and revenue elements ~~by~~ for the permanent risk adjustment program regarding the risk-sharing provisions of the Affordable Care Act for the reporting periods that are impacted by programs. The disclosure should include the following:

- Permanent ACA Risk Adjustment Program
 - Premium adjustments receivable due to ACA Risk Adjustment (including high-risk pool payments)
 - Risk adjustment user fees payable for ACA Risk Adjustment
 - Premium adjustments payable due to ACA Risk Adjustment (including high-risk pool premium)
 - Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment
 - Reported in expenses as ACA Risk Adjustment user fees (incurred/paid)
- ~~Transitional ACA Reinsurance Program~~
 - ~~Amounts recoverable for claims paid due to ACA Reinsurance~~
 - ~~Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)~~
 - ~~Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance~~
 - ~~Liabilities for contributions payable due to ACA Reinsurance not reported as ceded premium~~
 - ~~Ceded reinsurance premiums payable due to ACA Reinsurance~~
 - ~~Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance~~

- ~~Ceded reinsurance premiums due to ACA Reinsurance~~
- ~~Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments~~
- ~~ACA Reinsurance contributions not reported as ceded premium~~
- ~~Temporary ACA Risk Corridors Program~~
 - ~~Accrued retrospective premium due to ACA Risk Corridors~~
 - ~~Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors~~
 - ~~Effect of ACA Risk Corridors on net premium income (paid/received)~~
 - ~~Effect of ACA Risk Corridors on change in reserves for rate credits~~

(3) Roll-Forward of Prior Year ACA Risk-Sharing Provisions

A roll-forward of prior year ACA risk-sharing provisions [for the risk adjustment program](#) for the following asset (gross of any nonadmission) and liability balances shall be disclosed, along with the reasons for adjustments (e.g., federal audits, revised participant counts, information which impacted risk score projections, etc.) to prior year balance.

- Permanent ACA Risk Adjustment Program
 - Premium adjustments receivable due to ACA Risk Adjustment (including high-risk pool payments)
 - Premium adjustments payable due to ACA Risk Adjustment (including high-risk pool premium)
- ~~Transitional ACA Reinsurance Program~~
 - ~~Amounts recoverable for claims paid due to ACA Reinsurance~~
 - ~~Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)~~
 - ~~Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance~~
 - ~~Liabilities for contributions payable due to ACA Reinsurance not reported as ceded premium~~
 - ~~Ceded reinsurance premiums payable due to ACA Reinsurance~~
 - ~~Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance~~
- ~~Temporary ACA Risk Corridors Program~~
 - ~~Accrued retrospective premium due to ACA Risk Corridors~~
 - ~~Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors~~

~~(4) Roll Forward of Risk Corridors Asset and Liability Balances by Program Benefit Year~~

~~Provide an additional roll forward of the risk corridors asset and liability balances and subsequent adjustments by program benefit year. The beginning receivable or payable in the roll forward will reflect the prior year end balance for the specified benefit year.~~

~~(5) — ACA Risk Corridors Receivable as of Reporting Date~~

~~The following information is required for risk corridors balances by program benefit year:~~

- ~~• Estimated amount to be filed or final amounts filed with federal agency~~
- ~~• Amounts impaired or amounts not accrued for other reasons (not withstanding collectability concerns)~~
- ~~• Amounts received from federal agency~~
- ~~• Asset balance gross of nonadmission~~
- ~~• Nonadmitted amounts~~
- ~~• Net admitted assets~~

Illustration:



E. Risk-Sharing Provisions of the Affordable Care Act (ACA)

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.

NOTE: Any reporting entity that reports accident and health insurance premium and losses on their statement that is subject to the federal Affordable Care Act risk-sharing provisions MUST complete the tables (24E(2) through 24E(5)) illustrated below, even if all amounts in the table are zero.

- (1) Did the reporting entity write accident and health insurance premium that is subject to the Affordable Care Act risk-sharing provisions (YES/NO)? _____
- The company had zero balances for the risk ~~corridors~~ adjustments program due a lack of sufficient data to estimate the recoverable amounts.

- (2) Impact of Risk-Sharing Provisions of the Affordable Care Act on Admitted Assets, Liabilities and Revenue for the Current Year

	<u>AMOUNT</u>
a. Permanent ACA Risk Adjustment Program	
Assets	
1. Premium adjustments receivable due to ACA Risk Adjustment (including high-risk pool payments)	\$ _____
Liabilities	
2. Risk adjustment user fees payable for ACA Risk Adjustment	\$ _____
3. Premium adjustments payable due to ACA Risk Adjustment (including high-risk pool premium)	\$ _____
Operations (Revenue & Expense)	
4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment	\$ _____
5. Reported in expenses as ACA Risk Adjustment user fees (incurred/paid)	\$ _____

~~b. Transitional ACA Reinsurance Program~~

~~Assets~~

- ~~1. Amounts recoverable for claims paid due to ACA Reinsurance \$ _____~~
- ~~2. Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability) \$ _____~~
- ~~3. Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance \$ _____~~

~~Liabilities~~

- ~~4. Liabilities for contributions payable due to ACA Reinsurance not reported as ceded premium \$ _____~~
- ~~5. Ceded reinsurance premiums payable due to ACA Reinsurance \$ _____~~
- ~~6. Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance \$ _____~~

~~Operations (Revenue & Expense)~~

- ~~7. Ceded reinsurance premiums due to ACA Reinsurance \$ _____~~
- ~~8. Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments \$ _____~~
- ~~9. ACA Reinsurance contributions not reported as ceded premium \$ _____~~

~~e. Temporary ACA Risk Corridors Program~~

~~Assets~~

- ~~1. Accrued retrospective premium due to ACA Risk Corridors \$ _____~~

~~Liabilities~~

- ~~2. Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors \$ _____~~

~~Operations (Revenue & Expense)~~

- ~~3. Effect of ACA Risk Corridors on net premium income (paid/received) \$ _____~~
- ~~4. Effect of ACA Risk Corridors on change in reserves for rate credits \$ _____~~

(3) Roll-forward of prior year ACA risk-sharing provisions for the following asset (gross of any nonadmission) and liability balances, along with the reasons for adjustments to prior year balance.

	Accrued During the Prior Year on Business Written Before Dec 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before Dec 31 of the Prior Year		Differences		Adjustments		Ref	Unsettled Balances as of the Reporting Date	
	1	2	3	4	Prior Year	Prior Year	To Prior Year	To Prior Year		9	10
					Accrued Less Payments (Col 1 - 3)	Accrued Less Payments (Col 2 - 4)	Balances	Balances			
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)		Receivable	(Payable)
a. Permanent ACA Risk Adjustment Program											
1. Premium adjustments receivable (including high-risk pool payments)	\$	\$	\$	\$	\$	\$	\$	\$	A	\$	\$
2. Premium adjustments (payable) (including high-risk pool premium)	\$	\$	\$	\$	\$	\$	\$	\$	B	\$	\$
3. Subtotal ACA Permanent Risk Adjustment Program	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$
b. Transitional ACA Reinsurance Program											
1. Amounts recoverable for claims paid	\$	\$	\$	\$	\$	\$	\$	\$	E	\$	\$
2. Amounts recoverable for claims unpaid (contra liability)	\$	\$	\$	\$	\$	\$	\$	\$	D	\$	\$
3. Amounts receivable relating to uninsured plans	\$	\$	\$	\$	\$	\$	\$	\$	F	\$	\$
4. Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded premium	\$	\$	\$	\$	\$	\$	\$	\$	F	\$	\$
5. Ceded reinsurance premiums payable	\$	\$	\$	\$	\$	\$	\$	\$	G	\$	\$
6. Liability for amounts held under uninsured plans	\$	\$	\$	\$	\$	\$	\$	\$	H	\$	\$
7. Subtotal ACA Transitional Reinsurance Program	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$
e. Temporary ACA Risk Corridors Program											
1. Accrued retrospective premium	\$	\$	\$	\$	\$	\$	\$	\$	I	\$	\$
2. Reserve for rate credits or policy experience rating refunds	\$	\$	\$	\$	\$	\$	\$	\$	J	\$	\$
3. Subtotal ACA Risk Corridors Program	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$
d. Total for ACA Risk-Sharing Provisions	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$

Explanations of Adjustments

- A
- B
- C
- D
- E
- F
- G
- H
- I
- J

(4) — Roll Forward of Risk Corridors Asset and Liability Balances by Program Benefit Year

Risk Corridors-Program Year	Accrued During the Prior Year on Business Written Before Dec 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before Dec 31 of the Prior Year		Differences		Adjustments		Ref	Unsettled Balances as of the Reporting Date	
	1	2	3	4	Prior-Year	Prior-Year	7	8		9	10
					Accrued Less Payments (Col 1-3)	Accrued Less Payments (Col 2-4)						To Prior Year Balances	To Prior Year Balances
Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)		
a. 2014											
1. Accrued retrospective premium	\$	\$	\$	\$	\$	\$	\$	\$	A	\$	\$
2. Reserve for rate credits or policy experience rating refunds	\$	\$	\$	\$	\$	\$	\$	\$	B	\$	\$
b. 2015											
1. Accrued retrospective premium	\$	\$	\$	\$	\$	\$	\$	\$	C	\$	\$
2. Reserve for rate credits or policy experience rating refunds	\$	\$	\$	\$	\$	\$	\$	\$	D	\$	\$
c. 2016											
1. Accrued retrospective premium	\$	\$	\$	\$	\$	\$	\$	\$	E	\$	\$
2. Reserve for rate credits or policy experience rating refunds	\$	\$	\$	\$	\$	\$	\$	\$	F	\$	\$
d. Total for Risk Corridors	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$

Explanations of Adjustments

A	.....
B	.....
C	.....
D	.....
E	.....
F	.....

24E(4)d (Columns 1 through 10) should equal 24E(3)e3 (Column 1 through 10 respectively)

(5) — ACA Risk Corridors Receivable as of Reporting Date

Risk Corridors Program Year	1 Estimated Amount to be Filed or Final Amount Filed with CMS	2 Non-Accrued Amounts for Impairment or Other Reasons	3 Amounts received from CMS	4 Asset Balance (Gross of Non-admissions) (1-2-3)	5 Non-admitted Amount	6 Net-Admitted Asset (4-5)
a. 2014	\$	\$	\$	\$	\$	\$
b. 2015	\$	\$	\$	\$	\$	\$
c. 2016	\$	\$	\$	\$	\$	\$
d. Total (a+b+c)	\$	\$	\$	\$	\$	\$

24E(5)d (Column 4) should equal 24E(3)e1 (Column 9)

24E(5)d (Column 6) should equal 24E(2)e1

ANNUAL STATEMENT INSTRUCTIONS – PROPERTY/CASUALTY

NOTES TO FINANCIAL STATEMENTS

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

Instruction:



Detail Eliminated To Conserve Space

F. Risk-Sharing Provisions of the Affordable Care Act (ACA)

- (1) Reporting entities shall also indicate if they wrote any accident and health insurance premium that is subject to the Affordable Care Act risk-sharing provisions. In the event that the balances are zero, the reporting entity should provide context to explain the reasons for the zero balances, including insufficient data to make an estimate, no balances or premium was excluded from the program, etc.

NOTE: Any reporting entity that reports accident and health insurance premium and losses on their statement that is subject to the Affordable Care Act risk-sharing provisions **MUST** complete the tables illustrated for the disclosures below, even if all amounts in the illustrated table are zero.

- (2) Impact of Risk-Sharing Provisions of the Affordable Care Act on Admitted Assets, Liabilities and Revenue for the Current Year

The financial statements shall disclose the admitted assets, liabilities and revenue elements ~~by~~ [for the permanent risk adjustment](#) program regarding the risk-sharing provisions of the Affordable Care Act for the reporting periods that are impacted by programs. The disclosure should include the following:

- Permanent ACA Risk Adjustment Program
 - Premium adjustments receivable due to ACA Risk Adjustment (including high-risk pool payments)
 - Risk adjustment user fees payable for ACA Risk Adjustment
 - Premium adjustments payable due to ACA Risk Adjustment (including high-risk pool premium)
 - Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment
 - Reported in expenses as ACA Risk Adjustment user fees (incurred/paid)
- ~~Transitional ACA Reinsurance Program~~
 - ~~Amounts recoverable for claims paid due to ACA Reinsurance~~
 - ~~Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)~~
 - ~~Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance~~
 - ~~Liabilities for contributions payable due to ACA Reinsurance not reported as ceded premium~~
 - ~~Ceded reinsurance premiums payable due to ACA Reinsurance~~
 - ~~Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance~~
 - ~~Ceded reinsurance premiums due to ACA Reinsurance~~

- ~~Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments~~
- ~~ACA Reinsurance contributions not reported as ceded premium~~
- ~~Temporary ACA Risk Corridors Program~~
 - ~~Accrued retrospective premium due to ACA Risk Corridors~~
 - ~~Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors~~
 - ~~Effect of ACA Risk Corridors on net premium income (paid/received)~~
 - ~~Effect of ACA Risk Corridors on change in reserves for rate credits~~

(3) Roll-Forward of Prior Year ACA Risk-Sharing Provisions

A roll-forward of prior year ACA risk-sharing provisions [for the risk adjustment program](#) for the following asset (gross of any nonadmission) and liability balances shall be disclosed, along with the reasons for adjustments (e.g., federal audits, revised participant counts, information which impacted risk score projections, etc.) to prior year balance.

- Permanent ACA Risk Adjustment Program
 - Premium adjustments receivable due to ACA Risk Adjustment (including high-risk pool payments)
 - Premium adjustments payable due to ACA Risk Adjustment (including high-risk pool premium)
- ~~Transitional ACA Reinsurance Program~~
 - ~~Amounts recoverable for claims paid due to ACA Reinsurance~~
 - ~~Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)~~
 - ~~Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance~~
 - ~~Liabilities for contributions payable due to ACA Reinsurance not reported as ceded premium~~
 - ~~Ceded reinsurance premiums payable due to ACA Reinsurance~~
 - ~~Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance~~
- ~~Temporary ACA Risk Corridors Program~~
 - ~~Accrued retrospective premium due to ACA Risk Corridors~~
 - ~~Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors~~

~~(4) Roll Forward of Risk Corridors Asset and Liability Balances by Program Benefit Year~~

~~Provide an additional roll forward of the risk corridors asset and liability balances and subsequent adjustments by program benefit year. The beginning receivable or payable in the roll forward will reflect the prior year end balance for the specified benefit year.~~

~~(5) ACA Risk Corridors Receivable as of Reporting Date~~

~~The following information is required for risk corridors balances by program benefit year:~~

- ~~Estimated amount to be filed or final amounts filed with federal agency;~~
- ~~Amounts impaired or amounts not accrued for other reasons (notwithstanding collectability concerns);~~

- ~~• Amounts received from federal agency;~~
- ~~• Asset balance gross of nonadmission;~~
- ~~• Nonadmitted amounts;~~
- ~~• Net admitted assets.~~

Illustration:



F. Risk-Sharing Provisions of the Affordable Care Act (ACA)

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.

NOTE: Any reporting entity that reports accident and health insurance premium and losses on their statement that is subject to the federal Affordable Care Act risk-sharing provisions MUST complete the tables (24F(2) through 24F(5)) illustrated below, even if all amounts in the table are zero.

- (1) Did the reporting entity write accident and health insurance premium that is subject to the Affordable Care Act risk-sharing provisions (YES/NO)? _____

The company had zero balances for the risk ~~corridors~~ adjustment program due a lack of sufficient data to estimate the recoverable amounts.

- (2) Impact of Risk-Sharing Provisions of the Affordable Care Act on Admitted Assets, Liabilities and Revenue for the Current Year

AMOUNT

a. Permanent ACA Risk Adjustment Program

Assets

1. Premium adjustments receivable due to ACA Risk Adjustment (including high-risk pool payments) \$ _____

Liabilities

2. Risk adjustment user fees payable for ACA Risk Adjustment \$ _____
3. Premium adjustments payable due to ACA Risk Adjustment (including high-risk pool premium) \$ _____

Operations (Revenue & Expense)

4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment \$ _____
5. Reported in expenses as ACA Risk Adjustment user fees (incurred/paid) \$ _____

~~b. Transitional ACA Reinsurance Program~~

~~Assets~~

- ~~1. Amounts recoverable for claims paid due to ACA Reinsurance \$ _____~~
- ~~2. Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability) \$ _____~~
- ~~3. Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance \$ _____~~

~~Liabilities~~

- ~~4. Liabilities for contributions payable due to ACA Reinsurance—
not reported as ceded premium \$ _____~~
- ~~5. Ceded reinsurance premiums payable due to ACA Reinsurance
\$ _____~~
- ~~6. Liabilities for amounts held under uninsured plans
contributions for ACA Reinsurance \$ _____~~

~~Operations (Revenue & Expense)~~

- ~~7. Ceded reinsurance premiums due to ACA Reinsurance \$ _____~~
- ~~8. Reinsurance recoveries (income statement) due to ACA
Reinsurance payments or expected payments \$ _____~~
- ~~9. ACA Reinsurance contributions not reported as ceded
premium \$ _____~~

~~e. Temporary ACA Risk Corridors Program~~

~~Assets~~

- ~~1. Accrued retrospective premium due to ACA Risk Corridors \$ _____~~

~~Liabilities~~

- ~~2. Reserve for rate credits or policy experience rating refunds due
to ACA Risk Corridors \$ _____~~

~~Operations (Revenue & Expense)~~

- ~~3. Effect of ACA Risk Corridors on net premium income
(paid/received) \$ _____~~
- ~~4. Effect of ACA Risk Corridors on change in reserves for rate
credits \$ _____~~

(3) Roll-forward of prior year ACA risk-sharing provisions for the following asset (gross of any nonadmission) and liability balances, along with the reasons for adjustments to prior year balance.

	Accrued During the Prior Year on Business Written Before Dec 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before Dec 31 of the Prior Year		Differences		Adjustments		Ref	Unsettled Balances as of the Reporting Date	
	1	2	3	4	Prior Year	Prior Year	To Prior Year	To Prior Year		Cumulative	Cumulative
					Accrued Less Payments (Col 1 - 3)	Accrued Less Payments (Col 2 - 4)						Balances	Balances	Balance from Prior Years (Col 1-3+7)	Balance from Prior Years (Col 2-4+8)
Receivable	(Payable)	Receivable	(Payable)	5	6	7	8	9	10		
a. Permanent ACA Risk Adjustment Program											
1. Premium adjustments receivable (including high-risk pool payments)	\$	\$	\$	\$	\$	\$	\$	\$	A	\$	\$
2. Premium adjustments (payable) (including high-risk pool premium)	\$	\$	\$	\$	\$	\$	\$	\$	B	\$	\$
3. Subtotal ACA Permanent Risk Adjustment Program	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$
b. Transitional ACA Reinsurance Program											
1. Amounts recoverable for claims paid	\$	\$	\$	\$	\$	\$	\$	\$	E	\$	\$
2. Amounts recoverable for claims unpaid (contra liability)	\$	\$	\$	\$	\$	\$	\$	\$	D	\$	\$
3. Amounts receivable relating to uninsured plans	\$	\$	\$	\$	\$	\$	\$	\$	F	\$	\$
4. Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded premium	\$	\$	\$	\$	\$	\$	\$	\$	F	\$	\$
5. Ceded reinsurance premiums payable	\$	\$	\$	\$	\$	\$	\$	\$	G	\$	\$
6. Liability for amounts held under uninsured plans	\$	\$	\$	\$	\$	\$	\$	\$	H	\$	\$
7. Subtotal ACA Transitional Reinsurance Program	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$
e. Temporary ACA Risk Corridors Program											
1. Accrued retrospective premium	\$	\$	\$	\$	\$	\$	\$	\$	I	\$	\$
2. Reserve for rate credits or policy experience rating refunds	\$	\$	\$	\$	\$	\$	\$	\$	J	\$	\$
3. Subtotal ACA Risk Corridors Program	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$
d. Total for ACA Risk-Sharing Provisions	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$

Explanations of Adjustments

- A
- B
- C
- D
- E
- F
- G
- H
- I
- J

(4) — Roll Forward of Risk Corridors Asset and Liability Balances by Program Benefit Year

Risk Corridors-Program Year	Accrued During the Prior Year on Business Written Before Dec 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before Dec 31 of the Prior Year		Differences		Adjustments		Ref	Unsettled Balances as of the Reporting Date	
	1	2	3	4	Prior-Year	Prior-Year	7	8		9	10
					Accrued Less Payments (Col 1-3)	Accrued Less Payments (Col 2-4)						To Prior-Year Balances	To Prior-Year Balances
Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)		
a. 2014											
1. Accrued retrospective premium	\$	\$	\$	\$	\$	\$	\$	\$	A	\$	\$
2. Reserve for rate credits or policy experience rating refunds	\$	\$	\$	\$	\$	\$	\$	\$	B	\$	\$
b. 2015											
1. Accrued retrospective premium	\$	\$	\$	\$	\$	\$	\$	\$	C	\$	\$
2. Reserve for rate credits or policy experience rating refunds	\$	\$	\$	\$	\$	\$	\$	\$	D	\$	\$
c. 2016											
1. Accrued retrospective premium	\$	\$	\$	\$	\$	\$	\$	\$	E	\$	\$
2. Reserve for rate credits or policy experience rating refunds	\$	\$	\$	\$	\$	\$	\$	\$	F	\$	\$
d. Total for Risk Corridors	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$

Explanations of Adjustments

A	.....
B	.....
C	.....
D	.....
E	.....
F	.....

24F(4)d (Columns 1 through 10) should equal 24F(3)c3 (Column 1 through 10 respectively)

(5) — ACA Risk Corridors Receivable as of Reporting Date

Risk Corridors Program Year	1 Estimated Amount to be Filed or Final Amount Filed with CMS	2 Non-Accrued Amounts for Impairment or Other Reasons	3 Amounts received from CMS	4 Asset Balance (Gross of Non-admissions) (1-2-3)	5 Non-admitted Amount	6 Net-Admitted Asset (4-5)
a. 2014	\$	\$	\$	\$	\$	\$
b. 2015	\$	\$	\$	\$	\$	\$
c. 2016	\$	\$	\$	\$	\$	\$
d. Total (a+b+c)	\$	\$	\$	\$	\$	\$

24F(5)d (Column 4) should equal 24F(3)e1 (Column 9)

24F(5)d (Column 6) should equal 24F(2)e1

QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL AND HEALTH

NOTES TO FINANCIAL STATEMENTS

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

Instruction:

E. Risk-Sharing Provisions of the Affordable Care Act (ACA)

- (1) Reporting entities shall also indicate if they wrote any accident and health insurance premium that is subject to the Affordable Care Act risk-sharing provisions. In the event that the balances are zero, the reporting entity should provide context to explain the reasons for the zero balances, including insufficient data to make an estimate, no balances or premium was excluded from the program, etc.

NOTE: Any reporting entity that reports accident and health insurance premium and losses on their statement that is subject to the Affordable Care Act risk-sharing provisions **MUST** complete the tables illustrated for the disclosures below, even if all amounts in the illustrated table are zero.

- (2) Impact of Risk-Sharing Provisions of the Affordable Care Act on Admitted Assets, Liabilities and Revenue for the Current Year

The financial statements shall disclose the admitted assets, liabilities and revenue elements ~~by~~ for the permanent risk adjustment program regarding the risk-sharing provisions of the Affordable Care Act for the reporting periods that are impacted by programs. The disclosure should include the following:

- Permanent ACA Risk Adjustment Program
 - Premium adjustments receivable due to ACA Risk Adjustment (including high-risk pool payments)
 - Risk adjustment user fees payable for ACA Risk Adjustment
 - Premium adjustments payable due to ACA Risk Adjustment (including high-risk pool premium)
 - Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment
 - Reported in expenses as ACA Risk Adjustment user fees (incurred/paid)
- ~~Transitional ACA Reinsurance Program~~
 - ~~Amounts recoverable for claims paid due to ACA Reinsurance~~
 - ~~Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)~~
 - ~~Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance~~
 - ~~Liabilities for contributions payable due to ACA Reinsurance not reported as ceded premium~~
 - ~~Ceded reinsurance premiums payable due to ACA Reinsurance~~
 - ~~Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance~~
 - ~~Ceded reinsurance premiums due to ACA Reinsurance~~
 - ~~Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments~~
 - ~~ACA Reinsurance contributions not reported as ceded premium~~

- ~~Temporary ACA Risk Corridors Program~~
 - ~~Accrued retrospective premium due to ACA Risk Corridors~~
 - ~~Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors~~
 - ~~Effect of ACA Risk Corridors on net premium income (paid/received)~~
 - ~~Effect of ACA Risk Corridors on change in reserves for rate credits~~

(3) Roll-Forward of Prior Year ACA Risk-Sharing Provisions

A roll-forward of prior year ACA risk-sharing provisions [for the risk adjustment program](#) for the following asset (gross of any nonadmission) and liability balances shall be disclosed, along with the reasons for adjustments (e.g., federal audits, revised participant counts, information which impacted risk score projections, etc.) to prior year balance.

- Permanent ACA Risk Adjustment Program
 - Premium adjustments receivable due to ACA Risk Adjustment (including high-risk pool payments)
 - Premium adjustments payable due to ACA Risk Adjustment (including high-risk pool premium)
- ~~Transitional ACA Reinsurance Program~~
 - ~~Amounts recoverable for claims paid due to ACA Reinsurance~~
 - ~~Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)~~
 - ~~Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance~~
 - ~~Liabilities for contributions payable due to ACA Reinsurance not reported as ceded premium~~
 - ~~Ceded reinsurance premiums payable due to ACA Reinsurance~~
 - ~~Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance~~
- ~~Temporary ACA Risk Corridors Program~~
 - ~~Accrued retrospective premium due to ACA Risk Corridors~~
 - ~~Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors~~

~~(4) Roll Forward of Risk Corridors Asset and Liability Balances by Program Benefit Year~~

~~Provide an additional roll forward of the risk corridors asset and liability balances and subsequent adjustments by program benefit year. The beginning receivable or payable in the roll forward will reflect the prior year end balance for the specified benefit year.~~

~~(5) ACA Risk Corridors Receivable as of Reporting Date~~

~~The following information is required for risk corridors balances by program benefit year:~~

- ~~Estimated amount to be filed or final amounts filed with federal agency~~
- ~~Amounts impaired or amounts not accrued for other reasons (not withstanding collectability concerns)~~
- ~~Amounts received from federal agency~~
- ~~Asset balance gross of nonadmission~~
- ~~Nonadmitted amounts~~
- ~~Net admitted assets~~

Illustration:

E. Risk-Sharing Provisions of the Affordable Care Act (ACA)

NOTE: Any reporting entity that reports accident and health insurance premium and losses on their statement that is subject to the federal Affordable Care Act risk-sharing provisions **MUST** complete the tables illustrated below, even if all amounts in the table are zero.

- (1) Did the reporting entity write accident and health insurance premium that is subject to the Affordable Care Act risk-sharing provisions (YES/NO)? _____

The company had zero balances for the risk ~~corridors~~ adjustments program due a lack of sufficient data to estimate the recoverable amounts.

- (2) Impact of Risk-Sharing Provisions of the Affordable Care Act on Admitted Assets, Liabilities and Revenue for the Current Year

	<u>AMOUNT</u>
a. Permanent ACA Risk Adjustment Program	
Assets	
1. Premium adjustments receivable due to ACA Risk Adjustment (including high-risk pool payments)	\$ _____
Liabilities	
2. Risk adjustment user fees payable for ACA Risk Adjustment	\$ _____
3. Premium adjustments payable due to ACA Risk Adjustment (including high-risk pool premium)	\$ _____
Operations (Revenue & Expense)	
4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment	\$ _____
5. Reported in expenses as ACA Risk Adjustment user fees (incurred/paid)	\$ _____
b. Transitional ACA Reinsurance Program	
Assets	
1. Amounts recoverable for claims paid due to ACA Reinsurance	\$ _____
2. Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)	\$ _____
3. Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance	\$ _____
Liabilities	
4. Liabilities for contributions payable due to ACA Reinsurance not reported as ceded premium	\$ _____
5. Ceded reinsurance premiums payable due to ACA Reinsurance	\$ _____
6. Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance	\$ _____
Operations (Revenue & Expense)	
7. Ceded reinsurance premiums due to ACA Reinsurance	\$ _____
8. Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments	\$ _____

9. ACA Reinsurance contributions not reported as ceded premium	\$ _____
e. Temporary ACA Risk Corridors Program	
Assets	
1. Accrued retrospective premium due to ACA Risk Corridors Liabilities	\$ _____
2. Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors	\$ _____
Operations (Revenue & Expense)	
3. Effect of ACA Risk Corridors on net premium income (paid/received)	\$ _____
4. Effect of ACA Risk Corridors on change in reserves for rate credits	\$ _____

(3) Roll-forward of prior year ACA risk-sharing provisions for the following asset (gross of any nonadmission) and liability balances, along with the reasons for adjustments to prior year balance.

	Accrued During the Prior Year on Business Written Before Dec. 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before Dec. 31 of the Prior Year		Differences		Adjustments		Ref	Unsettled Balances as of the Reporting Date		
	1	2	3	4	5	6	7	8		9	10	
												Receivable
a. Permanent ACA Risk Adjustment Program												
1. Premium adjustments receivable (including high-risk pool payments)	\$	\$	\$	\$	\$	\$	\$	\$	A	\$	\$	
2. Premium adjustments (payable) (including high-risk pool premium)	\$	\$	\$	\$	\$	\$	\$	\$	B	\$	\$	
3. Subtotal ACA Permanent Risk Adjustment Program	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$	
b. Transitional ACA Reinsurance Program												
1. Amounts recoverable for claims paid	\$	\$	\$	\$	\$	\$	\$	\$	C	\$	\$	
2. Amounts recoverable for claims unpaid (contra liability)	\$	\$	\$	\$	\$	\$	\$	\$	D	\$	\$	
3. Amounts receivable relating to uninsured plans	\$	\$	\$	\$	\$	\$	\$	\$	E	\$	\$	
4. Liabilities for contributions payable due to ACA Reinsurance not reported as ceded premium	\$	\$	\$	\$	\$	\$	\$	\$	F	\$	\$	
5. Ceded reinsurance premiums payable	\$	\$	\$	\$	\$	\$	\$	\$	G	\$	\$	
6. Liability for amounts held under uninsured plans	\$	\$	\$	\$	\$	\$	\$	\$	H	\$	\$	
7. Subtotal ACA Transitional Reinsurance Program	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$	
c. Temporary ACA Risk Corridors Program												
1. Accrued retrospective premium	\$	\$	\$	\$	\$	\$	\$	\$	I	\$	\$	
2. Reserve for rate credits or policy experience rating refunds	\$	\$	\$	\$	\$	\$	\$	\$	J	\$	\$	
3. Subtotal ACA Risk Corridors Program	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$	
d. Total for ACA Risk-Sharing Provisions	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$	

Explanations of Adjustments

A

B

C

D

E

F

G

H

I

J

(4) — Roll Forward of Risk Corridors Asset and Liability Balances by Program Benefit Year

Risk Corridors-Program Year	Accrued During the Prior Year on Business Written Before Dec. 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before Dec. 31 of the Prior Year		Differences		Adjustments		Ref	Unsettled Balances as of the Reporting Date	
	1	2	3	4	Prior-Year	Prior-Year	7	8		9	10
					Accrued Less Payments (Col 1-3)	Accrued Less Payments (Col 2-4)						To Prior Year Balances	To Prior Year Balances
Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)		
a. 2014											
1. Accrued retrospective premium	\$	\$	\$	\$	\$	\$	\$	\$	A	\$	\$
2. Reserve for rate credits or policy experience rating refunds	\$	\$	\$	\$	\$	\$	\$	\$	B	\$	\$
b. 2015											
1. Accrued retrospective premium	\$	\$	\$	\$	\$	\$	\$	\$	C	\$	\$
2. Reserve for rate credits or policy experience rating refunds	\$	\$	\$	\$	\$	\$	\$	\$	D	\$	\$
c. 2016											
1. Accrued retrospective premium	\$	\$	\$	\$	\$	\$	\$	\$	E	\$	\$
2. Reserve for rate credits or policy experience rating refunds	\$	\$	\$	\$	\$	\$	\$	\$	F	\$	\$
d. Total for Risk Corridors	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$

Explanations of Adjustments

A	.....
B	.....
C	.....
D	.....
E	.....
F	.....

24E(4)d (Columns 1 through 10) should equal 24E(3)e3 (Column 1 through 10, respectively)

(5) — ACA Risk Corridors Receivable as of Reporting Date

Risk Corridors Program Year	1 Estimated Amount to be Filed or Final Amount Filed with CMS	2 Nonaccrued Amounts for Impairment or Other Reasons	3 Amounts received from CMS	4 Asset Balance (Gross of Nonadmissions) (1-2-3)	5 Nonadmitted Amount	6 Net Admitted Asset (4-5)
a. 2014	\$	\$	\$	\$	\$	\$
b. 2015	\$	\$	\$	\$	\$	\$
c. 2016	\$	\$	\$	\$	\$	\$
d. Total (a+b+c)	\$	\$	\$	\$	\$	\$

24E(5)d (Column 4) should equal 24E(3)e1 (Column 9)

24E(5)d (Column 6) should equal 24E(2)e1

QUARTERLY STATEMENT INSTRUCTIONS – PROPERTY/CASUALTY

NOTES TO FINANCIAL STATEMENTS

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

Instruction:

F. Risk-Sharing Provisions of the Affordable Care Act (ACA)

- (1) Reporting entities shall also indicate if they wrote any accident and health insurance premium that is subject to the Affordable Care Act risk-sharing provisions. In the event that the balances are zero, the reporting entity should provide context to explain the reasons for the zero balances, including insufficient data to make an estimate, no balances or premium was excluded from the program, etc.

NOTE: Any reporting entity that reports accident and health insurance premium and losses on their statement that is subject to the Affordable Care Act risk-sharing provisions **MUST** complete the tables illustrated for the disclosures below, even if all amounts in the illustrated table are zero.

- (2) Impact of Risk-Sharing Provisions of the Affordable Care Act on Admitted Assets, Liabilities and Revenue for the Current Year

The financial statements shall disclose the admitted assets, liabilities and revenue elements ~~by~~ for the permanent risk adjustment program regarding the risk-sharing provisions of the Affordable Care Act for the reporting periods that are impacted by programs. The disclosure should include the following:

- Permanent ACA Risk Adjustment Program
 - Premium adjustments receivable due to ACA Risk Adjustment (including high-risk pool payments)
 - Risk adjustment user fees payable for ACA Risk Adjustment
 - Premium adjustments payable due to ACA Risk Adjustment (including high-risk pool premium)
 - Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment
 - Reported in expenses as ACA Risk Adjustment user fees (incurred/paid)
- ~~Transitional ACA Reinsurance Program~~
 - ~~Amounts recoverable for claims paid due to ACA Reinsurance~~
 - ~~Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)~~
 - ~~Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance~~
 - ~~Liabilities for contributions payable due to ACA Reinsurance not reported as ceded premium~~
 - ~~Ceded reinsurance premiums payable due to ACA Reinsurance~~
 - ~~Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance~~
 - ~~Ceded reinsurance premiums due to ACA Reinsurance~~
 - ~~Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments~~
 - ~~ACA Reinsurance contributions not reported as ceded premium~~

- ~~Temporary ACA Risk Corridors Program~~
 - ~~Accrued retrospective premium due to ACA Risk Corridors~~
 - ~~Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors~~
 - ~~Effect of ACA Risk Corridors on net premium income (paid/received)~~
 - ~~Effect of ACA Risk Corridors on change in reserves for rate credits~~

(3) Roll-Forward of Prior Year ACA Risk-Sharing Provisions

A roll-forward of prior year ACA risk-sharing provisions [for the risk adjustment program](#) for the following asset (gross of any nonadmission) and liability balances shall be disclosed, along with the reasons for adjustments (e.g., federal audits, revised participant counts, information which impacted risk score projections, etc.) to prior year balance.

- Permanent ACA Risk Adjustment Program
 - Premium adjustments receivable due to ACA Risk Adjustment (including high-risk pool payments)
 - Premium adjustments payable due to ACA Risk Adjustment (including high-risk pool premium)
- ~~Transitional ACA Reinsurance Program~~
 - ~~Amounts recoverable for claims paid due to ACA Reinsurance~~
 - ~~Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)~~
 - ~~Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance~~
 - ~~Liabilities for contributions payable due to ACA Reinsurance not reported as ceded premium~~
 - ~~Ceded reinsurance premiums payable due to ACA Reinsurance~~
 - ~~Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance~~
- ~~Temporary ACA Risk Corridors Program~~
 - ~~Accrued retrospective premium due to ACA Risk Corridors~~
 - ~~Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors~~

~~(4) Roll Forward of Risk Corridors Asset and Liability Balances by Program Benefit Year~~

~~Provide an additional roll forward of the risk corridors asset and liability balances and subsequent adjustments by program benefit year. The beginning receivable or payable in the roll forward will reflect the prior year end balance for the specified benefit year.~~

~~(5) ACA Risk Corridors Receivable as of Reporting Date~~

~~The following information is required for risk corridors balances by program benefit year:~~

- ~~Estimated amount to be filed or final amounts filed with federal agency~~
- ~~Amounts impaired or amounts not accrued for other reasons (not withstanding collectability concerns)~~
- ~~Amounts received from federal agency~~
- ~~Asset balance gross of nonadmission~~
- ~~Nonadmitted amounts~~
- ~~Net admitted assets~~

Illustration:

F. Risk-Sharing Provisions of the Affordable Care Act (ACA)

NOTE: Any reporting entity that reports accident and health insurance premium and losses on their statement that is subject to the federal Affordable Care Act risk-sharing provisions MUST complete the tables illustrated below, even if all amounts in the table are zero.

(1) Did the reporting entity write accident and health insurance premium that is subject to the Affordable Care Act risk-sharing provisions (YES/NO)? _____

The company had zero balances for the risk ~~corridors~~-adjustment program due a lack of sufficient data to estimate the recoverable amounts.

(2) Impact of Risk-Sharing Provisions of the Affordable Care Act on Admitted Assets, Liabilities and Revenue for the Current Year

	<u>AMOUNT</u>
a. Permanent ACA Risk Adjustment Program	
Assets	
1. Premium adjustments receivable due to ACA Risk Adjustment (including high-risk pool payments)	\$ _____
Liabilities	
2. Risk adjustment user fees payable for ACA Risk Adjustment	\$ _____
3. Premium adjustments payable due to ACA Risk Adjustment (including high risk-pool premium)	\$ _____
Operations (Revenue & Expense)	
4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment	\$ _____
5. Reported in expenses as ACA Risk Adjustment user fees (incurred/paid)	\$ _____
b. Transitional ACA Reinsurance Program	
Assets	
1. Amounts recoverable for claims paid due to ACA Reinsurance	\$ _____
2. Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)	\$ _____
3. Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance	\$ _____
Liabilities	
4. Liabilities for contributions payable due to ACA Reinsurance not reported as ceded premium	\$ _____
5. Ceded reinsurance premiums payable due to ACA Reinsurance	\$ _____
6. Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance	\$ _____
Operations (Revenue & Expense)	
7. Ceded reinsurance premiums due to ACA Reinsurance	\$ _____
8. Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments	\$ _____

9. ACA Reinsurance contributions not reported as ceded premium	\$ _____
e. Temporary ACA Risk Corridors Program	
Assets	
1. Accrued retrospective premium due to ACA Risk Corridors Liabilities	\$ _____
2. Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors	\$ _____
Operations (Revenue & Expense)	
3. Effect of ACA Risk Corridors on net premium income (paid/received)	\$ _____
4. Effect of ACA Risk Corridors on change in reserves for rate credits	\$ _____

(3) Roll-forward of prior year ACA risk-sharing provisions for the following asset (gross of any nonadmission) and liability balances, along with the reasons for adjustments to prior year balance.

	Accrued During the Prior Year on Business Written Before Dec. 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before Dec. 31 of the Prior Year		Differences		Adjustments		Ref	Unsettled Balances as of the Reporting Date	
	1	2	3	4	Prior Year	Prior Year	To Prior Year	To Prior Year		Cumulative	Cumulative
					Accrued Less	Accrued Less						Balances	Balances	Balance from	Balance from
	Receivable	(Payable)	Receivable	(Payable)	Payments (Col 1 - 3)	Payments (Col 2 - 4)	7	8		9	10
					Receivable	(Payable)	Receivable	(Payable)		Receivable	(Payable)
a. Permanent ACA Risk Adjustment Program											
1. Premium adjustments receivable (including high-risk pool payments)	\$	\$	\$	\$	\$	\$	\$	\$	A	\$	\$
2. Premium adjustments (payable) (including high-risk pool premium)	\$	\$	\$	\$	\$	\$	\$	\$	B	\$	\$
3. Subtotal ACA Permanent Risk Adjustment Program	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$
b. Transitional ACA Reinsurance Program											
1. Amounts recoverable for claims paid	\$	\$	\$	\$	\$	\$	\$	\$	C	\$	\$
2. Amounts recoverable for claims unpaid (contra liability)	\$	\$	\$	\$	\$	\$	\$	\$	D	\$	\$
3. Amounts receivable relating to uninsured plans	\$	\$	\$	\$	\$	\$	\$	\$	E	\$	\$
4. Liabilities for contributions payable due to ACA Reinsurance not reported as ceded premium	\$	\$	\$	\$	\$	\$	\$	\$	F	\$	\$
5. Ceded reinsurance premiums payable	\$	\$	\$	\$	\$	\$	\$	\$	G	\$	\$
6. Liability for amounts held under uninsured plans	\$	\$	\$	\$	\$	\$	\$	\$	H	\$	\$
7. Subtotal ACA Transitional Reinsurance Program	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$
c. Temporary ACA Risk Corridors Program											
1. Accrued retrospective premium	\$	\$	\$	\$	\$	\$	\$	\$	I	\$	\$
2. Reserve for rate credits or policy experience rating refunds	\$	\$	\$	\$	\$	\$	\$	\$	J	\$	\$
3. Subtotal ACA Risk Corridors Program	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$
d. Total for ACA Risk-Sharing Provisions	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$

Explanations of Adjustments

A	.....
B	.....
C	.....
D	.....
E	.....
F	.....
G	.....
H	.....
I	.....
J	.....

(4) — Roll Forward of Risk Corridors Asset and Liability Balances by Program Benefit Year

Risk Corridors-Program Year	Accrued During the Prior Year on Business Written Before Dec. 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before Dec. 31 of the Prior Year		Differences		Adjustments		Ref	Unsettled Balances as of the Reporting Date	
	1	2	3	4	Prior-Year	Prior-Year	7	8		9	10
					Accrued Less Payments (Col 1-3)	Accrued Less Payments (Col 2-4)					
Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)		
a. 2014											
1. Accrued retrospective premium	\$	\$	\$	\$	\$	\$	\$	\$	A	\$	\$
2. Reserve for rate credits or policy experience rating refunds	\$	\$	\$	\$	\$	\$	\$	\$	B	\$	\$
b. 2015											
1. Accrued retrospective premium	\$	\$	\$	\$	\$	\$	\$	\$	C	\$	\$
2. Reserve for rate credits or policy experience rating refunds	\$	\$	\$	\$	\$	\$	\$	\$	D	\$	\$
c. 2016											
1. Accrued retrospective premium	\$	\$	\$	\$	\$	\$	\$	\$	E	\$	\$
2. Reserve for rate credits or policy experience rating refunds	\$	\$	\$	\$	\$	\$	\$	\$	F	\$	\$
d. Total for Risk Corridors	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$

Explanations of Adjustments

A	.....
B	.....
C	.....
D	.....
E	.....
F	.....

24F(4)d (Columns 1 through 10) should equal 24F(3)e3 (Column 1 through 10 respectively)

(5) — ACA Risk Corridors Receivable as of Reporting Date

Risk Corridors Program Year	1 Estimated Amount to be Filed or Final Amount Filed with CMS	2 Nonaccrued Amounts for Impairment or Other Reasons	3 Amounts received from CMS	4 Asset Balance (Gross of Nonadmissions) (1-2-3)	5 Nonadmitted Amount	6 Net Admitted Asset (4-5)
a. 2014	\$	\$	\$	\$	\$	\$
b. 2015	\$	\$	\$	\$	\$	\$
c. 2016	\$	\$	\$	\$	\$	\$
d. Total (a+b+c)	\$	\$	\$	\$	\$	\$

24F(5)d (Column 4) should equal 24F(3)e1 (Column 9)

24F(5)d (Column 6) should equal 24F(2)e1

Blanks (E) Working Group
Editorial Revisions to the Blanks and Instructions
(presented at the May 23, 2024, Meeting)

Statement Type:

H = Health; **L/F** = Life/Fraternal Combined; **P/C** = Property/Casualty; **SA** = Separate Accounts; **T** = Title

Effective	Table Name	Description	Statement Type	Filing Type						
2024	General Interrogatories – Part 2	<p>CHANGE TO INSTRUCTION</p> <p>Interrogatory for net negative (disallowed) IMR was moved to Life/Fraternal interrogatories Part 2 Instructions for each statement type needs to be removed. (2023-13BWG)</p> <p>9. Answer “YES” if the company is admitting net negative (disallowed) interest maintenance reserve (IMR). Life/Fraternal companies should answer “YES” or “NO”. Property/Casualty, Health, and Title companies should answer “N/A”</p>	L/F	Annual						
2024	Market Conduct Annual Statement (MCAS) Premium Exhibit for Year	<p>CHANGE TO INSTRUCTION</p> <p>Add clarifying instructions for pages that are all No responses to not be included in the filing.</p> <p>A schedule must be prepared and submitted for each jurisdiction in which the company answered “Yes” to having MCAS Reportable Premiums/Considerations. Supplement pages should not be filed for any state or jurisdiction where the company would file all “No” responses.</p>	H, L/F, P/C	Annual						
2024	Schedule P, Part 3J & 3T	<p>CHANGE TO BLANK</p> <p>Update Columns 11 and 12 on the Annual Statement Blank for Parts 3J and 3T to remove the “XXX”s that were added by accident to adopted Proposal 2023-16BWG.</p> <p style="text-align: center;">SCHEDULE P – PART 3J – AUTO PHYSICAL DAMAGE</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;"></td> <td style="width: 33%; text-align: center;">11</td> <td style="width: 33%; text-align: center;">12</td> </tr> <tr> <td style="text-align: center;">Years in Which Losses Were Incurred</td> <td style="text-align: center;">Number of Claims Closed With Loss Payment</td> <td style="text-align: center;">Number of Claims Closed Without Loss Payment</td> </tr> </table>		11	12	Years in Which Losses Were Incurred	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment	P/C	Annual
	11	12								
Years in Which Losses Were Incurred	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment								

Effective	Table Name	Description	Statement Type	Filing Type																																																																																																
		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">1. Prior.....</td> <td style="width: 25%;">Detail Eliminated</td> <td style="width: 25%; text-align: center;">xxx</td> <td style="width: 25%; text-align: center;">xxx</td> </tr> <tr> <td>2. 2015.....</td> <td>To</td> <td style="text-align: center;">xxx</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>3. 2016.....</td> <td>Conserve</td> <td style="text-align: center;">xxx</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>4. 2017.....</td> <td>Space</td> <td style="text-align: center;">xxx</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>5. 2018.....</td> <td></td> <td style="text-align: center;">xxx</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>6. 2019.....</td> <td></td> <td style="text-align: center;">xxx</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>7. 2020.....</td> <td></td> <td style="text-align: center;">xxx</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>8. 2021.....</td> <td></td> <td style="text-align: center;">xxx</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>9. 2022.....</td> <td></td> <td style="text-align: center;">xxx</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>10. 2023.....</td> <td></td> <td style="text-align: center;">xxx</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>11. 2024</td> <td></td> <td style="text-align: center;">xxx</td> <td style="text-align: center;">xxx</td> </tr> </table> <p style="text-align: center;">SCHEDULE P – PART 3T - WARRANTY</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;"></th> <th style="width: 25%;"></th> <th style="width: 25%; text-align: center;">11</th> <th style="width: 25%; text-align: center;">12</th> </tr> <tr> <th style="text-align: center;">Years in Which Losses Were Incurred</th> <th style="text-align: center;">Detail Eliminated To Conserve Space</th> <th style="text-align: center;">Number of Claims Closed With Loss Payment</th> <th style="text-align: center;">Number of Claims Closed Without Loss Payment</th> </tr> </thead> <tbody> <tr> <td>1. Prior.....</td> <td></td> <td style="text-align: center;">xxx</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>2. 2015.....</td> <td></td> <td style="text-align: center;">xxx</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>3. 2016.....</td> <td></td> <td style="text-align: center;">xxx</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>4. 2017.....</td> <td></td> <td style="text-align: center;">xxx</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>5. 2018.....</td> <td></td> <td style="text-align: center;">xxx</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>6. 2019.....</td> <td></td> <td style="text-align: center;">xxx</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>7. 2020.....</td> <td></td> <td style="text-align: center;">xxx</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>8. 2021.....</td> <td></td> <td style="text-align: center;">xxx</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>9. 2022.....</td> <td></td> <td style="text-align: center;">xxx</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>10. 2023.....</td> <td></td> <td style="text-align: center;">xxx</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>11. 2024</td> <td></td> <td style="text-align: center;">xxx</td> <td style="text-align: center;">xxx</td> </tr> </tbody> </table>	1. Prior.....	Detail Eliminated	xxx	xxx	2. 2015.....	To	xxx	xxx	3. 2016.....	Conserve	xxx	xxx	4. 2017.....	Space	xxx	xxx	5. 2018.....		xxx	xxx	6. 2019.....		xxx	xxx	7. 2020.....		xxx	xxx	8. 2021.....		xxx	xxx	9. 2022.....		xxx	xxx	10. 2023.....		xxx	xxx	11. 2024		xxx	xxx			11	12	Years in Which Losses Were Incurred	Detail Eliminated To Conserve Space	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment	1. Prior.....		xxx	xxx	2. 2015.....		xxx	xxx	3. 2016.....		xxx	xxx	4. 2017.....		xxx	xxx	5. 2018.....		xxx	xxx	6. 2019.....		xxx	xxx	7. 2020.....		xxx	xxx	8. 2021.....		xxx	xxx	9. 2022.....		xxx	xxx	10. 2023.....		xxx	xxx	11. 2024		xxx	xxx		
1. Prior.....	Detail Eliminated	xxx	xxx																																																																																																	
2. 2015.....	To	xxx	xxx																																																																																																	
3. 2016.....	Conserve	xxx	xxx																																																																																																	
4. 2017.....	Space	xxx	xxx																																																																																																	
5. 2018.....		xxx	xxx																																																																																																	
6. 2019.....		xxx	xxx																																																																																																	
7. 2020.....		xxx	xxx																																																																																																	
8. 2021.....		xxx	xxx																																																																																																	
9. 2022.....		xxx	xxx																																																																																																	
10. 2023.....		xxx	xxx																																																																																																	
11. 2024		xxx	xxx																																																																																																	
		11	12																																																																																																	
Years in Which Losses Were Incurred	Detail Eliminated To Conserve Space	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment																																																																																																	
1. Prior.....		xxx	xxx																																																																																																	
2. 2015.....		xxx	xxx																																																																																																	
3. 2016.....		xxx	xxx																																																																																																	
4. 2017.....		xxx	xxx																																																																																																	
5. 2018.....		xxx	xxx																																																																																																	
6. 2019.....		xxx	xxx																																																																																																	
7. 2020.....		xxx	xxx																																																																																																	
8. 2021.....		xxx	xxx																																																																																																	
9. 2022.....		xxx	xxx																																																																																																	
10. 2023.....		xxx	xxx																																																																																																	
11. 2024		xxx	xxx																																																																																																	
2024	Analysis of Operations by Lines of Business – Individual Annuities	<p>CHANGE TO INSTRUCTION</p> <p>Update the crosscheck reference between Analysis of Operations by LOB – Individual Annuities and Exhibit 1 Part 2 to account for all commissions reported.</p> <p>Line 21 – Commissions on Annuity Considerations and Deposit-Type Contracts (Direct Business Only)</p> <p style="color: red;">Columns 2, 3, 4, 5 and 7 Column 1 should agree with Exhibit 1 Part 2, Line 31, Column 4.</p>	L/F	Annual																																																																																																
2024	Analysis of Operations by Lines of Business – Group Annuities	<p>CHANGE TO INSTRUCTION</p> <p>Update the crosscheck reference between Analysis of Operations by LOB – Group Annuities and Exhibit 1 Part 2 to account for all commissions reported.</p> <p>Line 21 – Commissions on Annuity Considerations and Deposit-Type Contracts (Direct Business Only)</p>	L/F	Annual																																																																																																

Effective	Table Name	Description	Statement Type	Filing Type
		Columns 2, 3, 4, 5 and 7 <u>Column 1</u> should agree with Exhibit 1 Part 2, Line 31, Column 5.		
2024	Summary of Operations	<p>CHANGE TO BLANK</p> <p>Update the crosscheck reference between Summary of Operations and Exhibit 1 Part 1 because Summary of Operations includes YRT business and Exhibit 1, Part 1 does not include YRT business.</p> <p>1. Premiums and annuity considerations for life and accident and health contracts (Exhibit 1, Part 1, Line 20.4, Col. 1, less Col. 8) _____</p>	L/F	Annual
2024	Notes to Financial Statements	<p>CHANGE TO INSTRUCTION</p> <p>Add letters and formulas to the illustration for Notes 5S(3) and 5S(5) to be consistent with the format in the other Notes to Financial Statements. <i>(This note is only for Life/Fraternal companies but is marked for all statement types because it is included in all statement instructions.)</i></p> <p>Illustration for Note 5S:</p> <p>(3) Calculated adjusted capital and surplus</p> <ul style="list-style-type: none"> <u>a.</u> Prior Period General Account Capital & Surplus From Prior Period SAP Financials <u>b.</u> Net Positive Goodwill (admitted) <u>c.</u> EDP Equipment & Operating System Software (admitted) <u>d.</u> Net DTAs (admitted) <u>e.</u> Net Negative (disallowed) IMR (admitted) <u>f.</u> Adjusted Capital & Surplus <u>(a-(b+c+d+e))</u> <p>(5) Allocated gains/losses to IMR from derivatives</p> <ul style="list-style-type: none"> <u>a.</u> Unamortized Fair Value Derivative Gains & Losses Realized to IMR – Prior Period <u>b.</u> Fair Value Derivative Gains & Losses Realized to IMR – Added in Current Period <u>c.</u> Fair Value Derivative Gains & Losses Amortized Over Current Period <u>d.</u> Unamortized Fair Value Derivative Gains & Losses Realized to IMR – Current Period Total 	H, L/F, P/C, T	Annual
2024	Life, Health and Annuity Guaranty Association Assessable Premium Exhibit Part 1	<p>CHANGE TO INSTRUCTION</p> <p>Update a misspelled word to provide clarity to the instructions.</p>	H, L/F, P/C	Annual

Effective	Table Name	Description	Statement Type	Filing Type			
		Line 8 – Enter amounts received during the current year only for supplemental contracts (with and without life contingencies) and contracts associated with retained asset programs BUT ONLY IF such amounts are included in APE Pt. 1 Line 5 AND the prior year amounts for the original contracts were reported as assessable premium.					
2024	Analysis of Operations By Lines of Business – Accident and Health	<p>CHANGE TO INSTRUCTION</p> <p>Update the crosscheck reference for the Analysis of Operations by LOB – Accident and Health to include Line 6 in order to include the ceded portion of commission expenses.</p> <p>Column 1 – Total</p> <p>Line 6 plus the sSum of Lines 21 through 24 should equal Health Analysis of Operations by Lines of Business Supplement Line 19 plus 20 (Column 1 minus Column 14).</p>	L/F	Annual			
2024	Health Supplement – Analysis of Operations By Lines of Business	<p>CHANGE TO INSTRUCTION</p> <p>Update the crosscheck reference for the Analysis of Operations by LOB – Accident and Health to include Line 6 in order to include the ceded portion of commission expenses.</p> <p>Column 1 – Total</p> <p>Column 1 (Line 19 plus Line 20) minus Column 14 (Line 19 plus Line 20) should equal Analysis of Operations by Lines of Business – Accident and Health Column 1, Line 6 plus the sum of Lines 21 through 24.</p>	L/F	Annual			
2024	Schedule P, Part 1, Summary	<p>CHANGE TO BLANK</p> <p>Update Column 25 on Schedule P, Part 1, Summary to remove the XXX’s and allow a sum for all of Part 1, except 1N, 1O and 1P.</p> <p style="text-align: center;">SCHEDULE P – PART 1 – SUMMARY</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">Years in Which Premiums Were Earned and Losses Were Incurred</td> <td style="text-align: center;">25</td> <td style="text-align: center;">Number of Claims Outstanding Direct and Assumed</td> </tr> </table>	Years in Which Premiums Were Earned and Losses Were Incurred	25	Number of Claims Outstanding Direct and Assumed	P/C	Annual
Years in Which Premiums Were Earned and Losses Were Incurred	25	Number of Claims Outstanding Direct and Assumed					

Effective	Table Name	Description				Statement Type	Filing Type
		1. Prior	Detail	XXX			
		2. 2015	Eliminated	XXX			
		3. 2016	To	XXX			
		4. 2017	Conserve	XXX			
		5. 2018	Space	XXX			
		6. 2019		XXX			
		7. 2020		XXX			
		8. 2021		XXX			
		9. 2022		XXX			
		10. 2023		XXX			
		11. 2024		XXX			

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

<p style="text-align: right;">DATE: <u>03/21/2024</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., 3rd Fl., Ste. 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2024-11BWG MOD</u> Year <u>2025</u> Changes to Existing Reporting [X] New Reporting Requirement []</p> <p style="text-align: center;">REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</p> <p>No Impact [X] Modifies Required Disclosure []</p> <p>Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No] <i>***If Yes, complete question below***</i></p> <p style="text-align: center;">DISPOSITION</p> <p>[] Rejected For Public Comment [] Referred To Another NAIC Group [] Received For Public Comment [X] Adopted Date <u>08/07/2024</u> [] Rejected Date _____ [] Deferred Date _____ [] Other (Specify) _____</p>
--	--

BLANK(S) TO WHICH PROPOSAL APPLIES

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

Anticipated Effective Date: January 1, 2025

IDENTIFICATION OF ITEM(S) TO CHANGE

Update the Annual and Quarterly Instructions and Blanks for the New Market Tax Credit changes. Changes will be made to: Annual – Assets, Notes to Financial Statements 5K, 14A, and 21E, AVR, and Schedule BA, Part 1, 3, and Verification Between Years. Quarterly changes – Assets and Schedule BA, Part 3 and Verification Between Years.

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

The reason for this proposal is to update the instructions and blanks for the Statutory Accounting Principles Working Group’s [conceptual](#) changes to [SSAP No. 93 – Low Income Housing Tax Credit Property Investments and SSAP No. 94R – Transferable and Nontransferable State Tax Credits resulting from the](#) New Market Tax Credits [project](#). (SAPWG Ref # 2022-14) Note that the guaranteed federal investment line was eliminated as these types of tax credit investment structures were substantially eliminated by the Historic Boardwalk Hall, LLC v. Comm of Internal Revenue court decision in 2012.

*****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.

Revised 11/17/2022

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

ASSETS

The value for real estate, bonds, stocks, and the amount loaned on mortgages must, in all cases, prove with corresponding values and admitted assets supported by the corresponding schedules.



Detail Eliminated To Conserve Space

Line 8 – Other Invested Assets (Schedule BA Assets)

Report admitted investments reported on Schedule BA and not included under another classification.

Include: Loans.

Certain affiliated securities, such as joint ventures, partnerships and limited liability companies (*SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies*).

~~Low Income Housing Tax Credit Property Investments~~ [All investments in tax credit structures](#) (*SSAP No. 93—~~Low Income Housing Tax Credit Property Investments~~ in Tax Credit Structures*).



Detail Eliminated To Conserve Space

NOTES TO FINANCIAL STATEMENTS

Notes to the Annual Statement are to be filed on March 1.

↓
↑
=====
=====
5. Investments **Detail Eliminated To Conserve Space** =====
↓
↑

Instruction:

↓
↑
=====
=====
K. ~~Low Income Housing Tax Credits (LIHTC)~~ Investments in Tax Credit Structures (tax credit investments)
↓
↑

For investments in ~~low income housing tax credits (LIHTC)~~ tax credit structures within the scope of SSAP No. 93—Investments in Tax Credit Structures, disclose the following:

- (1) ~~The number of remaining years of unexpired tax credits and the required holding period for the LIHTC investments.~~ Information that enables users of its financial statements to understand the following information about its investments in projects that generate tax credits and other tax benefits from tax programs:
 - a. ~~The nature of its investments in projects that generate tax credits and other tax benefits.~~
 - b. ~~The effect of the recognition and measurement of its investments in projects that generate tax credits and other tax benefits and the related tax credits on its financial position and results of operations.~~
- (2) ~~The amount of LIHTC and other tax benefits recognized during the years presented.~~ The amount of tax credits and other tax benefits recognized during the reporting period(s).
- (3) The balance of the investment recognized in the statement of financial position for the reporting period(s) presented.
- (4) ~~If the LIHTC property is currently subject to any regulatory reviews and the status of such review (e.g., investigations by the housing authority).~~ The amount of investment amortization and non-income tax related activity recognized as a component of net investment income, and other returns allocated that were recognized outside of income tax expense.
- (5) ~~An aggregate schedule of tax credits expected to be generated each year for the subsequent five years and thereafter, disaggregated by transferable/certificated and non-transferable.~~
- (6) ~~Any commitment or contingent commitment (e.g., guarantees or commitments to provide additional capital contributions) including the amount of contributions that are contingent commitments related to tax credit investments and the year(s) that contingent commitments are expected to be paid shall be disclosed.~~
- (57) ~~The significance of an investment to the reporting entity's financial position and results of operations shall be considered in evaluating the extent of disclosures of the financial position and results of operations of an investment in an LIHTC. If, in the aggregate, the LIHTC investments exceed 10% of the total admitted assets of the reporting entity, the following disclosures shall be made:~~ The following disclosures shall be included if applicable to tax credit investments:
 - a. (1) ~~The name of each partnership or limited liability entity and percentage of ownership;~~
(2) ~~the accounting policies of the reporting entity with respect to investments in partnerships~~

~~and limited liability entities; (3) the difference, if any, between the amount at which the investment is carried and the amount of underlying equity in net assets (i.e., nonadmitted goodwill or other nonadmitted assets); and (4) the accounting treatment of the difference. If the underlying project is currently subject to any regulatory reviews and the status of such review. (Example: Investigations by the housing authority.)~~

- ~~b. For partnerships and limited liability entities for which a quoted fair value is available, the aggregate value of each partnership, or limited liability entity investment based on the quoted fair value. Significant modifications or events that resulted in a change in the nature of the investment or a change in the relationship with the underlying project for investments in scope.~~
- ~~c. Summarized information as to assets, liabilities, and results of operations for partnerships, and limited liability entities either individually or in groups.~~

(68) A reporting entity that recognizes an impairment loss shall disclose the following in the financial statements that include the period of the impairment write-down:

- a. A description of the impaired assets and the facts and circumstances leading to the impairment; and
- b. The amount of the impairment and how fair value was determined.

(79) ~~The amount and nature of the write-downs or reclassifications made during the year resulting from the forfeiture or ineligibility of tax credits, etc. These write-downs may be based on actual property-level foreclosure, loss of qualification due to occupancy levels, compliance issues with tax code provisions within an LIHTC investment or other issues. Disclosure of the following regarding tax credits allocated from tax credit investments and are unused as of the reporting period(s) are to be disclosed within Note 21 (State and Federal Tax Credits). For purposes of this disclosure, total unused tax credits represent the entire tax credits available:~~

- ~~a. Carrying value of tax credits, disaggregated by transferable/certificated and non-transferable, gross of any related tax liabilities by jurisdiction and in total.~~
- ~~b. Total unused tax credits by jurisdiction, disaggregated by transferable/certificated and non-transferable.~~
- ~~c. Method of estimating utilization of remaining tax credits or other projected recovery of the current carrying value; and~~
- ~~d. Impairment amount recognized by the reporting period(s), if any.~~
- ~~e. Identify tax credits by transferable/certificated and non-transferable classifications and identify the admitted and nonadmitted portions of each classification.~~



14. Liabilities, Contingencies and Assessments

Instruction:

For disclosures related to *SSAP No. 5R—Liabilities, Contingencies and Impairment of Assets*, *SSAP No. 35R—Guaranty Fund and Other Assessments*, *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* and *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies*, describe the nature of any material contingencies in accordance with *SSAP No. 5R* and report total contingent liabilities.

A. Contingent Commitments

- (1) Disclose any commitment or contingent commitment to an SCA entity, joint venture, partnership, or limited liability company (e.g., guarantees or commitments to provide additional capital contributions).

Include any commitment or contingent commitment (e.g., guarantees or commitments to provide additional capital contributions) including the amount of equity contributions that are contingent commitments related to ~~LHFC properties~~ investments in tax credit structures and the year(s) that contingent commitments are expected to be paid. Refer to *SSAP No. 93—Low-Income Housing Investments in Tax Credit Property Investments Structures* for accounting guidance.

Include any commitment or contingent commitment to purchase tax credits. Refer to *SSAP No. 94R—State and Federal Tax Credits* for accounting guidance.



Detail Eliminated To Conserve Space



21. Other Items

Instruction:



Detail Eliminated To Conserve Space



E. State ~~Transferable and Non-transferable~~ and Federal Tax Credits

Note: As directed in Note 5, Tax credits allocated from tax credit investments and unused as of the reporting period(s) are to be included in the disclosures below.

Disclose the following regarding state ~~transferable and non-transferable~~ and federal tax credits within the scope of *SSAP No. 93—Investments in Tax Credit Structures* and *SSAP No. 94R—State and Federal Tax Credits* for the reporting period(s) presented. For purposes of this disclosure, total unused ~~transferable and non-transferable state~~ tax credits represent the entire ~~transferable and non-transferable state~~ tax credits available:

- (1) Carrying value of ~~transferable and non-transferable state~~ tax credits, disaggregated by transferable/certificated and non-transferable, gross of any related ~~state~~ tax liabilities and total unused transferable and non-transferable state tax credits by state and in total by jurisdiction and in total;
- (2) Total unused tax credits by jurisdiction, disaggregated by transferable/certificated and non-transferable;
- (23) Method of estimating utilization of remaining ~~transferable and non-transferable state~~ tax credits or other projected recovery of the current carrying value; and

The Company recognized an impairment loss of \$_____ related to the write-down as a result of impairment analysis of the carrying amount for state ~~transferable and non-transferable~~ and federal tax credits.

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.

(45) State and Federal Tax Credits Admitted and Nonadmitted disaggregated by Transferable/Certificated and Non-transferable.

	<u>Total Admitted</u>	<u>Total Nonadmitted</u>
a. <u>State</u>		
1. <u>Transferable</u>		
2. <u>Non-transferable</u>		
b. <u>Federal</u>		
1. <u>Transferable</u>		
2. <u>Non-transferable</u>		


Detail Eliminated To Conserve Space


SCHEDULE BA – PARTS 1, 2 AND 3

OTHER LONG-TERM INVESTED ASSETS – GENERAL INSTRUCTIONS

****Drafting Note – the line references to Schedule BA may be updated after the BA proposal (2023-12BWG) is adopted. The line reference updates will be made in the instructions and not shown in this proposal.****

↓
↓
=====
=====
Detail Eliminated To Conserve Space
=====
=====
↓

Guaranteed Federal Low Income Housing Tax Credit		
Unaffiliated.....		3599999
Affiliated		3699999
Yield Guaranteed State Tax Credit Investments		
Unaffiliated.....		3599999
Affiliated		3699999
Non-Guaranteed Qualifying Federal Low Income Housing Tax Credit Investments		
Unaffiliated.....		3799999
Affiliated		3899999
Yield Guaranteed State Tax Credit Investments		
Unaffiliated.....		3799999
Affiliated		3899999
Non-Guaranteed Qualifying State Low Income Housing Tax Credit Investments		
Unaffiliated.....		41999993999999
Affiliated		42999994099999
All Other Low Income Housing Tax Credit Investments		
Unaffiliated.....		43999994199999
Affiliated		44999994299999
Working Capital Finance Investment		
Unaffiliated.....		45999994399999
Residual Tranches or Interests with Underlying Assets Having Characteristics of:		
Fixed Income Instruments		
Unaffiliated		46999994499999
Affiliated.....		47999994599999
Common Stock		
Unaffiliated		48999994699999
Affiliated.....		49999994799999
Preferred Stock		
Unaffiliated		50999994899999
Affiliated.....		51999994999999
Real Estate		
Unaffiliated		52999995099999
Affiliated.....		53999995199999
Mortgage Loans		
Unaffiliated		54999995299999
Affiliated.....		55999995399999
Other		
Unaffiliated		56999995499999
Affiliated.....		57999995599999

Any Other Class of Assets	
Unaffiliated.....	5899999 <u>5699999</u>
Affiliated	5999999 <u>5799999</u>
Subtotals	
Unaffiliated.....	6099999
Affiliated	6199999
TOTALS.....	6299999



Low Income Housing Investments in Tax Credit Structures

Include: All ~~Low Income Housing Investments in Tax Credit Structures~~ (Tax Credit Investments) ~~(LIHTC or affordable housing) qualifying under within the scope of SSAP No. 93 – Tax Credit Investments, that are in the form of a Limited Partnership or a Limited Liability Company~~ including those investments that have the following risk mitigation factors:

A. ~~State Yield~~ Guaranteed ~~State~~ ~~Low Income Housing~~ Tax Credit Investments.

I. There must be an all-inclusive guarantee from a CRP-rated entity that guarantees the yield on the investment. This reporting line is only allowed for tax credit investments which issue state tax credits.

~~a. Tax credit investments which would have previously been reported under the Guaranteed Federal tax credit investment reporting line should now be reported in Other Tax Credit Investments. This reporting line was removed as these types of tax credit investment structure were substantially eliminated by the Historic Boardwalk Hall, LLC v. Commissioner of Internal Revenue court decision in 2012.~~

B. ~~Qualifying State and Federal~~ ~~Non guaranteed~~ ~~Low Income Housing~~ Tax Credit Investments.

Investments reported on these lines must have all of the following risk mitigation factors:

I. A level of leverage below 50%. For a ~~LIHTC Fund~~ tax credit investment fund, the level of leverage is measured at the fund level.

II. There is a Tax Credit Guarantee Agreement, or equivalent insurance acquired, at arm’s length, by the investor ~~from General Partner or managing member~~. This agreement requires the General Partner, ~~or~~ managing member, developer, or insurer to reimburse investors for any shortfalls in tax credits due to errors of compliance, for the duration of the regulatory compliance period of the tax credit program, for the life of the partnership. For a ~~LIHTC Fund~~ tax credit investment fund, a Tax Credit Guarantee Agreement is required from the developers of the lower tier ~~LIHTC properties~~ projects to the upper tier partnership and all other ~~LIHTC~~ investments.

III. There are sufficient operating reserves, capital replacement reserves and/or operating deficit guarantees present to mitigate foreseeable

~~foreclosure loss risks at the time of the investment~~ as of the current reporting period.

C. Other Tax Credit Investments.

I. Any tax credit investment which cannot be reported as either yield guaranteed or ~~non-guaranteed~~ qualifying.

a. Federal tax credit investments with all-inclusive yield guarantees which would have previously been reported under the Guaranteed Federal Tax Credit Investment reporting line and are still within the scope of SSAP No. 93 shall be reported in Other Tax Credit Investments. This Federal Guaranteed reporting line was removed as these types of tax credit investment structure were substantially eliminated by the Historic Boardwalk Hall, LLC v. Commissioner of Internal Revenue court decision in 2012.

~~Non-qualifying LIHTCs should be reported in the "All Other" category~~



Detail Eliminated To Conserve Space



SCHEDULE BA – PART 1

OTHER LONG-TERM INVESTED ASSETS OWNED DECEMBER 31 OF CURRENT YEAR

↓ **=====
=====
=====
=====
=====** **Detail Eliminated To Conserve Space** **=====
=====
=====
=====
=====** ↓

Column 14 – Current Year’s (Depreciation) or (Amortization)/Accretion

This amount represents depreciation expense for the period (where appropriate), amortization of premium and the accrual of discount, [and proportional amortization of tax credit investments](#). The accrual of discount amounts in this column are to be reported as increases to investment income in the Exhibit of Net Investment Income, while the amortization of premium amounts [and tax credit investments](#) are to be reported as decreases to investment income. See Column 13 for discussion of an unrealized valuation increase/(decrease) where the real estate is carried at fair value and (depreciation) and/or (amortization)/accretion has been recorded.

↓ **=====
=====
=====
=====
=====** **Detail Eliminated To Conserve Space** **=====
=====
=====
=====
=====** ↓

SCHEDULE BA – PART 3

OTHER LONG-TERM INVESTED ASSETS DISPOSED, TRANSFERRED OR REPAID DURING THE YEAR

↓
↑
=====
↑
↓

Detail Eliminated To Conserve Space

=====
↑
↓

Column 10 – Current Year's (Depreciation) or (Amortization)/Accretion

This amount represents depreciation expense for the period (where appropriate), amortization of premium and the accrual of discount, [and proportional amortization of tax credit investments](#). The accrual of discount amounts in this column are to be reported as increases to investment income in the Exhibit of Net Investment Income, while the amortization of premium amounts [and tax credit investments](#) are to be reported as decreases to investment income. See column 9 for discussion of an unrealized valuation increase/(decrease) where the real estate is carried at fair value and (depreciation) and/or (amortization)/accretion has been recorded.

↓
↑
=====
↑
↓

Detail Eliminated To Conserve Space

=====
↑
↓

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL

*****Drafting Note – the line references to Schedule BA may be updated after the BA proposal (2023-12BWG) is adopted. The line reference updates will be made in the instructions and not shown in this proposal.*****

ASSET VALUATION RESERVE

**EQUITY AND OTHER INVESTED ASSET COMPONENT –
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS**

Detail Eliminated To Conserve Space

Lines 75

through ~~8079~~ – ~~Low Income Housing Tax Credit~~ Investments in Tax Credit Structures

Report Column 1 in accordance with SSAP No. 93 – ~~Low Income Housing Tax Credit Property Investments~~ Investments in Tax Credit Structures.

~~For Line 75, report guaranteed low income housing tax credit (LIHTC) investments. There must be an all-inclusive guarantee from a CRP-rated entity that guarantees the yield on the investment. Line 75 should equal Schedule BA, Part 1, Column 12, Line 3599999 + Line 3699999.~~ Investments in tax credit structures (tax credit investments) must meet the requirements of SSAP No. 93 to be reported on Lines 75 through 79.

~~For Line 76, report non-guaranteed LIHTC investments with the following risk mitigation factors~~ Only tax credits investments which issue federal tax credits and have the following risk mitigation factors can be reported as non-guaranteed qualifying federal tax credit investments on Line 576:

- I. A level of leverage below 50%. For ~~LIHTC Fund~~ a tax credit investment fund, the level of leverage is measured at the fund level.
- II. There is a Tax Credit Guarantee Agreement, or equivalent insurance acquired, at arm's length, by the investor ~~from General Partner or managing member~~. This agreement requires the General Partner, ~~or~~ managing member, developer, or insurer to reimburse investors for any shortfalls in tax credits due to errors of compliance, for the duration of the regulatory compliance period of the tax credit program, for the life of the partnership. For an ~~LIHTC Fund~~ a tax credit investment fund, a Tax Credit Guarantee Agreement is required from the developers of the lower tier ~~LIHTC properties~~ projects to the upper tier partnership.
- III. There are sufficient operating reserves, capital replacement reserves and/or operating deficit guarantees present to mitigate foreseeable ~~foreclosure-loss risks at the time of~~ as of the ~~investment~~ current reporting period.

Line 76 ~~75~~ should equal Schedule BA, Part 1, Column 12, Line 3799999 ~~3599999~~ + Line 3899999 ~~3699999~~.

~~Only federal low income housing tax credit investments can be reported on Lines 75 and 76. Only tax credit investments which issue state tax credits and, State low income housing tax credit investments that meet the requirements of SSAP No. 93 and that, at a minimum, have an all-inclusive guarantee from a CRP-rated entity that guarantees the yield on the investment meet the requirements for federal guaranteed programs should~~ can be reported as yield guaranteed state investments on Line 775. Line ~~77-75~~ should equal Schedule BA, Part 1, Column 12, Line ~~3999999-3599999~~ + Line ~~4099999-3699999~~.

~~State low-income housing tax credit investments that do not meet the requirements of SSAP No. 93 and that do not~~ Tax credit investments which issue state tax credits and, at a minimum, meet the same requirements for ~~qualifying federal non-guaranteed tax credit programs investments (as detailed above)~~ should be reported as ~~non-guaranteed~~ qualifying state tax credit investments on Line ~~7877~~. Line ~~78-77~~ should equal Schedule BA, Part 1, Column 12, Line ~~4199999-3999999~~ + Line ~~4299999-4099999~~.

~~Any-All~~ other ~~low-income housing~~ tax credit investments that meet the requirements of SSAP No. 93 and which cannot be reported on Lines 75 through ~~78-77~~ should be reported as other tax credit investments on Line ~~7978~~. Line ~~79-78~~ should equal Schedule BA, Part 1, Column 12, Line ~~4399999-4199999~~ + Line ~~4499999-4299999~~.

Multiply the amount in Column 4 for each category by the reserve factors for Page 34, Columns 5, 7 and 9, Lines 75 through ~~7978~~. Report the products by category in Columns 6, 8 and 10, respectively.

- Lines ~~8180~~
through ~~9190~~ – Residual Tranches or Interests
- Line ~~8180~~ – Fixed Income Instruments – Unaffiliated (*Detail Eliminated to Conserve Space*)
- Line ~~8281~~ – Fixed Income Instruments – Affiliated (*Detail Eliminated to Conserve Space*)
- Line ~~8382~~ – Common Stock – Unaffiliated (*Detail Eliminated to Conserve Space*)
- Line ~~8483~~ – Common Stock – Affiliated (*Detail Eliminated to Conserve Space*)
- Line ~~8584~~ – Preferred Stock – Unaffiliated (*Detail Eliminated to Conserve Space*)
- Line ~~8685~~ – Preferred Stock – Affiliated (*Detail Eliminated to Conserve Space*)
- Line ~~8786~~ – Real Estate – Unaffiliated (*Detail Eliminated to Conserve Space*)
- Line ~~8887~~ – Real Estate – Affiliated (*Detail Eliminated to Conserve Space*)
- Line ~~8988~~ – Mortgage Loans – Unaffiliated (*Detail Eliminated to Conserve Space*)
- Line ~~9089~~ – Mortgage Loans – Affiliated (*Detail Eliminated to Conserve Space*)
- Line ~~9190~~ – Other – Unaffiliated (*Detail Eliminated to Conserve Space*)
- Line ~~9291~~ – Other – Affiliated (*Detail Eliminated to Conserve Space*)
- Line ~~94-93~~ & ~~9594~~ – Working Capital Finance Investments (*Detail Eliminated to Conserve Space*)
- Line ~~9695~~ – Other Invested Assets – Schedule BA (*Detail Eliminated to Conserve Space*)
- Line ~~9796~~ – Other Short-Term Invested Assets – Schedule DA (*Detail Eliminated to Conserve Space*)
- Line ~~9897~~ – Total Other Invested Assets – Schedules BA & DA (*Detail Eliminated to Conserve Space*)

*****Drafting Note – the line references from Line 80 and below have been updated with the adopted Schedule BA proposal (2023-12BWG). The line reference updates will be made in the instructions and not shown in this proposal.*****

QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, PROPERTY, HEALTH & TITLE

ASSETS

Information should be reported as of the end of current quarter.

↓ **====** **Detail Eliminated To Conserve Space** **====** **↓**

Line 8 – Other Invested Assets (Schedule BA Assets)

Report admitted investments reported on Schedule BA and not included under another classification.

Include: Loans.

Certain affiliated securities, such as joint ventures, partnerships and limited liability companies (*SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies*).

~~Low Income Housing Tax Credit Property Investments~~ [All investments in tax credit structures](#) (*SSAP No. 93—~~Low Income Housing Tax Credit Property Investments~~ in Tax Credit Structures*).

↓ **====** **Detail Eliminated To Conserve Space** **====** **↓**

SCHEDULE BA – PARTS 2 AND 3

OTHER LONG-TERM INVESTED ASSETS ACQUIRED AND DISPOSED OF

Drafting Note – the line references to Schedule BA may be updated after the BA proposal (2023-12BWG) is adopted. The line reference updates will be made in the instructions and not shown in this proposal.

↓
↑
↓
↑
↓
↑
↓
↑

~~Guaranteed Federal Low Income Housing Tax Credit~~

Unaffiliated.....	3599999
Affiliated	3699999

~~Yield Guaranteed State Low Income Housing Tax Credit Investments~~

Unaffiliated.....	3599999
Affiliated	3699999

~~Non-Guaranteed Qualifying Federal Low Income Housing Tax Credit Investments~~

Unaffiliated.....	3799999
Affiliated	3899999

~~Yield Guaranteed State Tax Credit Investments~~

Unaffiliated.....	3799999
Affiliated	3899999

~~Non-Guaranteed Qualifying State Low Income Housing Tax Credit Investments~~

Unaffiliated.....	4199999 3999999
Affiliated	4299999 4099999

All Other ~~Low Income Housing Tax Credit Investments~~

Unaffiliated.....	4399999 4199999
Affiliated	4499999 4299999

Working Capital Finance Investment

Unaffiliated.....	45999994399999
-------------------	----------------

Residual Tranches or Interests with Underlying Assets Having Characteristics of:

Fixed Income Instruments

Unaffiliated	46999994499999
Affiliated.....	47999994599999

Common Stock

Unaffiliated	48999994699999
Affiliated.....	49999994799999

Preferred Stock

Unaffiliated	50999994899999
Affiliated.....	51999994999999

Real Estate

Unaffiliated	52999995099999
Affiliated.....	53999995199999

Mortgage Loans

Unaffiliated	54999995299999
Affiliated.....	55999995399999

Other

Unaffiliated	56999995499999
Affiliated.....	57999995599999

Any Other Class of Assets	
Unaffiliated.....	5899999 5699999
Affiliated	5999999 5799999
Subtotals	
Unaffiliated.....	6099999
Affiliated	6199999
TOTALS	6299999

Detail Eliminated To Conserve Space

~~Low Income Housing~~ Investments in Tax Credit Structures

Include: All ~~Low Income Housing~~ Investments in Tax Credit Structures (Tax Credit Investments) (~~LIHTC or affordable housing~~) that are in the form of a ~~Limited Partnership or a Limited Liability Company~~ qualifying under within scope of SSAP No. 93 – Tax Credit Investments, including those investments that have the following risk mitigation factors:

A. ~~State Yield~~ Guaranteed ~~State~~ ~~Low Income Housing~~ Tax Credit Investments.

I. There must be an all-inclusive guarantee from a CRP-rated entity that guarantees the yield on the investment. This reporting line is only allowed for tax credit investments which issue state tax credits.

~~a. Tax credit investments which would have previously been reported in the Guaranteed Federal tax credit investment reporting line should now be reported in the Other Tax Credit Investments reporting line. This reporting line was removed as these types of tax credit investment structure were substantially eliminated by the Historic Boardwalk Hall, LLC v. Commissioner of Internal Revenue court decision in 2012.~~

B. Qualifying State and Federal ~~Non-guaranteed Low Income Housing~~ Tax Credit Investments.

Investments reported on these lines must have all of the following risk mitigation factors:

I. A level of leverage below 50%. For a ~~LIHTC Fund~~ tax credit investment fund, the level of leverage is measured at the fund level.

II. There is a Tax Credit Guarantee Agreement or equivalent insurance acquired, at arm’s length, by the investor ~~from General Partner or managing member~~. This agreement requires the General Partner ~~or~~ managing member, developer, or insurer to reimburse investors for any shortfalls in tax credits due to errors of compliance, for the duration of the regulatory compliance period of the tax credit program ~~for the life of the partnership~~. For a ~~LIHTC Fund~~ tax credit investment fund, a Tax Credit Guarantee Agreement is required from the

8/14/24

developers of the lower tier ~~LIHTC properties~~ projects to the upper tier partnership and all other ~~LIHTC~~ investments.

- III. There are sufficient operating reserves, capital replacement reserves and/or operating deficit guarantees present to mitigate foreseeable ~~foreclosure loss~~ risks ~~at the time of the investment~~ as of the current reporting period.

C. Other Tax Credit Investments.

- I. Any tax credit investment which cannot be reported as either yield guaranteed or qualifying.

- a. Federal tax credit investments with all-inclusive yield guarantees which would have previously been reported in the Guaranteed Federal tax credit investment reporting line and are still within the scope of SSAP No. 93 shall be reported in the Other Tax Credit Investments reporting line. The Federal Guaranteed reporting line was removed as these types of tax credit investment structure were substantially eliminated by the Historic Boardwalk Hall, LLC v. Commissioner of Internal Revenue court decision in 2012.

~~Non-qualifying LIHTCs should be reported in the "All Other" category~~

SCHEDULE BA – PART 3

**OTHER LONG-TERM INVESTED ASSETS DISPOSED, TRANSFERRED OR REPAYED
DURING THE CURRENT QUARTER**

↓ **====** **Detail Eliminated To Conserve Space** **====** ↓

Column 10 – Current Year’s (Depreciation) or (Amortization)/Accretion

This amount represents depreciation expense for the period (where appropriate), amortization of premium and the accrual of discount, [and proportional amortization of tax credit investments](#). The accrual of discount amounts in this column are to be reported as increases to investment income in the Exhibit of Net Investment Income, while the amortization of premium amounts [and tax credit investments](#) are to be reported as decreases to investment income. See column 9 for discussion of an unrealized valuation increase (decrease) where the real estate is carried at fair value and (depreciation) and/or (amortization)/accretion has been recorded.

↓ **====** **Detail Eliminated To Conserve Space** **====** ↓

ANNUAL STATEMENT BLANK – LIFE/FRATERNAL, PROPERTY, HEALTH & TITLE

**SCHEDULE BA – VERIFICATION BETWEEN YEARS
Other Long-Term Invested Assets**

1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition (Part 2, Column 8)		
2.2 Additional investment made after acquisition (Part 2, Column 9).....		
3. Capitalized deferred interest and other:		
3.1 Totals, Part 1, Column 16		
3.2 Totals, Part 3, Column 12		
4. Accrual of discount.....		
5. Unrealized valuation increase/(decrease):.....		
5.1 Totals, Part 1, Column 13		
5.2 Totals, Part 3, Column 9.....		
6. Total gain (loss) on disposals, Part 3, Column 19.....		
7. Deduct amounts received on disposals, Part 3, Column 16		
8. Deduct amortization of premium, and depreciation <u>and proportional amortization</u>		
9. Total foreign exchange change in book/adjusted carrying value:		
9.1 Totals, Part 1, Column 17		
9.2 Totals, Part 3, Column 14.....		
10. Deduct current year's other-than-temporary impairment recognized:		
10.1 Totals, Part 1, Column 15.....		
10.2 Totals, Part 3, Column 11		
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....		
12. Deduct total nonadmitted amounts		
13. Statement value at end of current period (Line 11 minus Line 12).....		

=
Detail Eliminated To Conserve Space
=

ANNUAL STATEMENT BLANK – LIFE/FRATERNAL

**ASSET VALUATION RESERVE (Continued)
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
EQUITY AND OTHER INVESTED ASSET 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)
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF COMMON STOCK												
65		Unaffiliated Public.....		XXX	XXX		0.0000		0.1580(a)		0.1580(a)	
66		Unaffiliated Private.....		XXX	XXX		0.0000		0.1945		0.1945	
67		Affiliated Life with AVR.....		XXX	XXX		0.0000		0.0000		0.0000	
68		Affiliated Certain Other (See SVO Purposes & Procedures Manual).....		XXX	XXX		0.0000		0.1580		0.1580	
69		Affiliated Other - All Other.....		XXX	XXX		0.0000		0.1945		0.1945	
70		Total with Common Stock Characteristics (Sum of Lines 65 through 69)		XXX	XXX		XXX		XXX		XXX	
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF REAL ESTATE												
71		Home Office Property (General Account only).....					0.0000		0.0912		0.0912	
72		Investment Properties.....					0.0000		0.0912		0.0912	
73		Properties Acquired in Satisfaction of Debt.....					0.0000		0.1337		0.1337	
74		Total with Real Estate Characteristics (Sum of Lines 71 through 73)					XXX		XXX		XXX	
LOW INCOME HOUSING TAX CREDIT INVESTMENTS IN TAX CREDIT STRUCTURES												
75		Guaranteed Federal Low Income Housing Tax Credit					0.0003		0.0006		0.0010	
775		Guaranteed State Low Income Housing Yield Guaranteed State Tax Credit Investments - State Guaranteed					0.0003		0.0006		0.0010	
7676		Non-guaranteed Federal Low Income Housing Qualifying Federal Tax Credit Investments - Federal Non-guaranteed					0.0063		0.0120		0.0190	
77		Guaranteed State Low Income Housing Tax Credit - State Guaranteed					0.0003		0.0006		0.0010	
7877		Non-guaranteed State Low Income Housing Qualifying State Tax Credit Investments - State Non-Guaranteed					0.0063		0.0120		0.0190	
7978		All Other Low Income Housing Other Tax Credit Investments - Other					0.0273		0.0600		0.0975	
8079		Total LIHTC Tax Credit Investments (Sum of Lines 75 through 7978)					XXX		XXX		XXX	
RESIDUAL TRanches OR INTERESTS												
8180		Fixed Income Instruments – Unaffiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
8281		Fixed Income Instruments – Affiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
8382		Common Stock – Unaffiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
8483		Common Stock – Affiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
8584		Preferred Stock – Unaffiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
8685		Preferred Stock – Affiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
8786		Real Estate – Unaffiliated.....					0.0000		0.1580		0.1580	
8887		Real Estate – Affiliated.....					0.0000		0.1580		0.1580	
8988		Mortgage Loans – Unaffiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
9089		Mortgage Loans – Affiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
9190		Other – Unaffiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
9291		Other – Affiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
9392		Total Residual Tranches or Interests (Sum of Lines 81 through 92)					XXX		XXX		XXX	
ALL OTHER INVESTMENTS												
9493		NAIC 1 Working Capital Finance Investments.....		XXX			0.0000		0.0042		0.0042	
9594		NAIC 2 Working Capital Finance Investments.....		XXX			0.0000		0.0137		0.0137	
9695		Other Invested Assets - Schedule BA.....		XXX			0.0000		0.1580		0.1580	
9796		Other Short-Term Invested Assets - Schedule DA.....		XXX			0.0000		0.1580		0.1580	
9897		Total All Other (Sum of Lines 94, 95, 96 and 97).....		XXX			XXX		XXX		XXX	
9998		Total Other Invested Assets - Schedules BA & DA (Sum of Lines 29, 37, 64, 70, 74, 80, 93 and 98)					XXX		XXX		XXX	

*****Drafting Note – the line references from Line 80 and below have been updated with the adopted Schedule BA proposal (2023-12BWG). The line reference updates will be made in the instructions and not shown in this proposal.*****

ANNUAL STATEMENT BLANK – SEPARATE ACCOUNTS

**ASSET VALUATION RESERVE (Continued)
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
EQUITY AND OTHER INVESTED ASSET 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)
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF COMMON STOCK												
65		Unaffiliated Public.....		XXX	XXX		0.0000		0.1580(a)		0.1580(a)	
66		Unaffiliated Private.....		XXX	XXX		0.0000		0.1945		0.1945	
67		Affiliated Life with AVR.....		XXX	XXX		0.0000		0.0000		0.0000	
68		Affiliated Certain Other (See SVO Purposes & Procedures Manual).....		XXX	XXX		0.0000		0.1580		0.1580	
69		Affiliated Other - All Other.....		XXX	XXX		0.0000		0.1945		0.1945	
70		Total with Common Stock Characteristics (Sum of Lines 65 through 69)		XXX	XXX		XXX		XXX		XXX	
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF REAL ESTATE												
71		Home Office Property (General Account only).....					0.0000		0.0912		0.0912	
72		Investment Properties.....					0.0000		0.0912		0.0912	
73		Properties Acquired in Satisfaction of Debt.....					0.0000		0.1337		0.1337	
74		Total with Real Estate Characteristics (Sum of Lines 71 through 73)					XXX		XXX		XXX	
LOW-INCOME HOUSING TAX CREDIT INVESTMENTS IN TAX CREDIT STRUCTURES												
75		Guaranteed Federal Low-Income Housing Tax Credit.....					0.0003		0.0006		0.0010	
75		Yield Guaranteed State Tax Credit Investments.....					0.0003		0.0006		0.0010	
76		Non-guaranteed Federal Low-Income Housing Qualifying Federal Tax Credit Investments - Federal Non-guaranteed.....					0.0063		0.0120		0.0190	
77		Guaranteed State Low-Income Housing Tax Credit - State Guaranteed Non-guaranteed State Low-Income Housing Qualifying State Tax Credit Investments - State Non-guaranteed.....					0.0003		0.0006		0.0010	
77		All Other Low-Income Housing Other Tax Credit Investments - Other.....					0.0063		0.0120		0.0190	
77		All Other Low-Income Housing Other Tax Credit Investments - Other.....					0.0273		0.0600		0.0975	
8079		Total LITTC Tax Credit Investments (Sum of Lines 75 through 79)					XXX		XXX		XXX	
RESIDUAL TRanches OR INTERESTS												
8180		Fixed Income Instruments - Unaffiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
8281		Fixed Income Instruments - Affiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
8382		Common Stock - Unaffiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
8483		Common Stock - Affiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
8584		Preferred Stock - Unaffiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
8685		Preferred Stock - Affiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
8786		Real Estate - Unaffiliated.....					0.0000		0.1580		0.1580	
8887		Real Estate - Affiliated.....					0.0000		0.1580		0.1580	
8988		Mortgage Loans - Unaffiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
9089		Mortgage Loans - Affiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
9190		Other - Unaffiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
9291		Other - Affiliated.....		XXX	XXX		0.0000		0.1580		0.1580	
9392		Total Residual Tranches or Interests (Sum of Lines 81 through 92)					XXX		XXX		XXX	
ALL OTHER INVESTMENTS												
9493		NAIC 1 Working Capital Finance Investments.....		XXX			0.0000		0.0042		0.0042	
9594		NAIC 2 Working Capital Finance Investments.....		XXX			0.0000		0.0137		0.0137	
9695		Other Invested Assets - Schedule BA.....		XXX			0.0000		0.1580		0.1580	
9796		Other Short-Term Invested Assets - Schedule DA.....		XXX			0.0000		0.1580		0.1580	
9897		Total All Other (Sum of Lines 94, 95, 96 and 97).....		XXX			XXX		XXX		XXX	
9998		Total Other Invested Assets - Schedules BA & DA (Sum of Lines 29, 37, 64, 70, 74, 80, 93 and 98)					XXX		XXX		XXX	

*****Drafting Note – the line references from Line 80 and below have been updated with the adopted Schedule BA proposal (2023-12BWG). The line reference updates will be made in the instructions and not shown in this proposal.*****

QUARTERLY STATEMENT BLANK – LIFE/FRATERNAL, PROPERTY, HEALTH & TITLE

SCHEDULE BA – VERIFICATION
 Other Long-Term Invested Assets

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year
2. Cost of acquired
2.1 Actual cost at time of acquisition
2.2 Additional investment made after acquisition
3. Capitalized deferred interest and other
4. Accrual of discount
5. Unrealized valuation increase/(decrease).....
6. Total gain (loss) on disposals.....
7. Deduct amounts received on disposals
8. Deduct amortization of premium, and depreciation <u>and proportional amortization</u>
9. Total foreign exchange change in book/adjusted carrying value.....
10. Deduct current year's other-than-temporary impairment recognized.....
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....
12. Deduct total nonadmitted amounts
13. Statement value at end of current period (Line 11 minus Line 12)

W:\QA\BlanksProposals\2024-11BWG_Modified.docx

NAIC BLANKS (E) WORKING GROUP
Blanks Agenda Item Submission Form

<p style="text-align: right;">DATE: <u>04/03/2024</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., 3rd Fl., Ste. 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2024-12BWG MOD</u> Year <u>2025</u></p> <p>Changes to Existing Reporting <input type="checkbox"/> [X] New Reporting Requirement <input type="checkbox"/> []</p> <p style="text-align: center;">REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</p> <p>No Impact <input checked="" type="checkbox"/> [X] 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] ***If Yes, complete question below***</p> <p style="text-align: center;">DISPOSITION</p> <p>[] Rejected For Public Comment [] Referred To Another NAIC Group [] Received For Public Comment [X] Adopted Date <u>08/07/2024</u> [] Rejected Date _____ [] Deferred Date _____ [] Other (Specify) _____</p>
--	--

BLANK(S) TO WHICH PROPOSAL APPLIES

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

Anticipated Effective Date: January 1, 2025

IDENTIFICATION OF ITEM(S) TO CHANGE

Update the quarterly investment schedules for editorial items to the bond project. (Sch. D Verification, Sch. D Part 1B, Sch. D Part 3 & 4, Sch. DL Part 1 & 2, and Sch. E Part 1 & 2)

Also update the Quarterly Investment Schedule General Instructions for the changes that were adopted in the Annual Investment Schedule General Instructions. (Reference adopted proposal 2023-06BWG)

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

The purpose of this proposal is to show quarterly editorials for the bond project in one proposal instead of the editorial lists over multiple Blanks Working Group calls. Also, the Quarterly Investment Schedule General Instructions were not included in the original proposal and needed to have the instructions updated to match what was adopted in Blanks proposal 2023-06BWG.

*****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.

Listing of Items to be Updated in the Quarterly Investment Schedule Instructions/Blanks:

1. Investment Schedule General Instructions – the quarterly general instructions were inadvertently left out of the original proposal (2023-06BWG) and needed the bond project updates.
2. Investment Schedule General Instructions – Categories: Financial ABS – Self-Liquidating and Financial ABS – Not Self-Liquidating – clarify that interest is only captured when “applicable” for self-liquidating.
3. Investment Schedule General Instructions – Category: Agency Commercial Mortgage-Backed Securities – Fully Guaranteed (Exempt from RBC) – add clarifying language to capture ABS structures that are other than MBS that are fully guaranteed.
4. Investment Schedule General Instructions – Category: Agency Commercial Mortgage-Backed Securities – Fully Guaranteed (Exempt from RBC) & Agency Commercial Mortgage-Backed Securities – Not/Partially Guaranteed (Not Exempt from RBC) – add clarifying language to regarding the appropriate reporting of ABS issued by the Small Business Administration (SBA) and Small Business Investment Companies (SBIC).
5. Schedule D Verification – The line references in the quarterly verification schedule needs to be updated to the updated columns on Schedule D, Part 3 & 4.
6. Schedule D, Part 1B – Update the Schedule D Part 1A line references
7. Schedule BA, Part 2 & 3
 - Column 1 CUSIP - Update CUSIP Global Services reference
8. Schedule D, Part 3
 - Add total lines 0489999999 & 0499999999 to be consistent with Schedule D, Part 1, Section 1
 - Add total lines 1889999999 & 1899999999 to be consistent with Schedule D, Part 1, Section 2
 - Add clarifying language for SVO ETFs that there can be shares for this category
 - Column 1 CUSIP, Column 13 Issuer, & Column 14 Issue - Update CUSIP Global Services reference
 - Update the bond line reference for NAIC Designation
9. Schedule D, Part 4
 - Add total lines 0489999999 & 0499999999 to be consistent with Schedule D, Part 1, Section 1
 - Add total lines 1889999999 & 1899999999 to be consistent with Schedule D, Part 1, Section 2
 - Updated column 20 – Cont. Maturity Date for perpetual bonds to match the specs – Changed back to 1/1/9999
 - Add clarifying language for common stocks for column 20 – Cont. Maturity Date
 - Add clarifying language for SVO ETFs that there can be shares for this category
 - Column 1 CUSIP, Column 25 Issuer, & Column 26 Issue - Update CUSIP Global Services reference
 - Update the bond line reference for NAIC Designation
10. Schedule DL, Part 1 & 2
 - Add total lines 0489999999 & 0499999999 to be consistent with Schedule D, Part 1, Section 1
 - Add total lines 1889999999 & 1899999999 to be consistent with Schedule D, Part 1, Section 2
 - Update Header for ABS lines to Schedule, Part 1, Section 2
 - Update CUSIP line references and CUSIP Global Services reference
11. Schedule E, Part 1 – update the code column
12. Schedule E, Part 2
 - Remove the SVO-Identified Bond ETF categories because they should not be included on this schedule

- Add total lines 0489999999 & 0499999999 to be consistent with Schedule D, Part 1, Section 1
- Remove the SVO-Identified Bond ETF categories from the subtotal line 0489999999 calculation
- Make sure that both Certificates of Deposit lines are not on this schedule
- ~~Remove “%” code from Restricted Asset Code Column instructions~~

QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, PROPERTY, HEALTH & TITLE

INVESTMENT SCHEDULES GENERAL INSTRUCTIONS

(Applies to all investment schedules)



Detail Eliminated To Conserve Space

“To Be Announced” securities (commonly referred to as TBAs) are to be reported in Schedule D unless the structure of the security more closely resembles a derivative, as defined within *SSAP No. 86—Derivatives* in which case the security should be reported on Schedule DB. The exact placement of TBAs in the investment schedules depends upon how a company uses TBA. [\(For example, if a reporting entity was to acquire a TBA with the intent to take possession of a Schedule D, Part 1, Section 2 qualifying mortgage-backed security, the TBA shall be reported on the Schedule D, Part 1, Section 2 at acquisition. If a reporting entity was to acquire a TBA, with the intent to roll the TBA, this acquisition is more characteristic of a forward derivative and shall be captured on Schedule DB.\)](#)



Detail Eliminated To Conserve Space

The following is the description of the ~~General and Specific Classifications used for reporting the~~ detailed lines for bonds and stocks.

~~General Classifications Bonds~~ [Categories for Schedule D, Part 1 Only:](#)

[To be eligible for reporting on Schedule D, Part 1, investments shall qualify under the bond definition detailed within *SSAP No. 26R – Bonds* and *SSAP No. 43R – Asset-Backed Securities* or are otherwise named in scope within those statements. ~~Exclude residual tranches or interests captured in scope of *SSAP No. 43R – Loan Backed and Structured Securities*. See *SSAP No. 43R* for accounting guidance. These securities should be reported on Schedule BA.~~](#)

Refer to *SSAP No. 26R—Bonds*; *SSAP No. 43R—~~Loan-backed and Structured Securities~~ Asset-Backed*; and *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* [for additional guidance and defined terms.](#)

[Issuer Credit Obligations – Investments that qualify for reporting on Schedule D, Part 1, Section 1 in scope of *SSAP No. 26R – Bonds*:](#)

[U.S. Government Obligations \(Exempt from RBC\):](#)

~~U.S. Government shall be defined as~~ U.S. Government Obligations as defined per the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* [includes direct claims \(including securities, loans and leases\) on, and the portions of claims that are directly and unconditionally issued, guaranteed or insured by the U.S. Government or its agencies. U.S. Government obligations captured within this category include obligations issued by U.S. Government agencies that are fully guaranteed or insured as to the timely payment of principal and interest by the full faith and credit of the U.S. Government.](#)

~~All Other U.S. Governments~~ [Obligations \(Not Exempt from RBC\):](#)

[Bonds issued by U.S. Government agencies or government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government.](#)

[This category includes bonds issued from agencies that are not backed by the full faith and credit of the U.S. Government but have a filing exemption detailed in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* based on analytical judgment.](#)

Non-U.S. Sovereign Jurisdiction Securities:

This includes bonds ~~investments~~ issued by non-U.S. sovereign governments, including bonds of political subdivisions and special revenue. This also includes bonds issued by utilities owned by non-U.S. governments and bonds fully guaranteed by non-U.S. governments.

~~U.S. States, Territories and Possessions~~ Municipal Bonds – General Obligation (Direct and Guaranteed):

Include bonds issued by states, cities, counties and other governmental entities to fund day-to-day obligations and to finance capital projects that are not secured by specific assets, but are backed by the “full faith and credit” (taxing power) of the issuer. General obligations of these entities (NAIC members), as well as bonds issued by utility companies owned by these entities. NAIC membership is composed of the 50 states, the District of Columbia, American Samoa, Guam, Northern Marianna Islands, Puerto Rico, and the U.S. Virgin Islands.

Municipal Bonds – Special Revenue:

Include bonds issued by states, cities, counties and other governmental entities to finance projects not backed by the taxing power of the issuer, but by revenues from the specific project or source (e.g., highway tolls). Also include other municipal bonds that do not qualify as general obligation (e.g., pre-refunded bonds and insured bonds).

Project Finance Bonds Issued by Operating Entities:

Include non-municipal bonds issued by an operating entity as defined in SSAP No. 26R – Bonds, that finances a single asset or operation (such as a toll road or power generation facility). For these investments, the asset or operation collateralizes the issuance and the cash flows produced satisfy the debt payments. The use of a bankruptcy remote entity (e.g., Special Purpose Vehicle) does not preclude reporting in this category when the entity is determined to represent an operating entity and the primary purpose of the debt issuance is to finance a specific operating project for the operating entity.

~~U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed):~~

~~General obligations of cities, counties, townships, etc., as well as bonds issued by utility companies owned by these entities.~~

~~U.S. Special Revenue and Special Assessment Obligations and All Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions:~~

~~Those U.S. government issues not listed as “Securities That Are Considered “Exempt Obligations” For Purposes of Determining The Asset Valuation Reserve And The Risk Based Capital Calculation” in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*, yet included as “Filing Exemptions for Other U.S. Government Obligations” in. This category also includes bonds that are issued by states, territories, possessions and other political subdivisions that are issued for a specific financing project rather than as general obligation bonds. Also include mortgage reference securities that are within the scope of SSAP No. 43R – Loan-Backed and Structured Securities.~~

~~Industrial and Miscellaneous (Unaffiliated)~~ Corporate Bonds:

Issuer credit obligation issued by a company to raise capital and support company operations. Include convertible bonds, but not mandatory convertible bonds which are included in a separate category. This category includes all non-governmental issues that do not qualify for some other category in Schedule D, Part 1, including privatized (non-government ownership) utility companies. Include Public Utilities.

Mandatory Convertible Bonds:

A type of convertible bond that has a required conversion or redemption feature. Either on or before a contractual conversion date, the holder must convert the mandatory convertible into underlying common stock.

Single Entity Backed Obligations:

Bonds for which repayment is fully supported by an underlying contractual obligation of a single operating entity. This does not include corporate bonds or project finance structures. Examples of structures that could qualify for reporting within this category, if payment is fully supported by a single operating entity, include but are not limited to, equipment trust certificates, enhanced equipment trust certificates, single-tenant lease-backed securities and funding agreement backed notes. Repayment is considered fully supported by the underlying operating entity if the structure in place at origination provides cash flows to satisfy all interest and at least 95% of the principal of the security. (For example, a 5-year lease-backed security that has all cash flows for interest and principal repayment generated from one existing tenant who is under a matching 5-year lease term on the building qualifies for reporting as a single entity backed obligation.)

SVO Identified Bond Exchange Traded Funds – Fair Value:

~~This category includes all~~ Include SVO-Identified Bond Exchange Traded Funds included on the “List of Exchange Traded Funds Eligible for Reporting as a Schedule D Bond (the ETF Bond List)” as found on the Securities Valuation Office Web page (<https://www.naic.org/svo.htm>) that do not qualify for, or for which the reporting entity has elected not to report, at systematic value.

SVO-Identified Bond Exchange Traded Funds – Systematic Value:

Include SVO-Identified Bond Exchange Traded Funds included on the “List of Exchange Traded Funds Eligible for Reporting as a Schedule D Bond (the ETF Bond List)” as found on the Securities Valuation Office Web page (<https://www.naic.org/svo.htm>) that qualify for, and that the reporting entity has elected to report, at systematic value. Use of systematic value is an irrevocable election as long as the qualifying investment is held by the reporting entity and qualifies for systematic value within the parameters of SSAP No. 26R.

Bonds Issued From SEC-Registered Business Development Corps, Closed-End Funds & REITs:

Bonds issued by SEC-registered business development corporates, closed-end funds or similar operating entities registered under the 1940 Act.

Bank Loans – Issued:

Fixed-income instruments, representing indebtedness of a borrower, made by a financial institution. Bank loans in this category shall be obligations of operating entities acquired directly at issuance by a reporting entity.
~~See SSAP No. 26R – Bonds for guidance.~~

Bank Loans – Acquired:

Fixed-income instruments, representing indebtedness of a borrower, made by a financial institution. Bank loans in this category shall be obligations of operating entities acquired through an assignment, participation or syndication.

Mortgage Loans that Qualify as SVO-Identified Credit Tenant Loans:

Mortgage loans, in scope of SSAP No. 37—Mortgage Loans, that have been filed with the SVO and included on the SVO-Identified Credit Tenant Loan listing. Investments in the form of security structures shall not be captured on this reporting line. Security structures supported by a credit tenant lease shall be reported as single entity backed obligations (if qualifying) or captured in the appropriate reporting line for Asset-Backed Securities.

Certificates of Deposit:

Certificates of deposit that have a fixed schedule of payments and a maturity date in excess of one year from the date of acquisition.

Other Issuer Credit Obligations:

Report investment structures that qualify as issuer credit obligations pursuant to SSAP No. 26R – Bonds that do not fit within a specific reporting line. (Specific reporting lines shall be utilized when applicable.) Debt instruments in a certified capital company (CAPCO) permitted under SSAP No. 26R shall also be captured within this category.

~~Hybrid Securities:~~

~~Securities whose proceeds are accorded some degree of equity treatment by one or more of the nationally recognized statistical rating organizations and/or which are recognized as regulatory capital by the issuer's primary regulatory authority. Hybrid securities are designed with characteristics of debt and of equity and are intended to provide protection to the issuer's senior note holders. Hybrid securities products are sometimes referred to as capital securities. Examples of hybrid securities include Trust Preferreds, Yankee Tier 1s (with and without coupon step ups) and debt equity hybrids (with and without mandatory triggers).~~

~~This specifically excludes surplus notes, which are reported in Schedule BA; subordinated debt issues, which have no coupon deferral features; and "traditional" preferred stocks, which are reported in Schedule D, Part 2, Section 1. With respect to preferred stock, traditional preferred stocks include, but are not limited to a) for U.S. issuers that do not allow tax deductibility for dividends; and b) those issued as preferred stock of the entity or an operating subsidiary, not through a trust or a special purpose vehicle.~~

~~Parent, Subsidiaries and Affiliates~~ Affiliated Reporting Lines:

Each reporting category, other than those specific to Government Jurisdictions and SVO-Identified Bond ETFs, shall have affiliated investments separately reported within the affiliate reporting line. The definition of affiliates is pursuant to ~~Defined by~~ SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities

Asset-Backed Securities – Investments that qualify for Schedule D, Part 1, Section 2 pursuant to SSAP No. 43R:

Financial Asset-Backed Securities – Self-Liquidating – A self-liquidating security is a design where the terms of the underlying collateral has contractual principal (and interest, if applicable) that results with a conversion into cash over a period of time (e.g., receivables or other such assets). (For example, a mortgage loan backing a mortgage-backed security, where the loan balance is reduced as payments are made and is ultimately fully paid off by the borrower, or a collateralized loan obligation (CLO) backed by bank loans that is reduced as the loan is paid off.) A financial asset is defined within SSAP No. 103R – Transfers and Servicing of Financial Assets and Extinguishments of Liabilities as cash, evidence of an ownership interest in an entity, or a contract that conveys to one entity a right (a) to receive cash or another financial instrument from a second entity or (b) to exchange other financial instruments on potentially favorable terms with the second entity. As a point of clarity, for the purposes of the bond definition and reporting on Schedule D, Part 1, financial assets do not include assets for which the realization of the benefits conveyed by the above rights depends on the completion of a performance obligation (e.g., leases, mortgage servicing rights, royalty rights, etc.). These assets represent non-financial assets, or a means through which non-financial assets produce cash flows, until the performance obligation has been satisfied.

Agency Residential Mortgage-Backed Securities – Fully Guaranteed (Exempt from RBC):

Include 'agency' residential mortgage-backed securities where the mortgages or bonds are guaranteed (i.e., they are backed by the full faith and credit of the U.S. Government) as to principal and interest by federal and federally sponsored agencies such as the Government National Mortgage Association (GNMA). Also include loans guaranteed by the U.S. Department of Veteran Affairs or the U.S. Department of Agriculture's Rural Development Housing and Community Facilities Programs. Government Sponsored Mortgage Referenced Securities shall not be captured within this category.

Agency Commercial Mortgage-Backed Securities – Fully Guaranteed (Exempt from RBC):

Include ‘agency’ commercial mortgage-backed securities where the mortgages or bonds are guaranteed (i.e., they are backed by the full faith and credit of the U.S. Government) as to principal and interest by federal and federally sponsored agencies such as the Government National Mortgage Association (GNMA). Also include loans guaranteed by the U.S. Department of Veteran Affairs or the U.S. Department of Agriculture’s Rural Development Housing and Community Facilities Programs. Government Sponsored Mortgage Referenced Securities shall not be captured within this category. This category shall also include ABS securities that are fully and unconditionally guaranteed or insured as to the timely payment of principal and interest by the full faith and credit of the U.S. government that do not qualify for reporting as RMBS. Only fully and unconditionally guaranteed or insured securities shall be captured in this reporting line. Please refer to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for determination of fully guaranteed securities. This category shall also include ABS structures that are fully guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. government that do not qualify for reporting as RMBS. Only fully guaranteed structures shall be captured in this reporting line. Please refer to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for determination of fully guaranteed structures.

Agency Residential Mortgage-Backed Securities – Not/Partially Guaranteed (Not Exempt from RBC):

Include residential mortgage-backed securities issued by an agency that is not or partially guaranteed (i.e., they are not backed by the full faith and credit of the U.S. Government) as to principal and interest by federal or federally sponsored agencies such as Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC). This category shall include mortgage-referenced securities issued by a government-sponsored enterprise (e.g., FNMA or FHLMC) in the form of a credit-risk-transfer in which the security is tied to a pool of residential mortgages. These items reflect instruments in which the payments received are linked to the credit and principal payment risk of the underlying mortgage loan borrowers captured in the referenced pool of mortgages. For these instruments, the holder may not receive a return of their full principal as repayment is contingent on repayment by the mortgage loan borrowers in the referenced pool of mortgages.

Agency Commercial Mortgage-Backed Securities – Not/Partially Guaranteed (Not Exempt from RBC):

Include commercial mortgage-backed securities issued by an agency that is not or partially guaranteed (i.e., they are not backed by the full faith and credit of the U.S. Government) as to principal and interest by federal or federally sponsored agencies such as Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC). This category shall include mortgage-referenced securities issued by a government-sponsored enterprise (e.g., FNMA or FHLMC) in the form of a credit-risk-transfer in which the security is tied to a pool of commercial mortgages. These items reflect instruments in which the payments received are linked to the credit and principal payment risk of the underlying mortgage loan borrowers captured in the referenced pool of mortgages. For these instruments, the holder may not receive a return of their full principal as repayment is contingent on repayment by the mortgage loan borrowers in the referenced pool of mortgages. This category shall also include ABS securities that are agency-issued and not fully guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. government (excluding RMBS). ~~This category shall also include ABS structures t agency issued and not fully guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. government (excluding RMBS).~~

Non-Agency Residential Mortgage-Backed Securities:

Include residential mortgage-backed securities not issued by a government agency.

Non-Agency Commercial Mortgage-Backed Securities:

Include commercial mortgage-backed securities not issued by a government agency.

Non-Agency – CLOs/CBOs/CDOs:

Include self-liquidating collateralized loan obligations (CLO), collateralized bond obligations (CBO) and collateralized debt obligations (CDO). In general, this category includes pools of assets whose cash flows are

divided into 2 or more tranches. This also includes any other significant leverage inside the deal, for example, in the form of off-market swaps or repo. The underlying collateral in this category consists of corporate or structured credit, cash or synthetic. This category does not include single name underlying collateral. Lastly, the repayment of the securities issued by CLOs/CBOs/CDOs depend primarily on the default and recovery of the underlying collateral and not on their market value.

Other Financial Asset-Backed Securities – Self-Liquidating:

Include self-liquidating financial asset-backed securities not issued by a government agency that are not backed by commercial or residential mortgage loans and that are not considered CLOs/CBOs/CDOs.

Financial Asset-Backed Securities – Not Self-Liquidating – Include all financial asset-backed securities where the structure does not represent a design where the terms of the underlying collateral has contractual principal (and interest, if applicable) that results with a conversion into cash over a period of time (e.g., receivables or other such assets)

Equity-Backed Securities:

Include structures where the financial assets backing the structure reflect equity. These securities must overcome the rebuttable presumption that equity-like structures do not inherently possess the characteristics to be reported on Schedule D, Part 1 and have appropriate reporting entity documentation supporting a conclusion that the underlying equity interests lend themselves to the production of predictable cash flows and the underlying equity risks have been sufficiently redistributed through the capital structure of the issuer. This category should include securitized collateralized fund obligations (CFOs) and other such structures, that qualify within Schedule D, Part 1. (Securitized equity-backed structures, including CFO structures, that do not qualify for Schedule D, Part 1 reporting shall be captured on Schedule BA.)

Other Financial Asset-Backed – Not Self-Liquidating:

Include non-self-liquidating financial asset-backed securities that are not backed by equity.

Non-Financial Asset-Backed Securities (Practical Expedient) – A non-financial asset-backed security is defined as a bond backed by assets that are expected to generate a meaningful level of cash flows toward repayment of the bond through use, licensing, leasing, servicing or management fees, or other similar cash flow generation. For the avoidance of doubt, there must be a meaningful level of cash flows to service the debt, other than through the sale or refinancing of the assets. Pursuant to SSAP No. 43R—Asset-Backed Securities, a practical expedient may be utilized, which is defined as if less than 50% of the original principal relies on the sale or refinancing of the underlying assets, the meaningful criteria is considered to be met. In applying this practical expedient, only contractual cash flows of the non-financial asset may be considered.

Lease-Backed Transactions (Practical Expedient):

Include structures where the generation of cash flows to use towards repayment of the asset-backed security are predominantly driven from underlying lease transactions.

Other Non-Financial Asset-Backed Securities (Practical Expedient):

Include structures where the generation of cash flows to use towards repayment of the asset-backed security are predominantly driven from underlying cash flow streams that do not predominantly reflect lease arrangements.

Non-Financial Asset-Backed Securities (Full Analysis) – Include non-financial asset-backed securities that qualify for reporting on Schedule D, Part 1 pursuant to SSAP No. 43R—Asset-Backed Securities, but that do not qualify within the practical expedient for meaningful cash flows.

Lease-Backed Transactions (Full Analysis):

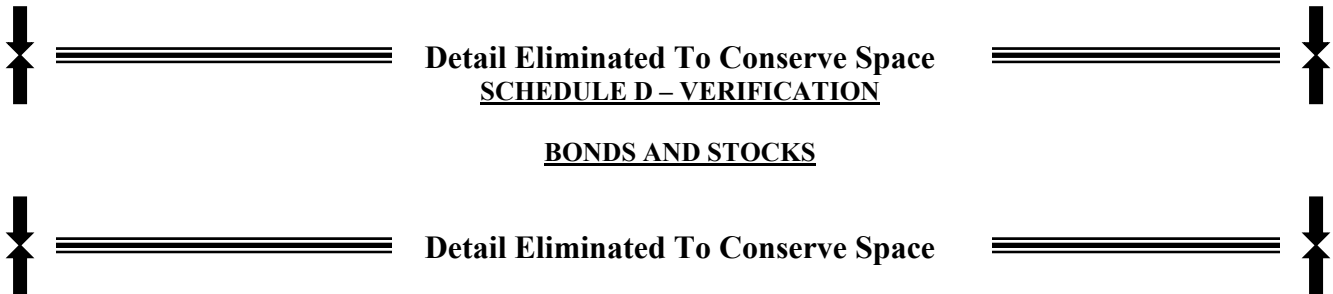
Include structures where the generation of cash flows to use towards repayment of the asset-backed security are predominantly driven from underlying lease transactions.

Other Non-Financial Asset-Backed Securities (Full Analysis):

Include structures where the generation of cash flows to use towards repayment of the asset-backed security are predominantly driven from underlying cash flow streams that do not predominantly reflect lease arrangements.

Affiliated Reporting Lines:

Each reporting category, other than those specific to government agency issuances, shall have affiliated investments separately reported within the affiliate reporting line. The definition of affiliates is pursuant to SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities.



Line 2 – Cost of Bonds and Stocks Acquired

In Column 1, report the actual cost to acquire bonds and stocks on a year-to-date basis, including the cost on bonds and stocks acquired in the current quarter as reported on Schedule D, Part 3, Column ~~7~~6. The cost of acquiring the investment should be consistent with the accounting guidance contained in the *Accounting Practices and Procedures Manual*.

Line 3 – Accrual of Discount

In Column 1, report the total amount of discount accrued on bonds on a year-to-date basis, including the amount on bonds and stocks still owned as of the reporting date and the amount on bonds and stocks disposed in the current quarter and reported on Schedule D, Part 4, Column ~~12~~11. The accrual of discount should be consistent with the accounting guidance contained in the *Accounting Practices and Procedures Manual*.

Line 4 – Unrealized Valuation Increase (Decrease)

Report the total unrealized valuation increase (decrease) for the entire year-to-date, including the amount on bonds and stocks owned as of the reporting date and the amount on bonds and stocks disposed in the current quarter and reported on Schedule D, Part 4, Column ~~11~~10.

Line 5 – Total Gain (Loss) on Disposals

In Column 1, report the gain (loss) on sales of bonds and stocks on a year-to-date basis, including the total gain (loss) of bonds and stocks in the current quarter as reported on Schedule D, Part 4, Column ~~19~~18.

Line 6 – Deduct Consideration for Bonds and Stocks Disposed of During the Year

In Column 1, report the total considerations received on bonds and stocks sold on a year-to-date basis, including the amount received on bonds and stock disposed in the current quarter as reported on Schedule D, Part 4, Column ~~7~~6.

Line 7 – Deduct Amortization of Premium

In Column 1, report the total amount of premium amortized on a year-to-date basis, including the amount on bonds and stocks still owned as of the reporting date and the amount on bonds and stocks disposed in the current quarter and reported on Schedule D, Part 4, Column ~~12~~11. The amortization of premium should be consistent with the accounting guidance contained in the *Accounting Practices and Procedures Manual*.

Line 8 – Total Foreign Exchange Change in Book/Adjusted Carrying Value

In Column 1, report the unrealized foreign exchange gain or loss on a year-to-date basis, including the amount on bonds and stocks still owned as of the reporting date and the amount on bonds and stocks disposed and reported on Schedule D, Part 4, Column ~~15~~14.

Line 9 – Deduct Current Year's Other-Than-Temporary Impairment Recognized

Report the other-than-temporary impairments on a year-to-date basis including the amount on bonds and stock still owned and the amount on bonds and stocks disposed and reported on Schedule D, Part 4, Column ~~13~~12.

Line 10 – Total Investment Income Recognized as a Result of Prepayment Penalties and/or Acceleration Fees

In Column 1, report only the total investment income recognized on a year-to-date basis, using the information recorded in Schedule D, Part 4, Column ~~20~~19, for bonds and stocks that were sold, disposed or otherwise redeemed during the current quarter, as a result of a prepayment penalty and/or acceleration fee.

Line 11 – Book/Adjusted Carrying Value at the end of Current Period

In Column 1, report the book/adjusted carrying value as of the end of the current period. The amount in Line 11 should tie to the Assets Page, Column 1, the sum of the lines for Bonds, Line 1, Preferred Stocks, Line 2.1 and Common Stocks, Line 2.2.

Line 12 – Deduct Total Nonadmitted Amounts

In column 1, report the adjustment for nonadmitted amounts related to bonds and stocks as of the end of the current period.

Include: The amount of the portfolio that is in excess of any investment limitation.

The amount of any goodwill that exceeds the surplus limitation as described in *SSAP No. 68—Business Combinations and Goodwill*.

The amount to be reported here should tie to the Assets Page, Column 2, the sum of the lines for Bonds, Line 1, Preferred Stocks, Line 2.1, Common Stock, Line 2.2.

Line 13 – Statement Value at End of Current Period

In Column 1, report the statement value of bonds and stocks owned as of the end of the current period. This amount should tie to the Assets Page, Column 3, the sum of the lines for Bonds, Line 1, Preferred Stocks, Line 2.1, Common Stock, Line 2.2.

SCHEDULE BA – PART 2

**OTHER LONG-TERM INVESTED ASSETS ACQUIRED
AND ADDITIONS MADE DURING THE CURRENT QUARTER**

This schedule should reflect not only those newly acquired long-term invested assets, but also any increases or additions to long-term invested assets acquired in the current and prior periods, including, for example, capital calls from existing limited partnerships.

Column 1 – CUSIP Identification

CUSIP numbers for all purchased publicly issued securities are available from the broker's confirmation or the certificate. For private placement securities, the NAIC has created a special number called a PPN to be assigned by ~~the Standard & Poor's CUSIP Bureau~~ [CUSIP Global Services](#). For foreign securities, use a CINS that is assigned by ~~the Standard & Poor's CUSIP Bureau~~ [CUSIP Global Services](#): www.cusip.com/cusip/index.htm.

If no CUSIP number exists, the CUSIP field should be zero-filled.

SCHEDULE BA – PART 3

**OTHER LONG-TERM INVESTED ASSETS DISPOSED, TRANSFERRED OR REPAYED
DURING THE CURRENT QUARTER**

This schedule should reflect not only disposals of an entire “other invested asset” but should also include partial disposals and amounts received during the year on investments still held, including, for example, return of capital distributions from limited partnerships.

Column 1 – CUSIP Identification

CUSIP numbers for all purchased publicly issued securities are available from the broker’s confirmation or the certificate. For private placement securities, the NAIC has created a special number called a PPN to be assigned by ~~CUSIP Global Services~~ ~~the Standard & Poor’s CUSIP Bureau~~. For foreign securities, use a CINS that is assigned by ~~CUSIP Global Services~~ ~~the Standard & Poor’s CUSIP Bureau~~: www.cusip.com/cusip/index.htm.

If no CUSIP number exists, the CUSIP field should be zero-filled.

SCHEDULE D – PART 3

LONG-TERM BONDS AND STOCKS ACQUIRED DURING THE CURRENT QUARTER



Detail Eliminated To Conserve Space

<u>Category</u>	<u>Line Number</u>
Issuer Credit Obligations:	
U.S. Government Obligations (Exempt from RBC).....	0019999999
Other U.S. Government Obligations (Not Exempt from RBC).....	0029999999
Non-U.S. Sovereign Jurisdiction Securities	0039999999
Municipal Bonds – General Obligations (Direct and Guaranteed).....	0049999999
Municipal Bonds – Special Revenues	0059999999
Project Finance Bonds Issued by Operating Entities (Unaffiliated).....	0069999999
Project Finance Bonds Issued by Operating Entities (Affiliated).....	0079999999
Corporate Bonds (Unaffiliated).....	0089999999
Corporate Bonds (Affiliated).....	0099999999
Mandatory Convertible Bonds (Unaffiliated).....	0109999999
Mandatory Convertible Bonds (Affiliated)	0119999999
Single Entity Backed Obligations (Unaffiliated).....	0129999999
Single Entity Backed Obligations (Affiliated)	0139999999
SVO-Identified Bond Exchange Traded Funds – Fair Value	0149999999
SVO-Identified Bond Exchange Traded Funds – Systematic Value	0159999999
Bonds issued from SEC-Registered Business Development Corps, Closed End Funds & REITS (Unaffiliated).....	0169999999
Bonds issued from SEC-Registered Business Development Corps, Closed End Funds & REITS (Affiliated)	0179999999
Bank Loans – Issued (Unaffiliated).....	0189999999
Bank Loans – Issued (Affiliated).....	0199999999
Bank Loans – Acquired (Unaffiliated)	0209999999
Bank Loans – Acquired (Affiliated).....	0219999999
Mortgage Loans that Qualify as SVO-Identified Credit Tenant Loans (Unaffiliated)	0229999999
Mortgage Loans that Qualify as SVO-Identified Credit Tenant Loans (Affiliated)	0239999999
Certificates of Deposit (Unaffiliated).....	0249999999
Certificates of Deposit (Affiliated).....	0259999999
Other Issuer Credit Obligations (Unaffiliated).....	0269999999
Other Issuer Credit Obligations (Affiliated).....	0279999999
<u>Subtotal – Issuer Credit Obligations (Unaffiliated).....</u>	<u>0489999999</u>
<u>(Sum of Lines: 0019999999, 0029999999, 0039999999, 0049999999, 0059999999, 0069999999, 0089999999, 0109999999, 0129999999, 0149999999, 0159999999, 0169999999, 0189999999, 0209999999, 0229999999, 0249999999, and 0269999999)</u>	
<u>Subtotal – Issuer Credit Obligations (Affiliated).....</u>	<u>0499999999</u>
<u>(Sum of Lines: 0079999999, 0099999999, 0119999999, 0139999999, 0179999999, 0199999999, 0219999999, 0239999999, 0259999999, and 0279999999)</u>	
Subtotals – Issuer Credit Obligations – Part 3.....	0509999997
Summary item from Part 5 for Issuer Credit Obligations (N/A to Quarterly).....	0509999998
Subtotals – Issuer Credit Obligations	0509999999
Asset-Backed Securities:	
Financial Asset-Backed – Self-Liquidating	
Agency Residential Mortgage-Backed Securities – Guaranteed (Exempt from RBC)	1019999999
Agency Commercial Mortgage-Backed Securities – Guaranteed (Exempt from RBC).....	1029999999

Agency Residential Mortgage-Backed Securities – Not/Partially Guaranteed (Not Exempt from RBC)	1039999999
Agency Commercial Mortgage-Backed Securities – Not/Partially Guaranteed (Not Exempt from RBC)	1049999999
Non-Agency Residential Mortgage-Backed Securities (Unaffiliated)	1059999999
Non-Agency Residential Mortgage-Backed Securities (Affiliated)	1069999999
Non-Agency Commercial Mortgage-Backed Securities (Unaffiliated)	1079999999
Non-Agency Commercial Mortgage-Backed Securities (Affiliated)	1089999999
Non-Agency – CLOs/CBOs/CDOs (Unaffiliated)	1099999999
Non-Agency – CLOs/CBOs/CDOs (Affiliated)	1109999999
Other Financial Asset-Backed Securities – Self-Liquidating (Unaffiliated)	1119999999
Other Financial Asset-Backed Securities – Self-Liquidating (Affiliated)	1129999999
Financial Asset-Backed – Not Self-Liquidating	
Equity Backed Securities (Unaffiliated)	1319999999
Equity Backed Securities (Affiliated)	1329999999
Other Financial Asset-Backed Securities – Not Self-Liquidating (Unaffiliated)	1339999999
Other Financial Asset-Backed Securities – Not Self-Liquidating (Affiliated)	1349999999
Non-Financial Asset-Backed Securities – Practical Expedient	
Lease-Backed Securities – Practical Expedient (Unaffiliated)	1519999999
Lease-Backed Securities – Practical Expedient (Affiliated)	1529999999
Other Non-Financial Asset-Backed Securities – Practical Expedient (Unaffiliated)	1539999999
Other Non-Financial Asset-Backed Securities – Practical Expedient (Affiliated)	1549999999
Non-Financial Asset-Backed Securities – Full Analysis	
Lease-Backed Securities – Full Analysis (Unaffiliated)	1719999999
Lease-Backed Securities – Full Analysis (Affiliated)	1729999999
Other Non-Financial Asset-Backed Securities – Full Analysis (Unaffiliated)	1739999999
Other Non-Financial Asset-Backed Securities – Full Analysis (Affiliated)	1749999999
<u>Subtotal – Asset-Backed Securities (Unaffiliated)</u>	<u>1889999999</u>
<u>(Sum of Lines: 1019999999, 1029999999, 1039999999, 1049999999, 1059999999, 1079999999, 1099999999, 1119999999, 1319999999, 1339999999, 1519999999, 1539999999, 1719999999, and 1739999999)</u>	
<u>Subtotal – Asset-Backed Securities (Affiliated)</u>	<u>1899999999</u>
<u>(Sum of Lines: 1069999999, 1089999999, 1109999999, 1129999999, 1329999999, 1349999999, 1529999999, 1549999999, 1729999999, and 1749999999)</u>	
Subtotals – Asset-Backed Securities – Part 3	1909999997
Summary item from Part 5 for Asset-Backed Securities (N/A to Quarterly)	1909999998
Subtotals – Asset-Backed Securities	1909999999
Subtotals – Issuer Credit Obligations and Asset-Backed Securities	2009999999

Detail Eliminated To Conserve Space

Column 1 – CUSIP Identification

CUSIP numbers for all purchased publicly issued securities are available from the broker’s confirmation or the certificate. For private placement securities, the NAIC has created a special number called a PPN to be assigned by [CUSIP Global Services](#) ~~the Standard & Poor’s CUSIP Bureau~~. For foreign securities, use a CINS that is assigned by [CUSIP Global Services](#) ~~the Standard & Poor’s CUSIP Bureau~~.

www.cusip.com/cusip/index.htm

If no valid CUSIP, CINS or PPN number exists, then the CUSIP field should be zero-filled and a valid ISIN security number should be reported in Column 15.

Column 9 – NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol

Provide the appropriate combination of NAIC Designation (1 through 6), NAIC Designation Modifier (A through G) and SVO Administrative Symbol (see below) at the end of the quarter for each security shown. The list of valid SVO Administrative Symbols is shown below.

The listing of valid NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol combinations can be found on the NAIC’s website for the Securities Valuation Office (www.naic.org/svo.htm).

SVO-Identified Bond Exchange Traded Funds should be reported as perpetual securities.

The NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol will be shown as one column on the printed schedule but will be three sub-columns in the data table.

On the printed page the sub-columns should be displayed with a “.” between the NAIC Designation and the NAIC Designation Modifier with a space between the NAIC Designation Modifier and the SVO Administrative Symbol (e.g., “1.A YE”).

NAIC Designation Modifier:

The NAIC Designation Modifier should only be used for securities reported on the lines below if eligible to receive one, as defined in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual), otherwise, should not be provided.

- Bonds Lines 0019999999 through ~~1749999999~~1909999999
- Preferred Stocks Lines 4019999999 and 4029999999
- Common Stocks Lines 5319999999, 5519999999 and 5719999999



Column 13 – Issuer

Issuer Definition:

The name of the legal entity that develops, registers and sells securities for the purpose of financing its operations and may be domestic or foreign governments, corporations or investment trusts. The issuer is legally responsible for the obligations of the issue and for reporting financial conditions, material developments and any other operational activities as required by the regulations of their jurisdictions

The reporting entity is encouraged to use the following sources:

- Bloomberg
- Interactive Data Corporation (IDC)
- Thomson Reuters
- ~~S&P~~/CUSIP
- Name used in either the relevant SEC filing or legal documentation for the transaction. Issuer is the name of the legal entity that can be found on documents such as SEC Form 424B2, Note Agreements, Prospectuses and Indentures, as appropriate. The name used should be as complete and detailed as possible to enable others to differentiate the legal entity issuing the security from another legal entity with a similar name.

Do not report ticker symbols, either internal or otherwise.

Column 14 – Issue

Issue information provides detailed data as to the type of security being reported (e.g., coupon, description of security, etc.). Below are examples of what could be provided, but additional information should be provided as appropriate for the security.

6% Senior 2018
7% Subordinated Debenture 03/15/2022
3% NY Housing Authority Debenture 2035

The reporting entity is encouraged to use the following sources:

- Bloomberg
- Interactive Data Corporation (IDC)
- Thomson Reuters
- ~~S&P~~CUSIP
- Descriptions used in either the relevant SEC filing or legal documentation for the transaction.

Do not report ticker symbols, either internal or otherwise. Include tranche information.

SCHEDULE D – PART 4

**LONG-TERM BONDS AND STOCKS SOLD, REDEEMED OR OTHERWISE
DISPOSED OF DURING THE CURRENT QUARTER**



Detail Eliminated To Conserve Space



<u>Category</u>	<u>Line Number</u>
Issuer Credit Obligations:	
U.S. Government Obligations (Exempt from RBC).....	0019999999
Other U.S. Government Obligations (Not Exempt from RBC).....	0029999999
Non-U.S. Sovereign Jurisdiction Securities	0039999999
Municipal Bonds – General Obligations (Direct and Guaranteed).....	0049999999
Municipal Bonds – Special Revenues	0059999999
Project Finance Bonds Issued by Operating Entities (Unaffiliated).....	0069999999
Project Finance Bonds Issued by Operating Entities (Affiliated).....	0079999999
Corporate Bonds (Unaffiliated).....	0089999999
Corporate Bonds (Affiliated).....	0099999999
Mandatory Convertible Bonds (Unaffiliated).....	0109999999
Mandatory Convertible Bonds (Affiliated)	0119999999
Single Entity Backed Obligations (Unaffiliated).....	0129999999
Single Entity Backed Obligations (Affiliated)	0139999999
SVO-Identified Bond Exchange Traded Funds – Fair Value	0149999999
SVO-Identified Bond Exchange Traded Funds – Systematic Value	0159999999
Bonds issued from SEC-Registered Business Development Corps, Closed End Funds & REITS (Unaffiliated).....	0169999999
Bonds issued from SEC-Registered Business Development Corps, Closed End Funds & REITS (Affiliated)	0179999999
Bank Loans – Issued (Unaffiliated).....	0189999999
Bank Loans – Issued (Affiliated).....	0199999999
Bank Loans – Acquired (Unaffiliated)	0209999999
Bank Loans – Acquired (Affiliated).....	0219999999
Mortgage Loans that Qualify as SVO-Identified Credit Tenant Loans (Unaffiliated)	0229999999
Mortgage Loans that Qualify as SVO-Identified Credit Tenant Loans (Affiliated)	0239999999
Certificates of Deposit (Unaffiliated).....	0249999999
Certificates of Deposit (Affiliated).....	0259999999
Other Issuer Credit Obligations (Unaffiliated)	0269999999
Other Issuer Credit Obligations (Affiliated).....	0279999999
Total – Issuer Credit Obligations (Unaffiliated).....	0489999999
<u>(Sum of Lines: 0019999999, 0029999999, 0039999999, 0049999999, 0059999999, 0069999999, 0089999999, 0109999999, 0129999999, 0149999999, 0159999999, 0169999999, 0189999999, 0209999999, 0229999999, 0249999999, and 0269999999)</u>	
Total – Issuer Credit Obligations (Affiliated).....	0499999999
<u>(Sum of Lines: 0079999999, 0099999999, 0119999999, 0139999999, 0179999999, 0199999999, 0219999999, 0239999999, 0259999999, and 0279999999)</u>	
Subtotals – Issuer Credit Obligations – Part 3.....	0509999997
Summary item from Part 5 for Issuer Credit Obligations (N/A to Quarterly).....	0509999998
Subtotals – Issuer Credit Obligations	0509999999
Asset-Backed Securities:	
Financial Asset-Backed – Self-Liquidating	
Agency Residential Mortgage-Backed Securities – Guaranteed (Exempt from RBC)	1019999999
Agency Commercial Mortgage-Backed Securities – Guaranteed (Exempt from RBC).....	1029999999

Agency Residential Mortgage-Backed Securities – Not/Partially Guaranteed (Not Exempt from RBC)	1039999999
Agency Commercial Mortgage-Backed Securities – Not/Partially Guaranteed (Not Exempt from RBC)	1049999999
Non-Agency Residential Mortgage-Backed Securities (Unaffiliated)	1059999999
Non-Agency Residential Mortgage-Backed Securities (Affiliated)	1069999999
Non-Agency Commercial Mortgage-Backed Securities (Unaffiliated)	1079999999
Non-Agency Commercial Mortgage-Backed Securities (Affiliated)	1089999999
Non-Agency – CLOs/CBOs/CDOs (Unaffiliated)	1099999999
Non-Agency – CLOs/CBOs/CDOs (Affiliated)	1109999999
Other Financial Asset-Backed Securities – Self-Liquidating (Unaffiliated)	1119999999
Other Financial Asset-Backed Securities – Self-Liquidating (Affiliated)	1129999999
Financial Asset-Backed – Not Self-Liquidating	
Equity Backed Securities (Unaffiliated)	1319999999
Equity Backed Securities (Affiliated)	1329999999
Other Financial Asset-Backed Securities – Not Self-Liquidating (Unaffiliated)	1339999999
Other Financial Asset-Backed Securities – Not Self-Liquidating (Affiliated)	1349999999
Non-Financial Asset-Backed Securities – Practical Expedient	
Lease-Backed Securities – Practical Expedient (Unaffiliated)	1519999999
Lease-Backed Securities – Practical Expedient (Affiliated)	1529999999
Other Non-Financial Asset-Backed Securities – Practical Expedient (Unaffiliated)	1539999999
Other Non-Financial Asset-Backed Securities – Practical Expedient (Affiliated)	1549999999
Non-Financial Asset-Backed Securities – Full Analysis	
Lease-Backed Securities – Full Analysis (Unaffiliated)	1719999999
Lease-Backed Securities – Full Analysis (Affiliated)	1729999999
Other Non-Financial Asset-Backed Securities – Full Analysis (Unaffiliated)	1739999999
Other Non-Financial Asset-Backed Securities – Full Analysis (Affiliated)	1749999999
<u>Total – Asset-Backed Securities (Unaffiliated)</u>	<u>1889999999</u>
<u>(Sum of Lines: 1019999999, 1029999999, 1039999999, 1049999999, 1059999999,</u>	
<u>1079999999, 1099999999, 1119999999, 1319999999, 1339999999, 1519999999,</u>	
<u>1539999999, 1719999999, and 1739999999)</u>	
<u>Total – Asset-Backed Securities (Affiliated)</u>	<u>1899999999</u>
<u>(Sum of Lines: 1069999999, 1089999999, 1109999999, 1129999999, 1329999999,</u>	
<u>1349999999, 1529999999, 1549999999, 1729999999, and 1749999999)</u>	
Subtotals – Asset-Backed Securities – Part 3	1909999997
Summary item from Part 5 for Asset-Backed Securities (N/A to Quarterly)	1909999998
Subtotals – Asset-Backed Securities	1909999999
Subtotals – Issuer Credit Obligations and Asset-Backed Securities	2009999999

Detail Eliminated To Conserve Space

Column 1 – CUSIP Identification

CUSIP numbers for all purchased publicly issued securities are available from the broker’s confirmation or the certificate. For private placement securities, the NAIC has created a special number called a PPN to be assigned by ~~the Standard & Poor’s CUSIP Bureau~~ [CUSIP Global Services](#). For foreign securities, use a CINS that is assigned by [CUSIP Global Services](#) ~~the Standard & Poor’s CUSIP Bureau~~:

www.cusip.com/cusip/index.htm

If no valid CUSIP, CINS or PPN number exists, then the CUSIP field should be zero-filled and a valid ISIN security number should be reported in Column 27.

Detail Eliminated To Conserve Space

Column 20 – Stated Contractual Maturity Date

For Common Stocks and funds in scope of SSAP No. 30R and SVO-Identified Bond Exchange Traded Funds, leave blank.

For perpetual bonds, enter 01/01/~~9999~~3000.

Column 21 – NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol

Provide the appropriate combination of the NAIC Designation (1 through 6), NAIC Designation Modifier (A through G) and SVO Administrative Symbol (see below) at date of disposal for each security shown. The list of valid SVO Administrative Symbols is shown below.

Where multiple disposal transactions occurred for the same CUSIP, and those transactions are summarized on one line, enter the appropriate combination of NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol for the last disposal using the last available designation.

The listing of valid NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol combinations can be found on the NAIC’s website for the Securities Valuation Office (www.naic.org/svo.htm).

SVO-Identified Bond Exchange Traded Funds should be reported as perpetual securities.

The NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol will be shown as one column on the printed but will be three sub-columns in the data table.

On the printed page the sub-columns should be displayed with a “.” between the NAIC Designation and the NAIC Designation Modifier with a space between the NAIC Designation Modifier and the SVO Administrative Symbol (e.g., “1.A YE”).

NAIC Designation Modifier:

The NAIC Designation Modifier should only be used for securities reported on the lines below if eligible to receive one, as defined in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual), otherwise, should not be provided.

- Bonds Lines 0019999999 through ~~1749999999~~1909999999
- Preferred Stocks Lines 4019999999 and 4029999999
- Common Stocks Lines 5319999999, 5519999999 and 5719999999

Detail Eliminated To Conserve Space

Column 25 – Issuer

Issuer Definition:

The name of the legal entity that develops, registers and sells securities for the purpose of financing its operations and may be domestic or foreign governments, corporations or investment trusts. The issuer is legally responsible for the obligations of the issue and for reporting financial conditions,

material developments and any other operational activities as required by the regulations of their jurisdictions.

The reporting entity is encouraged to use the following sources:

- Bloomberg
- Interactive Data Corporation (IDC)
- Thomson Reuters
- ~~S&P~~/CUSIP
- Name used in either the relevant SEC filing or legal documentation for the transaction. Issuer is the name of the legal entity that can be found on documents such as SEC Form 424B2, Note Agreements, Prospectuses and Indentures, as appropriate. The name used should be as complete and detailed as possible to enable others to differentiate the legal entity issuing the security from another legal entity with a similar name.

Do not report ticker symbols, either internal or otherwise.

Column 26 – Issue

Issue information provides detailed data as to the type of security being reported (e.g., coupon, description of security, etc.). Below are examples of what could be provided, but additional information should be provided as appropriate for the security.

6% Senior 2018
7% Subordinated Debenture 03/15/2022
3% NY Housing Authority Debenture 2035

The reporting entity is encouraged to use the following sources:

- Bloomberg
- Interactive Data Corporation (IDC)
- Thomson Reuters
- ~~S&P~~/CUSIP
- Descriptions used in either the relevant SEC filing or legal documentation for the transaction.

Do not report ticker symbols, either internal or otherwise. Include tranche information.

SCHEDULE DL – PART 1

SECURITIES LENDING COLLATERAL ASSETS

Reinvested Collateral Assets Owned Current Statement Date
(Securities lending collateral assets reported in aggregate on Line 10 of the asset page
(Line 9 for Separate Accounts) and not included on Schedules A, B, BA, D, DB and E.)



Detail Eliminated To Conserve Space

<u>Category</u>	<u>Line Number</u>
Issuer Credit Obligations (Schedule D, Part 1, Section 1 type):	
U.S. Government Obligations (Exempt from RBC).....	0019999999
Other U.S. Government Obligations (Not Exempt from RBC).....	0029999999
Non-U.S. Sovereign Jurisdiction Securities	0039999999
Municipal Bonds – General Obligations (Direct and Guaranteed)	0049999999
Municipal Bonds – Special Revenues	0059999999
Project Finance Bonds Issued by Operating Entities (Unaffiliated).....	0069999999
Project Finance Bonds Issued by Operating Entities (Affiliated)	0079999999
Corporate Bonds (Unaffiliated).....	0089999999
Corporate Bonds (Affiliated)	0099999999
Mandatory Convertible Bonds (Unaffiliated)	0109999999
Mandatory Convertible Bonds (Affiliated)	0119999999
Single Entity Backed Obligations (Unaffiliated)	0129999999
Single Entity Backed Obligations (Affiliated)	0139999999
SVO-Identified Bond Exchange Traded Funds – Fair Value.....	0149999999
SVO-Identified Bond Exchange Traded Funds – Systematic Value.....	0159999999
Bonds Issued from SEC-Registered Business Development Corps, Closed End Funds & REITS (Unaffiliated)	0169999999
Bonds Issued from SEC-Registered Business Development Corps, Closed End Funds & REITS (Affiliated).....	0179999999
Bank Loans – Issued (Unaffiliated).....	0189999999
Bank Loans – Issued (Affiliated)	0199999999
Bank Loans – Acquired (Unaffiliated).....	0209999999
Bank Loans – Acquired (Affiliated).....	0219999999
Mortgage Loans that Qualify as SVO-Identified Credit Tenant Loans (Unaffiliated).....	0229999999
Mortgage Loans that Qualify as SVO-Identified Credit Tenant Loans (Affiliated).....	0239999999
Certificates of Deposit (Unaffiliated).....	0249999999
Certificates of Deposit (Affiliated).....	0259999999
Other Issuer Credit Obligations (Unaffiliated).....	0269999999
Other Issuer Credit Obligations (Unaffiliated).....	0279999999
<u>Total – Issuer Credit Obligations (Unaffiliated)</u>	<u>0489999999</u>
<u>(Sum of Lines: 0019999999, 0029999999, 0039999999, 0049999999,</u>	
<u>0059999999, 0069999999, 0089999999, 0109999999, 0129999999,</u>	
<u>0149999999, 0159999999, 0169999999, 0189999999, 0209999999,</u>	
<u>0229999999, 0249999999, and 0269999999)</u>	
<u>Total – Issuer Credit Obligations (Affiliated)</u>	<u>0499999999</u>
<u>(Sum of Lines: 0079999999, 0099999999, 0119999999, 0139999999,</u>	
<u>0179999999, 0199999999, 0219999999, 0239999999, 0259999999, and</u>	
<u>0279999999)</u>	
Total Issuer Credit Obligations	0509999999

Asset-Backed Securities (Schedule D, Part 1, Section 2 type):

Financial Asset-Backed Securities – Self-Liquidating

Agency Residential Mortgage-Backed Securities – Guaranteed (Exempt from RBC).....	1019999999
Agency Commercial Mortgage-Backed Securities – Guaranteed (Exempt from RBC)	1029999999
Agency Residential Mortgage-Backed Securities – Not/Partially Guaranteed (Not Exempt from RBC).....	1039999999
Agency Commercial Mortgage-Backed Securities – Not/Partially Guaranteed (Not Exempt from RBC).....	1049999999
Non-Agency Residential Mortgage-Backed Securities (Unaffiliated).....	1059999999
Non-Agency Residential Mortgage-Backed Securities (Affiliated).....	1069999999
Non-Agency Commercial Mortgage-Backed Securities (Unaffiliated)	1079999999
Non-Agency Commercial Mortgage-Backed Securities (Affiliated).....	1089999999
Non-Agency – CLOs/CBOs/CDOs (Unaffiliated).....	1099999999
Non-Agency – CLOs/CBOs/CDOs (Affiliated).....	1109999999
Other Financial Asset-Backed Securities – Self-Liquidating (Unaffiliated).....	1119999999
Other Financial Asset-Backed Securities – Self-Liquidating (Affiliated).....	1129999999

Financial Asset-Backed Securities – Not Self-Liquidating

Equity Backed Securities (Unaffiliated)	1319999999
Equity Backed Securities (Affiliated)	1329999999
Other Financial Asset-Backed Securities – Not Self-Liquidating (Unaffiliated).....	1339999999
Other Financial Asset-Backed Securities – Not Self-Liquidating (Affiliated).....	1349999999

Non-Financial Asset-Backed Securities – Practical Expedient

Lease-Backed Securities - Practical Expedient (Unaffiliated)	1519999999
Lease-Backed Securities - Practical Expedient (Affiliated).....	1529999999
Other Financial Asset-Backed Securities – Practical Expedient (Unaffiliated)	1539999999
Other Financial Asset-Backed Securities – Practical Expedient (Affiliated).....	1549999999

Non-Financial Asset-Backed Securities – Full Analysis

Lease-Backed Securities - Full Analysis (Unaffiliated).....	1719999999
Lease-Backed Securities - Full Analysis (Affiliated).....	1729999999
Other Financial Asset-Backed Securities – Full Analysis (Unaffiliated).....	1739999999
Other Financial Asset-Backed Securities – Full Analysis (Affiliated).....	1749999999

Total – Asset-Backed Securities (Unaffiliated)..... 1889999999

(Sum of Lines: 1019999999, 1029999999, 1039999999, 1049999999,
1059999999, 1079999999, 1099999999, 1119999999, 1319999999,
1339999999, 1519999999, 1539999999, 1719999999, and 1739999999)

Total – Asset-Backed Securities (Affiliated)..... 1899999999

(Sum of Lines: 1069999999, 1089999999, 1109999999, 1129999999,
1329999999, 1349999999, 1529999999, 1549999999, 1729999999,
1749999999)

Total – Asset-Backed Securities..... 1909999999

Total – Issuer Credit Obligations and Asset-Backed Securities 2009999999



Column 1 – CUSIP Identification

CUSIP numbers for all purchased publicly issued securities are available from the broker’s confirmation or the certificate. For private placement securities, the NAIC has created a special number called a PPN to be assigned by ~~the Standard & Poor’s CUSIP Bureau~~ [CUSIP Global Services](#). For foreign securities, use a CINS that is assigned by [CUSIP Global Services](#) ~~the Standard & Poor’s CUSIP Bureau~~: www.cusip.com/cusip/index.htm.

For Lines 0019999999 through ~~2009999999~~ [1909999999](#), if no valid CUSIP, CINS or PPN number exists, then the CUSIP field should be zero-filled and a valid ISIN security number should be reported in Column 11.

The CUSIP reported for this column should be determined in a manner consistent with the instructions of other schedules for the lines shown below:

- Lines 0019999999 through 0509999999 Schedule D, Part 1, Section 1, Column 1
- Lines 1019999999 through 1909999999 Schedule D, Part 1, Section 2, Column 1
- Lines 4019999999 through 4509999999 Schedule D, Part 2, Section 1, Column 1
- Lines 5019999999 through 5989999999 Schedule D, Part 2, Section 2, Column 1
- Line 9409999999 Schedule BA, Part 1, Column 1
- Line 9709999999 Schedule E, Part 2, Column 1



SCHEDULE DL – PART 2

SECURITIES LENDING COLLATERAL ASSETS

Reinvested Collateral Assets Owned Current Statement Date
(Securities lending collateral assets included on Schedules A, B, BA, D, DB and E
(Line 9 for Separate Accounts) and not reported in aggregate on Line 10 of the asset page.)



Detail Eliminated To Conserve Space

<u>Category</u>	<u>Line Number</u>
Issuer Credit Obligations (Schedule D, Part 1, Section 1):	
U.S. Government Obligations (Exempt from RBC).....	0019999999
Other U.S. Government Obligations (Not Exempt from RBC).....	0029999999
Non-U.S. Sovereign Jurisdiction Securities	0039999999
Municipal Bonds – General Obligations (Direct and Guaranteed)	0049999999
Municipal Bonds – Special Revenues	0059999999
Project Finance Bonds Issued by Operating Entities (Unaffiliated).....	0069999999
Project Finance Bonds Issued by Operating Entities (Affiliated)	0079999999
Corporate Bonds (Unaffiliated).....	0089999999
Corporate Bonds (Affiliated)	0099999999
Mandatory Convertible Bonds (Unaffiliated)	0109999999
Mandatory Convertible Bonds (Affiliated)	0119999999
Single Entity Backed Obligations (Unaffiliated)	0129999999
Single Entity Backed Obligations (Affiliated)	0139999999
SVO-Identified Bond Exchange Traded Funds – Fair Value.....	0149999999
SVO-Identified Bond Exchange Traded Funds – Systematic Value.....	0159999999
Bonds Issued from SEC-Registered Business Development Corps, Closed End Funds & REITS (Unaffiliated)	0169999999
Bonds Issued from SEC-Registered Business Development Corps, Closed End Funds & REITS (Affiliated).....	0179999999
Bank Loans – Issued (Unaffiliated).....	0189999999
Bank Loans – Issued (Affiliated)	0199999999
Bank Loans – Acquired (Unaffiliated).....	0209999999
Bank Loans – Acquired (Affiliated).....	0219999999
Mortgage Loans that Qualify as SVO-Identified Credit Tenant Loans (Unaffiliated).....	0229999999
Mortgage Loans that Qualify as SVO-Identified Credit Tenant Loans (Affiliated).....	0239999999
Certificates of Deposit (Unaffiliated).....	0249999999
Certificates of Deposit (Affiliated).....	0259999999
Other Issuer Credit Obligations (Unaffiliated).....	0269999999
Other Issuer Credit Obligations (Unaffiliated).....	0279999999
<u>Total – Issuer Credit Obligations (Unaffiliated)</u>	<u>0489999999</u>
<u>(Sum of Lines: 0019999999, 0029999999, 0039999999, 0049999999,</u>	
<u>0059999999, 0069999999, 0089999999, 0109999999, 0129999999,</u>	
<u>0149999999, 0159999999, 0169999999, 0189999999, 0209999999,</u>	
<u>0229999999, 0249999999, and 0269999999)</u>	
<u>Total – Issuer Credit Obligations (Affiliated)</u>	<u>0499999999</u>
<u>(Sum of Lines: 0079999999, 0099999999, 0119999999, 0139999999,</u>	
<u>0179999999, 0199999999, 0219999999, 0239999999, 0259999999, and</u>	
<u>0279999999)</u>	
Total Issuer Credit Obligations	0509999999

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

Financial Asset-Backed Securities – Self-Liquidating

Agency Residential Mortgage-Backed Securities – Guaranteed (Exempt from RBC).....	1019999999
Agency Commercial Mortgage-Backed Securities – Guaranteed (Exempt from RBC)	1029999999
Agency Residential Mortgage-Backed Securities – Not/Partially Guaranteed (Not Exempt from RBC).....	1039999999
Agency Commercial Mortgage-Backed Securities – Not/Partially Guaranteed (Not Exempt from RBC).....	1049999999
Non-Agency Residential Mortgage-Backed Securities (Unaffiliated).....	1059999999
Non-Agency Residential Mortgage-Backed Securities (Affiliated).....	1069999999
Non-Agency Commercial Mortgage-Backed Securities (Unaffiliated)	1079999999
Non-Agency Commercial Mortgage-Backed Securities (Affiliated).....	1089999999
Non-Agency – CLOs/CBOs/CDOs (Unaffiliated).....	1099999999
Non-Agency – CLOs/CBOs/CDOs (Affiliated).....	1109999999
Other Financial Asset-Backed Securities – Self-Liquidating (Unaffiliated).....	1119999999
Other Financial Asset-Backed Securities – Self-Liquidating (Affiliated).....	1129999999

Financial Asset-Backed Securities – Not Self-Liquidating

Equity Backed Securities (Unaffiliated)	1319999999
Equity Backed Securities (Affiliated)	1329999999
Other Financial Asset-Backed Securities – Not Self-Liquidating (Unaffiliated).....	1339999999
Other Financial Asset-Backed Securities – Not Self-Liquidating (Affiliated).....	1349999999

Non-Financial Asset-Backed Securities – Practical Expedient

Lease-Backed Securities - Practical Expedient (Unaffiliated)	1519999999
Lease-Backed Securities - Practical Expedient (Affiliated).....	1529999999
Other Financial Asset-Backed Securities – Practical Expedient (Unaffiliated)	1539999999
Other Financial Asset-Backed Securities – Practical Expedient (Affiliated).....	1549999999

Non-Financial Asset-Backed Securities – Full Analysis

Lease-Backed Securities - Full Analysis (Unaffiliated).....	1719999999
Lease-Backed Securities - Full Analysis (Affiliated).....	1729999999
Other Financial Asset-Backed Securities – Full Analysis (Unaffiliated).....	1739999999
Other Financial Asset-Backed Securities – Full Analysis (Affiliated).....	1749999999

Total – Asset-Backed Securities (Unaffiliated)..... 1889999999

(Sum of Lines: 1019999999, 1029999999, 1039999999, 1049999999, 1059999999, 1079999999, 1099999999, 1119999999, 1319999999, 1339999999, 1519999999, 1539999999, 1719999999, and 1739999999)

Total – Asset-Backed Securities (Affiliated)..... 1899999999

(Sum of Lines: 1069999999, 1089999999, 1109999999, 1129999999, 1329999999, 1349999999, 1529999999, 1549999999, 1729999999, 1749999999)

Total – Asset-Backed Securities..... 1909999999

Total – Issuer Credit Obligations and Asset-Backed Securities 2009999999



Column 1 – CUSIP Identification

CUSIP numbers for all purchased publicly issued securities are available from the broker’s confirmation or the certificate. For private placement securities, the NAIC has created a special number called a PPN to be assigned by [CUSIP Global Services](#)~~the Standard & Poor’s CUSIP Bureau~~. For foreign securities, use a CINS that is assigned by [CUSIP Global Services](#)~~the Standard & Poor’s CUSIP Bureau~~: www.cusip.com/cusip/index.htm.

For Lines 0019999999 through ~~2509999999~~ [1909999999](#), if no valid CUSIP, CINS or PPN number exists, then the CUSIP field should be zero-filled and a valid ISIN security number should be reported in Column 11.

The CUSIP reported for this column should be same for the security as reported in other schedules for the lines shown below:

- Lines 0019999999 through 0509999999 Schedule D, Part 1, Section 1, Column 1
- Lines 1019999999 through 1909999999 Schedule D, Part 1, Section 2, Column 1
- Lines 4019999999 through 4509999999 Schedule D, Part 2, Section 1, Column 1
- Lines 5019999999 through 5989999999 Schedule D, Part 2, Section 2, Column 1
- Line 9409999999 Schedule BA, Part 1, Column 1
- Line 9709999999 Schedule E, Part 2, Column 1



SCHEDULE E – PART 2 – CASH EQUIVALENTS
INVESTMENTS OWNED END OF CURRENT QUARTER

=====
Detail Eliminated To Conserve Space
=====

<u>Category</u>	<u>Line Number</u>
Issuer Credit Obligations:	
U.S. Government Obligations (Exempt from RBC).....	0019999999
Other U.S. Government Obligations (Not Exempt from RBC).....	0029999999
Non-U.S. Sovereign Jurisdiction Securities	0039999999
Municipal Bonds – General Obligations (Direct and Guaranteed).....	0049999999
Municipal Bonds – Special Revenue.....	0059999999
Project Finance Bonds Issued by Operating Entities (Unaffiliated)	0069999999
Project Finance Bonds Issued by Operating Entities (Affiliated).....	0079999999
Corporate Bonds (Unaffiliated).....	0089999999
Corporate Bonds (Affiliated).....	0099999999
Mandatory Convertible Bonds (Unaffiliated).....	0109999999
Mandatory Convertible Bonds (Affiliated)	0119999999
Single Entity Backed Obligations (Unaffiliated).....	0129999999
Single Entity Backed Obligations (Affiliated)	0139999999
SVO Identified Bond Exchange Traded Funds – Fair Value.....	0149999999
SVO Identified Bond Exchange Traded Funds – Systematic Value.....	0159999999
Bonds Issued from SEC-Registered Business Development Corps, Closed End Funds & REITS (Unaffiliated)	0169999999
Bonds Issued from SEC-Registered Business Development Corps, Closed End Funds & REITS (Affiliated)	0179999999
Bank Loans – Issued (Unaffiliated).....	0189999999
Bank Loans – Issued (Affiliated).....	0199999999
Bank Loans – Acquired (Unaffiliated)	0209999999
Bank Loans – Acquired (Affiliated).....	0219999999
Mortgage Loans that Qualify as SVO-Identified Credit Tenant Loans (Unaffiliated)	0229999999
Mortgage Loans that Qualify as SVO-Identified Credit Tenant Loans (Affiliated).....	0239999999
Other Issuer Credit Obligations (Unaffiliated).....	0269999999
Other Issuer Credit Obligations (Affiliated).....	0279999999
 <u>Total – Issuer Credit Obligations (Unaffiliated).....</u>	 <u>0489999999</u>
<u>(Sum of Lines: 0019999999, 0029999999, 0039999999, 0049999999, 0059999999, 0069999999, 0089999999, 0109999999, 0129999999, 0149999999, 0159999999, 0169999999, 0189999999, 0209999999, 0229999999, and 0269999999)</u>	
 <u>Total – Issuer Credit Obligations (Affiliated).....</u>	 <u>0499999999</u>
<u>(Sum of Lines: 0079999999, 0099999999, 0119999999, 0139999999, 0179999999, 0199999999, 0219999999, 0239999999, and 0279999999)</u>	
Total Issuer Credit Obligations.....	0509999999

=====
Detail Eliminated To Conserve Space
=====

Column 3 – Restricted Asset Code
Enter “%” in this column for all investments except qualifying cash pooling structures per SSAP No. 2R and money market mutual funds which have been reported on this schedule for more than one consecutive quarter.

If a cash equivalent is not under the exclusive control of the reporting entity, it is to be identified by placing one of the **codes identified in the Investment Schedules General Instructions** in this column.

If the “0” code is used, the “0” code should appear first, immediately followed by the appropriate code for not being under the exclusive control of the company (**identified in the Investment Schedules General Instructions**).

ASSETS

↓
===== **Detail Eliminated To Conserve Space** =====
↑

Line 1 – Bonds

Report all bonds with maturity dates greater than one year from the acquisition date. Bonds are valued and reported in accordance with guidance set forth in *SSAP No. 26R—Bonds*; and *SSAP No. 43R—~~Loan-Backed and Structured~~ Asset-Backed Securities*. [All asset-backed securities are reported as bonds regardless of if the maturity date is less than one year from acquisition.](#)

CASH FLOW

The Statement of Cash Flow is prepared using the direct method consistent with the Summary of Operations, excluding the effect of current and prior year accruals. All revenue, expenditures, purchases and sale transactions involving cash should be entered gross. Pursuant to *SSAP No. 69—Statement of Cash Flow*, for purposes of the Cash Flow Statement, cash is defined to include cash, cash equivalents and short-term investments. Refer to SSAP No. 69 for accounting guidance regarding the disclosure of non-cash operating, investing and financing transactions.

↓ **====** **Detail Eliminated To Conserve Space** **====** ↓

Cash from Investments Worksheet

The following section provides a reconciliation of investment activity. Although non-cash items are included for reconciliation purposes, the Statement of Cash Flow shall only include transactions involving cash. In addition to excluding the lines that are explicitly non-cash items (e.g., change in admitted assets) from what is reported in the Statement of Cash Flow, adjustments are necessary to remove non-cash acquisitions or disposals. Cash proceeds from investments sold, matured or repaid shall be included in Line 12. Cash remitted for acquired long-term investments is included in Line 13 [\(exclude cash equivalents and short-term investments\)](#).

NOTES TO FINANCIAL STATEMENTS

***** TO CONSERVE SPACE ON THE PROPOSAL, THE FOLLOWING MODIFICATIONS ARE BEING MADE IN THE NOTES TO FINANCIAL STATEMENTS *****

Note 1C(6) Instructions and Illustration

- Reference to loan-backed securities is changed to asset-backed securities

Note 5D Instructions and Illustration

- Note name has been changed to Asset-Backed Securities
- Reference to loan-backed securities is changed to asset-backed securities
- SSAP 43R name has been changed to Asset-Backed Securities

Note 5F, 5G, 5H, 5I, & 5O Illustration

- References to LB & SS will be changed to ABS

Note 5L(4) Illustration

- Reference to Schedule D, Part 1 will be changed to Schedule D, Part 1, Section 1
- Add a row for Schedule D, Part 1, Section 2

Note 5P Illustration

- The Bond rows will be split into two. One for Issuer Credit Obligations and the other for Asset-Backed Securities

Note 20A(1) Illustration

- Bond subcategories need to be updated to reflect new reporting lines. See table:

(1) Fair Value Measurements at Reporting Date

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Total
a. Assets at fair value					
Perpetual Preferred stock					
Industrial and Misc	\$ (a)	\$	\$	\$	\$
Parent, Subsidiaries and Affiliates					
Total Perpetual Preferred Stocks	\$	\$	\$	\$	\$
Bonds					
U.S. Governments Issuer Credit Obligations	\$	\$	\$	\$	\$
Industrial and Misc Asset-Backed Securities					
Hybrid Securities					
Parent, Subsidiaries and Affiliates					
Total Bonds	\$	\$	\$	\$	\$
Common Stock					
Industrial and Misc	\$	\$	\$	\$	\$
Parent, Subsidiaries and Affiliates					
Total Common Stocks	\$	\$	\$	\$	\$
Derivative assets					
Interest rate contracts	\$	\$	\$	\$	\$
Foreign exchange contracts					
Credit contracts					
Commodity futures contracts					
Commodity forward contracts					
Total Derivatives	\$	\$	\$	\$	\$
.....					
.....					
Separate account assets	\$	\$	\$	\$	\$
Total assets at fair value/NAV	\$	\$	\$	\$	\$
b. Liabilities at fair value					
Derivative liabilities	\$	\$	\$	\$	\$
.....					
.....					
Total liabilities at fair value	\$	\$	\$	\$	\$

Note 20A(2) Illustration

- Reference to loan-backed and structured securities is changed to asset-backed securities

Note 20C & 20D Illustration

- The Bond rows will be split into two. One for Issuer Credit Obligations and the other for Asset-Backed Securities

QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, PROPERTY, & HEALTH

SCHEDULE E – PART 1 – CASH

MONTH END DEPOSITORY BALANCES



Column 2 – [Restricted Asset](#) Code

If cash is not under the exclusive control of the reporting entity, it is to be identified by placing one of the **symbols identified in the Investment Schedules General Instructions** in this column.

QUARTERLY STATEMENT INSTRUCTIONS – TITLE

SCHEDULE E – PART 1 – CASH

MONTH END DEPOSITORY BALANCES

↓ **====** **Detail Eliminated To Conserve Space** **====** **↓**

Column 2 – [Restricted Asset](#) Code

If cash is not under the exclusive control of the company, it is to be identified by placing one of the **symbols identified in the Investment Schedules General Instructions** in this column.

QUARTERLY STATEMENT BLANK – TITLE

SCHEDULE E – PART 1 – CASH
Month-End Depository Balances

1 Depository	2 <u>Restricted Asset Code</u>	3 Rate of Interest	4 Amount of Interest Received During Current Quarter	5 Amount of Interest Accrued at Current Statement Date	Book Balance at End of Each Month During Current Quarter			9 *
					6 First Month	7 Second Month	8 Third Month	
OPEN DEPOSITORIES.....	.....	.....	.....	.....	.....	.....	.....	XXX
Section (A)—Segregated Funds Held for Others.....	.....	.....	.....	.....	.....	.....	.....	XXX
.....	.....	.....	.....	.....	.....	.....	.....	XXX
.....	.....	.....	.....	.....	.....	.....	.....	XXX
.....	.....	.....	.....	.....	.....	.....	.....	XXX
.....	.....	.....	.....	.....	.....	.....	.....	XXX
.....	.....	.....	.....	.....	.....	.....	.....	XXX
0199998 Deposits in _____ depositories which do not exceed the allowable limit in any one depository (see instructions)	XXX	XXX						XXX
0199999 Total Segregated Funds Held for Others	XXX	XXX						XXX
Section (B)—General Funds.....	.....	.....	.....	.....	.....	.....	.....	XXX
.....	.....	.....	.....	.....	.....	.....	.....	XXX
.....	.....	.....	.....	.....	.....	.....	.....	XXX
.....	.....	.....	.....	.....	.....	.....	.....	XXX
.....	.....	.....	.....	.....	.....	.....	.....	XXX
0299998 Deposits in _____ depositories which do not exceed the allowable limit in any one depository (see instructions)	XXX	XXX						XXX
0299999 Total General Funds	XXX	XXX						XXX
Section (C)—Reinsurance Reserve Funds.....	.....	.....	.....	.....	.....	.....	.....	XXX
.....	.....	.....	.....	.....	.....	.....	.....	XXX
.....	.....	.....	.....	.....	.....	.....	.....	XXX
.....	.....	.....	.....	.....	.....	.....	.....	XXX
.....	.....	.....	.....	.....	.....	.....	.....	XXX
.....	.....	.....	.....	.....	.....	.....	.....	XXX
.....	.....	.....	.....	.....	.....	.....	.....	XXX
.....	.....	.....	.....	.....	.....	.....	.....	XXX
0399998 Deposits in _____ depositories which do not exceed the allowable limit in any one depository (see instructions)	XXX	XXX						XXX
0399999 Total Reinsurance Reserve Funds	XXX	XXX						XXX
0499999 Total Open Depositories	XXX	XXX						XXX
SUSPENDED DEPOSITORIES.....	.....	.....	.....	.....	.....	.....	.....	.....
Section (A)—Segregated Funds Held for Others.....	.....	.....	.....	.....	.....	.....	.....	.....
.....
0599998 Deposits in _____ depositories which do not exceed the allowable limit in any one depository (see instructions)	XXX	XXX						XXX
0599999 Total Segregated Funds Held for Others	XXX	XXX						XXX
Section (B)—General Funds.....	.....	.....	.....	.....	.....	.....	.....	.....
.....
0699998 Deposits in _____ depositories which do not exceed the allowable limit in any one .....depository (see instructions)	XXX	XXX						XXX
0699999 Total General Funds	XXX	XXX						XXX
Section (C)—Reinsurance Reserve Funds.....	.....	.....	.....	.....	.....	.....	.....	.....
.....
0799998 Deposits in _____ depositories which do not exceed the allowable limit in any one depository (see instructions)	XXX	XXX						XXX
0799999 Total Reinsurance Reserve Funds	XXX	XXX						XXX
0899999 Total Suspended Depositories	XXX	XXX						XXX
0999999 Total Cash on Deposit	XXX	XXX						XXX
1099999 Cash in Company's Office	XXX	XXX	XXX	XXX				XXX
1199999 Total Cash	XXX	XXX						XXX

To: Debbie Doggett, Chair of the Blanks (E) Working Group
From: Dale Bruggeman, Chair of the Statutory Accounting Principles (E) Working Group
Re: Collateral Loans Backed by Mortgage Loans
Date: June 18, 2024

The purpose of this memo is to notify the Blanks (E) Working Group of instructional changes to the Asset Valuation Reserve (AVR) to allow collateral loans backed by mortgage loans to flow through AVR as an “Other Invested Asset with Underlying Characteristics of Mortgage Loans.” (This would include these specific collateral loans in lines 38-64 of the AVR – Equity and Other Invested Asset Component based on the characteristics of the mortgage loans.) This instruction is an interim step while further consideration occurs on the reporting of collateral loans and how collateral loans should flow through AVR.

This provision is provided as some companies have previously captured collateral loans backed by mortgage loans in the “non-registered private fund” category, and that reporting category is being deleted with the bond project revisions. This interim provision allows companies to receive comparable RBC treatment for these items while the discussion on collateral loans, and the extent of look-through to underlying collateral is considered.

The Life Risk-Based Capital (E) Working Group adopted an editorial change on June 18, 2024, to allow a bifurcation of collateral loans in the RBC formula. In accordance with the edit adopted by the Life RBC (E) Working Group, and this interim instruction directed by the Statutory Accounting Principles (E) Working Group on a May 15, 2024 call, reporting entities shall report all collateral loans on the Schedule BA collateral loan reporting line, and then life reporting entities shall bifurcate collateral loans backed by mortgage loans to flow through AVR into the designated reporting lines (lines 38-64 of the AVR – Equity and Other Invested Asset Component). The remaining collateral loan balance shall flow through to the RBC formula on page LR008, line 50, Schedule BA Collateral Loans. A data-captured note disclosure, effective year-end 2024, that details collateral loans by supporting collateral should agree in total to the total amount reported on Schedule BA for collateral loans, and that total, less collateral loans backed by mortgage loans, shall agree to the LR008, line 50, Schedule BA Collateral Loans.

It is recommended that this memo, detailing interim changes to existing reporting instructions for reporting of collateral loans backed by mortgage loans, be posted to the Blanks (E) Working Group website. Further, if timing allows, it is recommended that this interim guidance be incorporated into the annual statement instructions. As noted, this is an interim step for life reporting entities while the reporting and AVR allocation for collateral loans is further discussed. The Statutory Accounting Principles (E) Working Group will advise when this guidance should be replaced with a long-term solution.

Please contact NAIC staff Julie Gann (jgann@naic.org), Jake Stultz (jstultz@naic.org); Robin Marcotte (rmarcotte@naic.org), Wil Oden (woden@naic.org); or Jason Farr (jfarr@naic.org) if you have any questions.

Cc: Mary Caswell, Jill Youtsey, Julie Gann, Robin Marcotte, Jake Stultz, Wil Oden, Jason Farr

Blanks (E) Working Group
Editorial Revisions to the Blanks and Instructions
(presented at the August 7, 2024, Meeting)

Statement Type:

H = Health; **L/F** = Life/Fraternal Combined; **P/C** = Property/Casualty; **SA** = Separate Accounts; **T** = Title

Effective	Table Name	Description	Statement Type	Filing Type
2024	Notes to Financial Statements	<p>CHANGE TO INSTRUCTIONS</p> <p>23. Reinsurance</p> <p><u>Instruction:</u></p> <p>A. Unsecured Reinsurance Recoverables</p> <p>If the company has with any individual reinsurers (authorized, reciprocal jurisdiction, unauthorized or certified), an unsecured aggregate recoverable for losses, paid and unpaid including IBNR, loss adjustment expenses, and unearned premium that exceeds 3% of the company’s policyholder surplus, list each individual reinsurer and the unsecured aggregate recoverable pertaining to that reinsurer. If the individual reinsurer is part of a group, list the individual reinsurers, each of its related group members having reinsurance with the reporting company, and the total unsecured aggregate recoverables for the entire group.</p> <p>Include: The NAIC group code number, where appropriate, and the Federal Employer Identification Number (FEIN) for each individual company. If a FEIN is not available, use Alien Number, CRIN, or RJIN.</p>	P/C, T	Annual
2024	Notes to Financial Statements	<p>CHANGE TO INSTRUCTIONS</p> <p>23. Reinsurance</p> <p><u>Illustration:</u></p> <p>A. Unsecured Reinsurance Recoverables</p> <p>NOTE: The tables below will not be data captured</p>	P/C, T	Annual

Effective	Table Name	Description	Statement Type	Filing Type																																																																									
		<p style="text-align: center;">Individual Reinsurers with Unsecured Reinsurance Recoverables Exceeding 3% of Policyholder Surplus</p> <p style="text-align: center;">Individual Reinsurers Who Are Not Members of a Group</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <thead> <tr> <th style="width: 15%; text-align: left;">FEIN/ID Number</th> <th style="width: 85%; text-align: left;">Reinsurer Name</th> </tr> </thead> <tbody> <tr><td>.....</td><td>.....</td></tr> <tr><td>.....</td><td>.....</td></tr> <tr><td>.....</td><td>.....</td></tr> <tr><td>.....</td><td>.....</td></tr> </tbody> </table> <p style="text-align: center;">Individual Reinsurers Who Are Members of a Group</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <thead> <tr> <th style="width: 10%; text-align: left;">Group Code</th> <th style="width: 15%; text-align: left;">FEIN/ID Number</th> <th style="width: 75%; text-align: left;">Reinsurer Name</th> </tr> </thead> <tbody> <tr><td>.....</td><td>.....</td><td>.....</td></tr> <tr><td>.....</td><td>.....</td><td>.....</td></tr> <tr><td>.....</td><td>.....</td><td>.....</td></tr> <tr><td>.....</td><td>.....</td><td>.....</td></tr> </tbody> </table> <p style="text-align: center;">All Members of the Groups Shown above with Unsecured Reinsurance Recoverables</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%; text-align: left;">Group Code</th> <th style="width: 15%; text-align: left;">FEIN/ID Number</th> <th style="width: 75%; text-align: left;">Reinsurer Name</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr><td>123</td><td>.....</td><td>.....</td><td>U</td></tr> <tr><td>123</td><td>.....</td><td>.....</td><td></td></tr> <tr><td>123</td><td>.....</td><td>.....</td><td></td></tr> <tr><td colspan="3">Total 123</td><td>\$</td></tr> <tr><td>456</td><td>.....</td><td>.....</td><td></td></tr> <tr><td>456</td><td>.....</td><td>.....</td><td></td></tr> <tr><td colspan="3">Total 456</td><td>\$</td></tr> <tr><td>789</td><td>.....</td><td>.....</td><td></td></tr> <tr><td>789</td><td>.....</td><td>.....</td><td></td></tr> <tr><td>789</td><td>.....</td><td>.....</td><td></td></tr> <tr><td colspan="3">Total 789</td><td>\$</td></tr> </tbody> </table>	FEIN/ID Number	Reinsurer Name	Group Code	FEIN/ID Number	Reinsurer Name	Group Code	FEIN/ID Number	Reinsurer Name		123	U	123		123		Total 123			\$	456		456		Total 456			\$	789		789		789		Total 789			\$		
FEIN/ID Number	Reinsurer Name																																																																												
.....																																																																												
.....																																																																												
.....																																																																												
.....																																																																												
Group Code	FEIN/ID Number	Reinsurer Name																																																																											
.....																																																																											
.....																																																																											
.....																																																																											
.....																																																																											
Group Code	FEIN/ID Number	Reinsurer Name																																																																											
123	U																																																																										
123																																																																											
123																																																																											
Total 123			\$																																																																										
456																																																																											
456																																																																											
Total 456			\$																																																																										
789																																																																											
789																																																																											
789																																																																											
Total 789			\$																																																																										

Effective	Table Name	Description	Statement Type	Filing Type																														
2025	Notes to Financial Statements	<p>CHANGE TO INSTRUCTION</p> <p>Note 5 Investments</p> <p style="padding-left: 40px;">T. Aggregate Collateral Loans by Qualifying Investment Collateral</p> <p>THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.</p> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse; width: 80%;"> <thead> <tr> <th style="width: 60%;">Collateral Type</th> <th style="width: 20%;">Aggregate Collateral Loan*</th> <th style="width: 20%;">Admit</th> </tr> </thead> <tbody> <tr> <td colspan="3">(1) Cash, Cash Equivalent & ST Investments</td> </tr> <tr> <td style="padding-left: 20px;">a. Affiliated</td> <td style="text-align: center;">.....</td> <td style="text-align: center;">.....</td> </tr> <tr> <td style="padding-left: 20px;">b. Unaffiliated</td> <td style="text-align: center;">.....</td> <td style="text-align: center;">.....</td> </tr> <tr> <td colspan="3">(2) Bonds Issuer Credit Obligations</td> </tr> <tr> <td style="padding-left: 20px;">a. Affiliated</td> <td style="text-align: center;">.....</td> <td style="text-align: center;">.....</td> </tr> <tr> <td style="padding-left: 20px;">b. Unaffiliated</td> <td style="text-align: center;">.....</td> <td style="text-align: center;">.....</td> </tr> <tr> <td colspan="3">(3) Loan Backed and Structured Securities Asset-Backed Securities</td> </tr> <tr> <td style="padding-left: 20px;">a. Affiliated</td> <td style="text-align: center;">.....</td> <td style="text-align: center;">.....</td> </tr> <tr> <td style="padding-left: 20px;">b. Unaffiliated</td> <td style="text-align: center;">.....</td> <td style="text-align: center;">.....</td> </tr> </tbody> </table>	Collateral Type	Aggregate Collateral Loan*	Admit	(1) Cash, Cash Equivalent & ST Investments			a. Affiliated	b. Unaffiliated	(2) Bonds Issuer Credit Obligations			a. Affiliated	b. Unaffiliated	(3) Loan Backed and Structured Securities Asset-Backed Securities			a. Affiliated	b. Unaffiliated	X, L/F, P/C, T	Annual
Collateral Type	Aggregate Collateral Loan*	Admit																																
(1) Cash, Cash Equivalent & ST Investments																																		
a. Affiliated																																
b. Unaffiliated																																
(2) Bonds Issuer Credit Obligations																																		
a. Affiliated																																
b. Unaffiliated																																
(3) Loan Backed and Structured Securities Asset-Backed Securities																																		
a. Affiliated																																
b. Unaffiliated																																
2025	Schedule DA, Verification Between Years	<p>CHANGE TO BLANK</p> <p>Update the column number to column “Other Short-term Investment Assets”. To see other changes to this schedule see adopted Proposal 2024-02BWG.</p> <p style="text-align: center;">SCHEDULE DA – VERIFICATION BETWEEN YEARS Short-Term Investments</p> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse; width: 60%;"> <tbody> <tr> <td style="width: 20%; text-align: center;">1</td> <td style="width: 20%; text-align: center;">2</td> <td style="width: 60%; text-align: center;">43 Other Short-term Investment Assets (a)</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: center;">Bonds</td> <td></td> </tr> </tbody> </table>	1	2	43 Other Short-term Investment Assets (a)	Total	Bonds		H, L/F, P/C, T	Annual																								
1	2	43 Other Short-term Investment Assets (a)																																
Total	Bonds																																	

Effective	Table Name	Description	Statement Type	Filing Type
2024	Accident and Health Policy Experience Exhibit	<p>CHANGE TO INSTRUCTION</p> <p>Update the Life/Fraternal crosscheck for Column 1. The validation was checking for collected premiums instead of written premiums.</p> <p>Column 1 – Direct Premiums Written</p> <p>The grand total reported should equal:</p> <p>Life\Fraternal Exhibit 1, Part 1, Lines (62.1+10.1+1619.1), Column (6).</p> <p>Health Underwriting and Investment Exhibit, Part 1, Line 13, Column 1.</p> <p>Property Exhibit of Premiums and Losses, Column 1 sum of Lines 13 through 15.</p>	H, L/F, P/C	Annual
2024	Earned But Unbilled	<p>CHANGE TO INSTRUCTION</p> <p>Update the line reference to “Pet Insurance Plans” on the examples for Underwriting and Investment Exhibit Part 1 & 1A for Line 9.2 to be consistent with the other parts of the Property/Casualty instructions.</p> <p>1. Fire</p> <p>2.1 Allied lines</p> <p>2.2 Multiple peril crop</p> <p>2.3 Federal flood</p> <p>2.4 Private crop</p> <p>2.5 Private flood</p> <p>3. Farmowners multiple peril</p> <p>4. Homeowners multiple peril</p> <p>5. Commercial multiple peril (non-liability portion)</p> <p>5.2 Commercial multiple peril (liability portion)</p> <p>6. Mortgage guaranty</p> <p>8. Ocean marine</p> <p>9.1 Inland marine</p> <p>9.2 Pet insurance plans</p>	P/C	Annual

Effective	Table Name	Description	Statement Type	Filing Type
2024	Premiums Attributed to Protected Cells Exhibit	<p>CHANGE TO BLANK</p> <p>Update the line reference to Line 9.2 “Pet Insurance Plans” to be consistent with the other parts of the Property/Casualty instructions.</p> <p>1. Fire</p> <p>2.1 Allied lines</p> <p>2.2 Multiple peril crop</p> <p>2.3 Federal flood</p> <p>2.4 Private crop</p> <p>2.5 Private flood</p> <p>3. Farmowners multiple peril</p> <p>4. Homeowners multiple peril</p> <p>5. Commercial multiple peril (non-liability portion)</p> <p>5.2 Commercial multiple peril (liability portion)</p> <p>6. Mortgage guaranty</p> <p>8. Ocean marine</p> <p>9.1 Inland marine</p> <p>9.2 Pet insurance <u>plans</u></p>	P/C	Annual
2024	Schedule T – Premiums and Other Considerations	<p>CHANGE TO INSTRUCTION</p> <p>Update the Underwriting and Investment Exhibit, Part 1 line reference. This change to the Schedule T instructions was missed when the Underwriting and Investment Exhibit was updated a few years ago.</p> <p>Line 61 – Total (Direct Business)</p> <p>The sum of Column 2, 3, 4, 5, 6, 7 and 8, Line 61 should equal the Underwriting and Investment Exhibit, Part 1, Column 1, Line 12<u>16</u>.</p>	H	Annual
2024	Schedule H	<p>CHANGE TO INSTRUCTION</p> <p>Remove the references to 2022/2023 reporting.</p> <p>Example: Line 4 – Total Contract Reserves, Prior Year</p> <p>Line 3 from prior year. (For 2022 this only applies to Column 1. For 2023 it applies to all columns.)</p>	L/F, P/C	Annual

Effective	Table Name	Description	Statement Type	Filing Type
2024	Notes to Financial Statement	<p>CHANGE TO INSTRUCTION</p> <p>(Modified) Remove the note for Negative IMR from Note 5 – Investments for Life/Fraternal, Property, Health, & Title instructions because it is only applicable to Life/Fraternal companies. Renumber the note for Aggregate Collateral Loans. <i>See next editorial list item showing that the note is moving to Note 21 – Other Items for the Life/Fraternal Instructions.</i></p> <p>S. Reporting entities admitting net negative (disallowed) IMR are required to complete the following disclosures in the quarterly and annual financial statements. (Note 5S only applies to Life/Fraternal companies).</p> <p>(1) Net negative (disallowed) IMR in aggregate and allocated between the general account, insulated separate account and non-insulated account.</p> <p>(2) Amounts of negative IMR admitted in the general account and reported as an asset in the insulated separate account and non-insulated blank. (Note: If a company completes this Note, consideration should be given to updating Note 13I – Reasons for Changes in Balance of Special Surplus Funds from Prior Period.)</p> <p>(3) The calculated adjusted capital and surplus.</p> <p>(4) Percentage of adjusted capital and surplus for which the admitted net negative (disallowed) IMR represents (including what is admitted in the general account and what is recognized as an asset in the separate account).</p> <p>(5) Reporting entities that have allocated gains/losses to IMR from derivatives that were reported at fair value prior to the termination of the derivative shall disclose the unamortized balances in IMR from these allocations separately between the gains and losses.</p> <p>FS. Aggregate Collateral Loans by Qualifying Investment Collateral</p>	H, L/F, P/C, T	Annual

Effective	Table Name	Description	Statement Type	Filing Type
2024	Notes to Financial Statement	<p>CHANGE TO INSTRUCTION</p> <p>Move the note for Negative IMR in the Life/Fraternal statement instructions from Note 5 – Investments to Note 21 – Other Items. After discussions with regulator, software vendors and NAIC staff, it was decided that the Negative IMR note needed to be moved due to potential specification issues. The note has <u>NOT</u> changed, it is just being moved within the Life/Fraternal instructions.</p> <p style="color: red;">5. — Investments <u>21. Other Items</u></p> <p><u>Instruction:</u> SJ. Reporting entities admitting net negative (disallowed) IMR are required to complete the following disclosures in the quarterly and annual financial statements. <i>(Note 5S only applies to Life/Fraternal companies).</i></p> <ol style="list-style-type: none"> (1) Net negative (disallowed) IMR in aggregate and allocated between the general account, insulated separate account and non-insulated account. (2) Amounts of negative IMR admitted in the general account and reported as an asset in the insulated separate account and non-insulated blank. (Note: If a company completes this Note, consideration should be given to updating Note 13I – Reasons for Changes in Balance of Special Surplus Funds from Prior Period.) (3) The calculated adjusted capital and surplus. (4) Percentage of adjusted capital and surplus for which the admitted net negative (disallowed) IMR represents (including what is admitted in the general account and what is recognized as an asset in the separate account). (5) Reporting entities that have allocated gains/losses to IMR from derivatives that were reported at fair value prior to the termination of the derivative shall disclose the unamortized balances in IMR from these allocations separately between the gains and losses. 	L/F	Annual

Effective	Table Name	Description	Statement Type	Filing Type																																																										
		<p style="text-align: center;"><u>Illustration:</u></p> <p>THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.</p> <p>S.J. Reporting Net Negative (Disallowed) Interest Maintenance Reserve (IMR)</p> <p>(1)Net negative (disallowed) IMR</p> <table style="margin-left: auto; margin-right: auto; border: none;"> <tr> <td style="width: 20%;"></td> <td style="width: 20%; text-align: center;">General Account</td> <td style="width: 20%; text-align: center;">Insulated Separate Account</td> <td style="width: 20%; text-align: center;">Non- Insulate d Separate Account</td> <td style="width: 20%;"></td> </tr> <tr> <td style="text-align: right;">Total</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">\$</td> <td style="text-align: center;">\$.....</td> <td style="text-align: center;">\$.....</td> <td style="text-align: center;">\$</td> <td></td> </tr> <tr> <td style="text-align: right;">.....</td> <td style="text-align: center;">.....</td> <td style="text-align: center;">.....</td> <td style="text-align: center;">.....</td> <td></td> </tr> </table> <p>(2)Negative (disallowed) IMR admitted</p> <table style="margin-left: auto; margin-right: auto; border: none;"> <tr> <td style="width: 20%;"></td> <td style="width: 20%; text-align: center;">General Account</td> <td style="width: 20%; text-align: center;">Insulated Separate Account</td> <td style="width: 20%; text-align: center;">Non- Insulate d Separate Account</td> <td style="width: 20%;"></td> </tr> <tr> <td style="text-align: right;">Total</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">\$</td> <td style="text-align: center;">\$.....</td> <td style="text-align: center;">\$.....</td> <td style="text-align: center;">\$</td> <td></td> </tr> <tr> <td style="text-align: right;">.....</td> <td style="text-align: center;">.....</td> <td style="text-align: center;">.....</td> <td style="text-align: center;">.....</td> <td></td> </tr> </table> <p>(3)Calculated adjusted capital and surplus</p> <table style="margin-left: auto; margin-right: auto; border: none;"> <tr> <td style="width: 70%;"></td> <td style="width: 30%; text-align: right;">Total</td> </tr> <tr> <td></td> <td style="text-align: right;">\$</td> </tr> <tr> <td style="padding-left: 20px;">a. Prior Period General Account Capital & Surplus From Prior Period SAP Financials</td> <td style="text-align: right;">.....</td> </tr> <tr> <td></td> <td style="text-align: right;">\$</td> </tr> <tr> <td style="padding-left: 20px;">b. Net Positive Goodwill (admitted)</td> <td style="text-align: right;">.....</td> </tr> <tr> <td style="padding-left: 20px;">c. EDP Equipment & Operating System Software (admitted)</td> <td style="text-align: right;">\$</td> </tr> <tr> <td></td> <td style="text-align: right;">.....</td> </tr> <tr> <td style="padding-left: 20px;">d. Net DTAs (admitted)</td> <td style="text-align: right;">\$</td> </tr> <tr> <td></td> <td style="text-align: right;">.....</td> </tr> </table>		General Account	Insulated Separate Account	Non- Insulate d Separate Account		Total					\$	\$.....	\$.....	\$			General Account	Insulated Separate Account	Non- Insulate d Separate Account		Total					\$	\$.....	\$.....	\$			Total		\$	a. Prior Period General Account Capital & Surplus From Prior Period SAP Financials		\$	b. Net Positive Goodwill (admitted)	c. EDP Equipment & Operating System Software (admitted)	\$	d. Net DTAs (admitted)	\$		
	General Account	Insulated Separate Account	Non- Insulate d Separate Account																																																											
Total																																																														
\$	\$.....	\$.....	\$																																																											
.....																																																											
	General Account	Insulated Separate Account	Non- Insulate d Separate Account																																																											
Total																																																														
\$	\$.....	\$.....	\$																																																											
.....																																																											
	Total																																																													
	\$																																																													
a. Prior Period General Account Capital & Surplus From Prior Period SAP Financials																																																													
	\$																																																													
b. Net Positive Goodwill (admitted)																																																													
c. EDP Equipment & Operating System Software (admitted)	\$																																																													
																																																													
d. Net DTAs (admitted)	\$																																																													
																																																													

Effective	Table Name	Description	Statement Type	Filing Type
		e. Net Negative (disallowed) IMR (admitted)	\$	
			
		f. Adjusted Capital & Surplus (a-(b+c+d+e))	\$	
			
		(4)Percentage of adjusted capital and surplus		
			Total	
		Percentage of Total Net Negative (disallowed) IMR admitted in General Account or recognized in Separate Account to adjusted capital and surplus		%
		(5)Allocated gains/losses to IMR from derivatives		
		a. General Account		
			Gains	Losses
		1. Unamortized Fair Value Derivative Gains & Losses Realized to IMR – Prior Period	\$	\$.....
		
		2. Fair Value Derivative Gains & Losses Realized to IMR – Added in Current Period	\$	\$.....
		
		3. Fair Value Derivative Gains & Losses Amortized Over Current Period	\$	\$.....
		
		4. Unamortized Fair Value Derivative Gains & Losses Realized to IMR – Current Period Total	\$	\$.....
		
		b. Separate Account - Insulated		
			Gains	Losses
		1. Unamortized Fair Value Derivative Gains & Losses Realized to IMR – Prior Period	\$	\$.....
		

Effective	Table Name	Description	Statement Type	Filing Type
		2. Fair Value Derivative Gains & Losses		
		Realized to IMR – Added in Current Period	\$	\$.....
		
		3. Fair Value Derivative Gains & Losses		
		Amortized Over Current Period	\$	\$.....
		
		4. Unamortized Fair Value Derivative		
		Gains & Losses Realized to IMR –	\$	\$.....
		Current Period Total	.....	.....
		c. Separate Account – Non-Insulated		
			Gains	Losses
		1. Unamortized Fair Value Derivative		
		Gains & Losses Realized to IMR –	\$	\$.....
		Prior Period	.....	.....
		2. Fair Value Derivative Gains & Losses		
		Realized to IMR – Added in Current	\$	\$.....
		Period	.....	.....
		3. Fair Value Derivative Gains & Losses		
		Amortized Over Current Period	\$	\$.....
		
		4. Unamortized Fair Value Derivative		
		Gains & Losses Realized to IMR –	\$	\$.....
		Current Period Total	.....	.....

2025 Proposed Charges - As Tracked Changes to 2024 Charges

ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE

The mission of the Accounting Practices and Procedures (E) Task Force is to identify, investigate, and develop solutions to accounting problems with the ultimate goal of guiding insurers in properly accounting for various aspects of their operations; modify the *Accounting Practices and Procedures Manual* (AP&P Manual) to reflect changes necessitated by Task Force action; and study innovative insurer accounting practices that affect the ability of state insurance regulators to determine the true financial condition of insurers.

Ongoing Support of NAIC Programs, Products, or Services

1. The **Accounting Practices and Procedures (E) Task Force** will:
 - A. Oversee the activities of the Blanks (E) Working Group and the Statutory Accounting Principles (E) Working Group.
2. The **Blanks (E) Working Group** will:
 - A. Consider improvements and revisions to the various annual/quarterly statement blanks to:
 - i. Conform these blanks to changes made in other areas of the NAIC to promote uniformity in the reporting of financial information by insurers.
 - ii. Develop reporting formats for other entities subject to the jurisdiction of state insurance departments.
 - iii. Conform the various NAIC blanks and instructions to adopted NAIC policies.
 - iv. Oversee the development of additional reporting formats within the existing annual financial statements as needs are identified.
 - B. Continue to monitor state filing checklists to maintain current filing requirements.
 - C. Continue to monitor and improve the quality of financial data filed by insurance companies by recommending improved or additional language for the *Annual Statement Instructions*.
 - D. Continue to monitor and review all proposals necessary for the implementation of statutory accounting guidance to ensure proper implementation of any action taken by the Accounting Practices and Procedures (E) Task Force affecting annual financial statements and/or instructions.
 - E. Continue to coordinate with other task forces of the NAIC to ensure proper implementation of reporting and instructions changes as proposed by these task forces.
 - F. Coordinate with the applicable task forces and working groups as needed to avoid duplication of reporting within the annual and quarterly statement blanks.
 - G. Consider proposals presented that would address duplication in reporting; eliminate data elements, financial schedules, and disclosures that are no longer needed; and coordinate with other NAIC task forces and working groups if applicable to ensure revised reporting still meets the needs of regulators.
 - H. Review requests for investment schedule blanks and instructions changes in connection with the work being performed by the Capital Adequacy (E) Task Force and its working groups.
 - I. Review changes requested by the Valuation of Securities (E) Task Force relating to its work on other invested assets reporting for technical consistency within the investment reporting schedules and instructions.

ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE *(continued)*

3. The **Statutory Accounting Principles (E) Working Group** will:
- A. Maintain codified statutory accounting principles by providing periodic updates to the guidance that address new statutory issues and new U.S. generally accepted accounting principles (GAAP) pronouncements. Provide authoritative responses to questions of application and clarifications for existing statutory accounting principles. Report all actions and provide updates to the Accounting Practices and Procedures (E) Task Force.
 - B. At the discretion of the Working Group chair, develop comments on exposed U.S. GAAP and International Financial Reporting Standards (IFRS) pronouncements affecting financial accounting and reporting. Any comments are subject to review and approval by the chairs of the Accounting Practices and Procedures (E) Task Force and the Financial Condition (E) Committee.
 - C. Coordinate with the Life Actuarial (A) Task Force on changes to the AP&P Manual related to the *Valuation Manual* VM-A, Requirements, and VM-C, Actuarial Guidelines, as well as other *Valuation Manual* requirements. This process will include the receipt of periodic reports on changes to the *Valuation Manual* on items that require coordination.
 - D. Obtain, analyze, and review information on permitted practices, prescribed practices, or other accounting treatments suggesting that issues or trends occurring within the industry may compromise the consistency and uniformity of statutory accounting, including, but not limited to, activities conducted by insurers for which there is currently no statutory accounting guidance or where the states have prescribed statutory accounting that differs from the guidance issued by the NAIC. Use this information to consider possible changes to statutory accounting.

NAIC Support Staff: Robin Marcotte