ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE

Accounting Practices and Procedures (E) Task Force April 5, 2022, Minutes
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Memorandum from Statutory Accounting Principles (E) Working Group to Blanks (E) Working Group
Regarding Revisions to the Notes to the Financial Statements (Attachment Two-J)
Draft Pending Adoption

Draft: 4/12/22

Accounting Practices and Procedures (E) Task Force
Kansas City, Missouri
April 5, 2022

The Accounting Practices and Procedures (E) Task Force met in Kansas City, MO, April 5, 2022. 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); Jim L. Ridling represented by Sheila Travis and Blasé Abreo (AL); Alan McClain represented by Leo Liu (AR); Ricardo Lara represented by Kim Hudson and Susan Bernard (CA); Andrew N. Mais represented by William Arfanis (CT); Karima M. Woods represented by N. Kevin Brown (DC); Trinidad Navarro, represented by Rylynn Brown (DE); David Altmaier represented by Carolyn Morgan (FL); Doug Ommen represented by Carrie Mears and Daniel Mathis (IA); Dean L. Cameron represented by Amber Re (ID); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Bill Clark (KY); James J. Donelon represented by Melissa Gibson (LA); Gary D. Anderson represented by John Turchi (MA); Pending 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 (MO); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Lindsay Crawford (NE); Chris Nicolopoulos represented by Pat Gosselin (NH); Marlene Caride represented by David Wolf (NJ); Russell Toal represented by Beatrice Geckler (NM); Adrienne A. Harris represented by Bob Kasinow (NY); Judith L. French represented by Dale Bruggeman (OH); Michael Humphreys represented by Melissa Greiner and Matt Milford (PA); Elizabeth Kelleher Dwyer represented by Jack Broccoli (RI); Carter Lawrence represented by Trey Hancock (TN); Jon Pike represented by Jake Garn (UT); Scott A. White represented by David Smith, Doug Stolte and Greg Chew (VA); Michael S. Pieciak represented by Dan Petterson and Karen Ducharme (VT); Mike Kreidler represented by Steve Drutz (WA); Nathan Houdek represented by Amy Malm (WI); Allan L. McVey represented by Jamie Taylor (WV); and Jeff Rude represented by Linda Johnson (WY).

1. **Adopted its 2021 Fall National Meeting Minutes**


Mr. Bruggeman provided the report of the Statutory Accounting Principles (E) Working Group, which met April 4 to adopt its March 2, 2022; Jan. 27, 2022; and 2021 Fall National Meeting minutes. During its March 2, 2022, meeting, the Working Group exposed agenda item 2019-21: Proposed Bond Definition, a revised principle-based bond definition, and a draft issue paper for a public comment period ending May 6. In addition, the motion directed NAIC staff to continue discussions with industry on the bond definition and develop proposed reporting changes and potential statutory accounting revisions for subsequent exposure. Mr. Bruggeman stated that during its Jan. 27, 2022, meeting, the Working Group adopted two clarifications to statutory accounting principles (SAP), which were effective for year-end 2021 reporting. Agenda item 2021-31 reflects clarifications to life and health reinsurance disclosures and placement in the auditor report. Agenda item 2021-18 revisions remove reference to the “standard scenario” in Statement of Statutory Accounting Principles (SSAP) No. 108—Derivatives Hedging Variable Annuity Guarantees to ensure consistency with VM-21, Requirements for Principle-Based Reserves for Variable Annuities.

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

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A. SSAP No. 22R—Leases: Revisions reject Accounting Standards Update (ASU) 2021-05, Leases (Topic 842), Lessors—Certain Leases with Variable Lease Payments for statutory accounting. (Ref #2021-29)

B. SSAP No. 43R—Loan-Backed and Structured Securities: Revisions reflect updated NAIC designation and designation category guidance adopted by the Valuation of Securities (E) Task Force to the Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual) for residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS). (Ref #2021-23)

C. SSAP No. 68—Business Combinations and Goodwill: Revisions reject ASU 2021-03, Intangibles – Goodwill and Other (Topic 350) – Accounting Alternative for Evaluating Triggering Events for statutory accounting. (Ref #2021-28)

D. SSAP No. 72—Surplus and Quasi-Reorganizations: Revisions reject ASU 2021-04, Earnings Per Share (Topic 260), Debt—Modifications and Extinuitions (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)—Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity—Classified Written Call Options for statutory accounting while incorporating guidance on how to account for changes in fair values for written call options. (Ref #2021-27)

E. Adopted editorial revisions to update various terminology references of “substantive” and “nonsubstantive” to reflect “new SAP concept” and “SAP clarification.” Mr. Bruggeman noted that this completes the referral from the Financial Condition (E) Committee. (Ref #2021-26EP)

F. Appendix D—Nonapplicable GAAP Pronouncements: Revisions reject ASU 2021-06, Presentation of Financial Statements (Topic 205), Financial Services—Depository and Lending (Topic 942), and Financial Services—Investment Companies (Topic 946), Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, and No. 33-10835, Update of Statistical Disclosures for Bank and Savings and Loan Registrants as not applicable for statutory accounting. (Ref #2021-30)

G. Agenda items resulting in blanks proposals without statutory revisions:
   i. Adopted an agenda item supporting supplemental reporting of subsidiary, controlled, and affiliated (SCA) entities investments reported in Schedule D, Part 6, Section 1: Valuation of Shares of Subsidiary, Controlled or Affiliated Companies. The supplemental data is consistent with SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities disclosure requirements and did not result in statutory revisions. The adoption reflects support for blanks proposal 2022-02 BWG sponsored by the Working Group. (Ref #2021-22)
   ii. Adopted an agenda item proposing to add a new general interrogatory to require disclosure pertaining to cryptocurrencies directly held or permitted for the remittance of premiums. This agenda item did not result in statutory revisions. However, adoption reflects support for the blanks proposal 2022-01BWG sponsored by the Working Group. (Ref #2021-24)

Mr. Bruggeman stated that the Working Group exposed the following SAP clarifications to statutory accounting guidance:

   A. SSAP No. 4—Assets and Nonadmitted Assets, SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets, and the Preamble: Revisions incorporate: 1) updates from Financial Accounting Standards Board
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(FASB) Concepts Statement No. 8, *Conceptual Framework for Financial Reporting—Chapter 7, Presentation*, which identifies factors to consider when deciding how items should be displayed on the financial statements; and 2) Concepts Statement No. 8, *Conceptual Framework for Financial Reporting—Chapter 4, Elements of Financial Statements*, which updates the definitions of an asset and a liability. The Working Group exposed two issue papers for historical documentation of these SAP clarifications. (Ref #2022-01)

B. SSAP No. 22R: Revisions reject ASU 2021-09, *Leases (Topic 842), Discount Rate for Lessees That Are Not Public Business Entities* for statutory accounting. (Ref #2022-05)

C. SSAP No. 24—*Discontinued Operations and Unusual or Infrequent Items*: Revisions incorporate certain disclosures from ASU 2021-10, *Government Assistance, Disclosures by Business Entities about Government Assistance* of terms and provisions of assistance received. (Ref #2022-04)

D. SSAP No. 25—*Affiliates and Other Related Parties* and SSAP No. 43R: Revisions clarify the identification and reporting requirements for affiliated transactions and incorporate new reporting codes in the investment schedules to identify investments held that involve related parties. The new reporting requirements will identify investments acquired through, or in, related parties, regardless of if they meet the definition of an affiliate. (Ref #2021-21)

E. SSAP No. 47—*Uninsured Plans* and SSAP No. 68: Revisions reject ASU 2021-08, *Business Combinations, Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* for statutory accounting. Revisions in SSAP No. 68 also note that the intent is not to modify any U.S. generally accepted accounting principles (GAAP) requirement for the determination of U.S. GAAP book value. (Ref #2022-07)

F. SSAP No. 48—*Joint Ventures, Partnerships and Limited Liability Companies*: Revisions propose to either eliminate the audited U.S. tax basis equity valuation exception or clarify that the U.S. tax basis equity audit shall occur at the investee level. (Ref #2022-02)

G. SSAP No. 86—*Derivatives*: Revisions propose: 1) a new Exhibit A, which will replace both Exhibit A and Exhibit B of SSAP No. 86 that adopts with modification U.S. GAAP guidance in determining hedge effectiveness; and 2) revised measurement methods for excluded components in hedging instruments. The Working Group directed NAIC staff to continue to work with industry representatives on other elements within ASU 2017-12: *Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities*. (Ref #2021-20)

H. SSAP No. 104R—*Share-Based Payments*: Revisions incorporate the practical expedient from ASU 2021-07, *Compensation – Stock Compensation (Topic 718), Determining the Current Price of an Underlying Share for Equity-Classified Share-Based Awards* for the current price input, a required component for option-pricing models used in determining fair value for share-based payments. (Ref #2022-06)

I. Interpretation (INT) 22-01: *Freddie Mac When-Issued K-Deal (WI Trust) Certificates*: A tentative interpretation to clarify that investments in the Freddie Mac “When Issued K-Deal” (WI) Program are in scope of SSAP No. 43R. (Ref #2022-08)

J. Blanks Proposal: Exposed an agenda item that expressed support for a blanks proposal with instructional changes to Schedule T, the State Page, and Accident and Health Policy Experience Exhibit (AHPEE) to clarify guidance for premium adjustments. The instructions clarify that all premium adjustments, including but not limited to federal Affordable Care Act (ACA) premium adjustments related to the risk adjustment
program, shall be allocated as premium in the respective jurisdiction. This agenda item does not result in statutory revisions. (Ref #2022-03)

Mr. Bruggeman said the comment period for items exposed during the April 4 meeting—agenda items 2021-21, 2022-03, and 2022-08—is May 6 to allow for consideration of adoption during a meeting anticipated for May. He stated that the comment deadline for all other exposure items is June 3.

Mr. Bruggeman stated that the Working Group reviewed comments and directed NAIC staff on the Bond Proposal Project regarding potential reporting options to revise Schedule D, Part 1: Long-Term Bonds. The update included preliminary responses to certain aspects of those comments. He noted that the Working Group directed NAIC staff to proceed with developing a more robust illustration of proposed reporting revisions for subsequent exposure. (Ref #2019-21)

Mr. Bruggeman stated that the Working Group reviewed comments and directed NAIC staff on SSAP No. 22R on prior exposed revisions intending to clarify that in any scenario in which a lease terminates early, all remaining leasehold improvements shall be immediately expensed. He stated the Working Group directed NAIC staff to continue to work with interested parties to refine the guidance for subsequent consideration. (Ref #2021-25)

Mr. Bruggeman stated that the Working Group received updates on the following items:

- A. Heard an update on U.S. GAAP exposures, noting that pending items will be addressed during the normal maintenance process.

- B. Received an update on the Working Group referral of agenda item 2019-49: Retroactive Reinsurance Exception regarding diversity in companies applying the retroactive reinsurance exception, which allows certain contracts to be reported prospectively. The Casualty Actuarial and Statistical (C) Task Force discussed this item on March 8. The Task Force directed and formed a small group to further work on this, including drafting instructional revisions to Schedule P – Analysis of Losses and Loss Expenses.

- C. Received an update that the Working Group and the Valuation of Securities (E) Task Force both received a comment letter from the American Council of Life Insurers (ACLI) regarding a proposed amendment to the P&P Manual to permit unguaranteed and unrated subsidiary obligors in working capital finance investment (WCFI) transactions. As the Working Group does not have an exposure on this topic, the Working Group noted receipt but does not plan to address comments at this time; the comment letter will be included in the Valuation of Securities (E) Task Force minutes.

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


Ms. Gosselin provided the report of the Blanks (E) Working Group, which met March 29, 2022, and took the following action:

Ms. Gosselin stated that the Working Group adopted its Nov. 16, 2021, minutes, *(see NAIC Proceedings – Fall 2021, Accounting Practices and Procedures (E) Task Force, Attachment Two)* which included the following action:

- A. Adopted proposal 2021-14BWG – Expand the number of lines of business reported on Schedule H to match the lines of business reported on the Health Statement. Modify the instructions so they will be uniform between life/fraternal and property.
B. Adopted its editorial listing.

C. Approved the State Filing Checklists content.

D. Rejected proposal 2021-11BWG requesting to add a new annual statement supplement to the Property/Casualty (P/C) statement to capture exposure data for Annual Statement Lines 4, 19.1, 19.2, and 21.2 of the Exhibit of Premiums and Losses.

E. Deferred proposal 2021-13BWG which adds a new supplement to capture premium and loss data for Annual Statement Lines 17.1, 17.2, and 17.3 of the Exhibit of Premiums and Losses (State Page) – Other Liability by more granular lines of business for a public comment period ending March 4.

F. Exposed seven new proposals for a public comment period ending March 4.

Ms. Gosselin stated that the Working Group adopted its editorial listing and the following proposals:

A. 2021-15BWG – Add a footnote to Exhibit 7 in the Life/Fraternal statement and the Health statement (Life Supplement) to capture the amount of Federal Home Loan Bank (FHLB) funding agreements reported in Columns 1 through 6 of the exhibit (2021-16 SAPWG).

B. 2021-16BWG Modified – For Note 9 – Income Taxes, remove the 9C illustration instructions for the deferred tax asset (DTA) and deferred tax liability (DTL) components, which state, “reporting entities should disclose those items included as ‘Other’ (Lines 2a13, 2e4, 3a5, and 3b3) as additional lines for those items greater than 5% in the printed/PDF filing document,” as the illustration is not set up to accommodate variable lines. Add formulas for calculation of total and subtotal on the illustration for 9C. For Note 15 – Leases, modify the illustrations to add a “Thereafter” line and add a formula for the “Total” line.

C. 2021-17BWG Modified – Modify the Analysis of Operations by Lines of Business in the Health Blank to include all of health lines of business included in the Life/Fraternal Analysis of Operations by Lines of Business – Accident and Health. Add instructions for the new columns and adjust the column references. Add the Health Blank Analysis of Operations by Lines of Business as a supplement to the Life/Fraternal blank with the appropriate instructions and crosschecks. Add crosscheck to the Health Blank Analysis of Operations by Lines of Business to the Life/Fraternal Analysis of Operations by Lines of Business – Accident and Health instructions.

D. 2021-19BWG Modified – Add columns and lines to U&I (Parts 1, 2, 2A, 2B, and 2D) and the Exhibit of Premiums, Enrollment and Utilization in the annual statement to bring the lines of business reporting in line with Life/Fraternal and Property. Add columns and lines to the Exhibit of Premiums, Enrollment and Utilization and U&I Analysis of Claims Unpaid quarterly pages. The appropriate adjustments to the instructions are also being made.

E. 2021-20BWG Modified – Starting at Line 72 of the Life/Fraternal Five-Year Historical, add or delete lines that do not capture the specific lines of business reported on the Life/Fraternal Analysis of Operations by Lines of Business detail pages for life (individual and group), annuities (individual and group), and accident and health (A&H) for Line 33 of those pages.

F. 2021-21BWG Modified – Add instruction to the Investment Schedules General Instructions to exclude non-rated residual tranches or interests from being reported as bonds on Schedule D, Part 1, and add lines to Schedule BA for the reporting of those investments (2021-15 SAPWG).
G. 2021-23BWG Modified – Add a line category for Residual Tranches or Interests in the Asset Valuation Reserve Equity and Other Invested Asset Component blank, and renumber lines below the addition. Modify instructions as appropriate for the added lines.

Ms. Gosselin stated that the Working Group re-exposed proposal 2021-22BWG Modified – Add a new reporting requirement in the investment schedules for investment transactions with related parties. In addition to capturing direct loans in related parties, it will also capture information involving securitizations (or other similar investments) where the related party is a sponsor/originator along with whether the underlying investment is in a related party.

Ms. Gosselin stated that the Working Group deferred proposal 2021-18BWG – Modify the Life Insurance (State Page) to include the line of business detail reported on the Analysis of Operations by Lines of Business pages. Two new Schedule T style pages (Exhibit of Claims Settled During the Current Year and Policy Exhibit) are created to include detail captured by state on the existing Life Insurance (State Page) that could not be included due to limited space. Add definitions for life and annuity products to the lines of business definitions in the health appendix.

Ms. Gosselin stated that the Working Group exposed 11 new proposals for a public comment period ending April 25.

Ms. Gosselin stated that the Working Group received the year-end disclosure memorandum from the Statutory Accounting Principles (E) Working Group.

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

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

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/2022 NAIC Meetings/Spring National Meeting/Committee Meetings/FINANCIAL CONDITION (E) COMMITTEE/Accounting Practices and Procedures (E) TF/minutes/APPTF 4-5-22 minutes.docx
The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force met in Kansas City, MO, April 4, 2022. The following Working Group members participated: Dale Bruggeman, Chair (OH); Carrie Mears, Vice Chair (IA); Sheila Travis (AL); Kim Hudson and Susan Bernard (CA); William Arfanis and Kenneth Cotrone (CT); Ryllyn Brown (DE); Cindy Andersen (IL); Stewart Guerin (LA); Judy Weaver (MI); Pat Gosselin (NH); Bob Kasinow (NY); Melissa Greiner and Matt Milford (PA); Jamie Walker (TX); Doug Stolte and David Smith (VA); and Amy Malm (WI).

1. **Adopted its March 2, 2022; Jan. 27, 2022; and 2021 Fall National Meeting Minutes**

The Working Group met March 2, 2022; Jan. 27, 2022; and Dec. 11, 2021. During these meetings, the Working Group took the following action: 1) exposed a revised principles-based bond definition and related issue paper; and 2) received comments on items previously exposed for a public comment period ending Jan. 14, 2022.

The Working Group also met March 31, 2022, and Feb. 28, 2022, 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: 1) discuss its Spring National Meeting agenda; and 2) receive information on the bond project development.

Ms. Walker made a motion, seconded by Ms. Bernard, to adopt the Working Group’s March 2, 2022 (Attachment One-A), Jan. 27, 2022 (Attachment One-B), and Dec. 11, 2021 (see NAIC Proceedings – Fall 2021, Accounting Practices and Procedures (E) Task Force, Attachment One) minutes. The motion passed unanimously.

2. **Adopted Non-Contested Positions**

The Working Group held a public hearing to review comments (Attachment One-C) on previously exposed items.

Ms. Malm made a motion, seconded by Mr. Hudson, to adopt the statutory accounting principle (SAP) clarifications, detailed below as non-contested statutory accounting revisions. The motion passed unanimously.

   a. **Agenda Item 2021-24**

Mr. Bruggeman directed the Working Group to agenda item 2021-24: Cryptocurrency General Interrogatory (Attachment One-D). Jake Stultz (NAIC) stated that this agenda item proposed a new general interrogatory within the annual reporting blanks specific to the use or acceptance of cryptocurrencies. The general interrogatory will capture whether cryptocurrencies are held, identification of which schedules cryptocurrencies held are reported, and whether cryptocurrencies are accepted for the payment of premiums. Mr. Stultz stated that while the agenda item did not propose statutory revisions, adoption will express support for the corresponding Blanks (E) Working Group’s proposal (2022-01BWG), which adds the new general interrogatory to the annual statement for year-end 2022 reporting.
b. **Agenda Item 2021-28**

Mr. Bruggeman directed the Working Group to agenda item 2021-28: ASU 2021-03, Intangibles – Goodwill and Other (Attachment One-E). Jim Pinegar (NAIC) stated that this agenda item reviews *Accounting Standards Update (ASU) 2021-03, Intangibles – Goodwill and Other – Accounting Alternative for Evaluating Triggering Events*. He stated that ASU 2021-03 provides private companies and not-for-profit entities with an optional accounting alternative for the performance of a goodwill impairment triggering evaluation. The amendments allow for the assessment of goodwill impairment at the end of a reporting period. Mr. Pinegar stated that the statutory accounting authoritative guidance regarding impairment is in *Interpretation (INT) 06-07: Definition of Phrase “Other Than Temporary,”* and this guidance does not permit the delay of an impairment assessment until a reporting period. He stated that since ASU 2021-03 provided guidance contrary to INT 06-07, this agenda item proposes SAP clarifications in *Statement of Statutory Accounting Principles (SSAP) No. 68—Business Combinations and Goodwill* to reject ASU 2021-03 for statutory accounting.

c. **Agenda Item 2021-29**

Mr. Bruggeman directed the Working Group to agenda item 2021-29: ASU 2021-05, Variable Lease Payments (Attachment One-F). Mr. Stultz stated that this agenda item reviews *ASU 2021-05, Leases (Topic 842): Lessors — Certain Leases with Variable Lease Payments* and applies to lessors with lease contracts that have variable lease payments that do not depend on a reference index or rate and/or would have resulted in the lessee being required to recognize a day one selling loss at lease commencement if those leases were classified as sales-type or direct financing lease. He stated that as *SSAP No. 22R—Leases* requires nearly all leases to be treated as operating leases, adoption of this guidance would be redundant and unnecessary. Accordingly, this agenda item proposes SAP clarifications in SSAP No. 22R to reject ASU 2021-05 for statutory accounting.

d. **Agenda Item 2021-30**

Mr. Bruggeman directed the Working Group to agenda item 2021-30: ASU 2021-06, Amendments to SEC Paragraphs (Attachment One-G). Mr. Stultz stated that this agenda item reviews *ASU 2021-06, Presentation of Financial Statements (Topic 205), Financial Services—Depository and Lending (Topic 942), and Financial Services—Investment Companies (Topic 946), Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, and No. 33-10835, Update of Statistical Disclosures for Bank and Savings and Loan Registrants*. He stated that ASU 2021-06 provides formatting and paragraph references applicable to U.S. Securities and Exchange Commission (SEC) registrants. This agenda item proposes SAP clarifications to *Appendix D—Nonapplicable GAAP Pronouncements* to reject ASU 2021-06 as not applicable to statutory accounting.

3. **Reviewed Comments on Exposed Items – Minimal Discussion**

a. **Agenda Item 2021-23**

Mr. Bruggeman directed the Working Group to agenda item 2021-23: SSAP No. 43R – Financial Modeling – Updated Guidance. Mr. Pinegar stated that this agenda item reflects SAP clarifications to be consistent with the revised NAIC designation financial modeling guidance adopted on Oct. 20, 2021, by the Valuation of Securities (E) Task Force to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual)* for residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS). He stated that while the P&P Manual provides the financial modeling process, when this guidance was first adopted, a
summarized narrative was reflected in the Accounting Practices and Procedures Manual (AP&P Manual). With revisions to the financial modeling guidance, and as designations are determined by the Valuation of Securities (E) Task Force, the Working Group exposed two alternatives for consideration, noting that both options refer to the P&P Manual for detailed financial modelling guidance. He stated that the first option retained summarized financial modeling guidance in SSAP No. 43R—Loan-Backed and Structured Securities, updated to reflect the revisions to the P&P Manual by the Task Force. The second option removed financial modeling guidance from SSAP No. 43R and referred users to the guidance in the P&P Manual. He stated that in response to feedback from interested parties, which recommended a minor edit and supported option one, NAIC staff recommended retaining the summarized financial modeling guidance in SSAP No. 43R updated for the recent Task Force revisions.

Mr. Bruggeman stated that this agenda item updates the summarized financial modeling guidance in SSAP No. 43R and that it is important to note that the P&P Manual provides the detailed financial modelling and the designation process, which is the responsibility of the Valuation of Securities (E) Task Force. He stated that the AP&P Manual takes precedence over the P&P Manual in the statutory hierarchy. However, he noted that the AP&P Manual defers to the detailed guidance in the P&P Manual for the financial modeling process and the resulting NAIC designation.

Ms. Weaver made a motion, seconded by Ms. Bernard, to adopt the exposed option one SAP clarification revisions, updating the financial modeling guidance summarized in SSAP No. 43R and incorporating a grammatical edit as proposed by interested parties. Along with the updated financial modeling summary, this guidance continues to refer users to the detailed financial modeling guidance in the P&P Manual (Attachment One-H). The motion passed unanimously.

b. Agenda Item 2021-26EP

Mr. Bruggeman directed the Working Group to agenda item 2021-26EP: Editorial Updates (Substantive vs. Nonsubstantive). Mr. Pinegar stated that this agenda item is in response to the Working Group’s adoption of agenda item 2021-14: Policy Statement Terminology Change – Substantive and Nonsubstantive, which modified the use of the terminology of “substantive” and “nonsubstantive” in the NAIC Policy Statement on Maintenance of Statutory Accounting Principles (Policy Statement). He stated that this agenda item proposed editorial revisions to the preamble, table of contents, summary of changes, and the NAIC Policy Statement on Statutory Accounting Principles Maintenance Agenda Process. He stated that interested parties’ comments requested further clarification during the development process, specifically requesting effective dates for every adopted revision, regardless of if the revision was deemed to be an SAP clarification or a new SAP concept. He stated that this comment, similar to what was expressed during the 2021 Fall National Meeting, goes beyond the Financial Condition (E) Committee request to simply change the terminology references. This current agenda item only enacts editorial updates to reflect the previously adopted terminology changes, and if the editorial revisions were not adopted, there would be a disconnect between the Policy Statement and the terminology reflected in other sections of the AP&P Manual.

Ms. Walker made a motion, seconded by Mr. Kasinow to adopt the exposed SAP clarification editorial revisions to the preamble, table of contents, summary of changes, and the NAIC Policy Statement on Statutory Accounting Principles Maintenance Agenda Process (Attachment One-I). The motion passed unanimously.
Mr. Bruggeman directed the Working Group to agenda item 2021-27: ASU 2021-04, Issuer’s Accounting for Certain Modifications. Mr. Stultz stated that this agenda item reviews ASU 2021-04, Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options. He stated that ASU 2021-04 directs that when a freestanding equity-classified written call option is modified or exchanged and the instrument remains classified as equity after the modification/exchange, the differences in fair value before and after the modification are accounted for as an adjustment to equity. However, conversely, ASU 2021-04 directs that if the modification/exchange is related to a debt instrument or line-of-credit, the differences in fair value before and after the modification may be capitalized in accordance with U.S. generally accepted accounting principles (GAAP) debt issuance guidance, a concept disallowed under SSAP No. 15—Debt and Holding Company Obligations. Mr. Stultz stated that while this agenda item proposes to reject ASU 2021-04 for statutory accounting, it also proposes SAP clarifications to SSAP No. 72—Surplus and Quasi-Reorganizations, incorporating minor updates related to the accounting for changes in fair value involving the exchange of free-standing equity-classified written call options. He stated that in response to interested parties’ comments, NAIC staff recommended additional clarifications in SSAP No. 72 to precisely identify what guidance from ASU 2021-04 was being adopted or rejected. Mr. Bruggeman stated that while the additional clarifications proposed by NAIC staff do reflect the request by interested parties, they do make the sentence regarding applicable rejections quite lengthy. However, the applicable guidance should be sufficiently clear. Rosemarie Albrizio (Equitable), representing interested parties, agreed with the additional clarifications as proposed by NAIC staff. She noted this is consistent with other such clarifications in the AP&P Manual.

Ms. Malm made a motion, seconded by Ms. Weaver, to adopt the exposed SAP clarifications to SSAP No. 72, while incorporating additional clarification edits to precisely identify what guidance from ASU 2021-04 was adopted or rejected. (Attachment One-J). The motion passed unanimously.

4. Reviewed Comments on Exposed Items

a. Agenda Item 2019-21

Mr. Bruggeman directed the Working Group to agenda item 2019-21: SSAP No. 43R – Proposed Bond Definition (Reporting Options). Julie Gann (NAIC) stated that this agenda item is a continuation of the bond definition project. She stated that during the 2021 Fall National Meeting, the Working Group exposed two additional elements regarding the bond project for public comment. The first item was a revised draft bond definition with limited edits focusing on changing the terminology of a “sufficient credit enhancement” to a “substantive credit enhancement” and a discussion document on potential reporting changes for initial comment. She stated that the comments on the bond definition were previously considered, and an updated bond definition and issue paper were exposed March 2 for a public comment period ending May 6. She stated that the exposed reporting changes discussion document is the focus for this meeting, with the intent to consider industry comments and receive Working Group direction. She stated that it is anticipated that the bond project will result in significant reporting changes to improve transparency and granularity of investments and that all reporting entities should be aware that these reporting changes are being discussed.

Ms. Gann stated that while there is not an exposure planned for this meeting, it was requested that the Working Group direct NAIC staff to work with state insurance regulators and industry in developing proposed reporting
changes and SSAP edits for subsequent exposure. She stated that after considering interested parties’ comment letters, NAIC staff are planning not to proceed with edits on the following industry requests. However, state insurance regulator feedback is requested if consideration of these changes should occur:

- Interested parties recommended moving items in scope of SSAP No. 41—Surplus Notes from Schedule BA: Other Long-Term Invested Assets to Schedule D-1: Long-Term Bonds. Ms. Gann stated that as these instruments have special characteristics and are not required to be reported with an NAIC designation, she does not believe state insurance regulators will support moving these items to Schedule D-1 and does not anticipate the proposed revisions to Schedule D-1 will include proposed reporting of surplus notes.

- Interested parties requested clarification on the use of a sub-schedule for Schedule D-1. She stated that the intent for a sub-schedule was to identify asset-backed securities (ABS) that qualify for bond reporting, but are financial asset-backed, but not self-liquidating (e.g., equity backed items), or that are not financial-asset backed and that do not meet the practical expedient for determining meaningful generation of cash flows. State insurance regulators wish to have the ability to identify these investments quickly and stated that a sub-schedule may be the preferred method for clear identification. Ms. Gann stated that when proposed reporting changes are drafted, that will likely assist in the understanding and use of the proposed sub-schedule.

- Interested parties requested that affiliate reporting be accomplished using an electronic column, rather than the current process of using an affiliate reporting line. Ms. Gann stated that NAIC staff believe regulators wish to continue the current process of utilizing separate reporting lines.

Ms. Gann stated that depending on the feedback from the Working Group, it is anticipated that a discussion document for possible reporting changes will be exposed by the Summer National Meeting. Mr. Bruggeman stated that NAIC staff will also draft revisions for SSAP No. 26R—Bonds and SSAP No. 43R to incorporate the principle-based bond definition into authoritative statutory guidance.

Tip Tipton (Thrivent), representing interested parties, stated that they appreciate the Working Group’s ongoing collaboration as they deem this will likely be one of the most significant reporting changes in recent years. He stated that interested parties look forward to continuing discussions so that they can get clarity on what is a sub-schedule, and what reporting columns and lines are required to meet the needs of state insurance regulators. Mr. Bruggeman stated that he believes the sub-schedule is required as the additional reporting elements (columns) do not fit within the existing reporting framework. He stated that the sub-schedule’s totals will still be reported as bonds, and state insurance regulators will be cognizant of reporting limitations of insurers. However, the use of the sub-schedule will be beneficial to the Risk-Based Capital (RBC) Investment Risk and Evaluation (E) Working Group as its review these items for additional risk-based capital granularity.

Mr. Bruggeman, on behalf of the Working Group, directed NAIC staff to continue working with state insurance regulators and interested parties in developing potential reporting changes for bond investments. This discussion will include the development of illustrations and reporting instructions.

b. Agenda Item 2021-20

Mr. Bruggeman directed the Working Group to agenda item 2021-20: Effective Derivatives – ASU 2017-12. Ms. Gann stated that this agenda item was drafted to consider revising SSAP No. 86—Derivatives to mirror effective hedging determinations permitted in ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted
Improvements to Accounting for Hedging Activities. While ASU 2017-12 was previously reviewed, the review was limited in scope and only adopted updates for hedging documentation, noting that a broader review would occur at a later date. Ms. Gann stated that both state insurance regulators and industry representatives requested further consideration of ASU 2017-12, particularly with regards to derivative arrangements that U.S. GAAP allow to qualify as an effective hedge. She stated that in general, NAIC staff believe that if a hedging relationship is considered to be effective under U.S. GAAP, it should also be considered effective for statutory accounting. However, differences in the valuation between U.S. GAAP and statutory accounting need to be reviewed before those new effective hedging relationships are permitted to ensure the financial statement reporting and derivative impact is defined and understood. Ms. Gann stated since this item’s original exposure, NAIC staff have continued discussion with industry representatives. She stated that although industry has proposed revisions to SSAP No. 86 as part of their comment letter, NAIC staff are recommending exposure of two documents, which are more detailed than the industry proposed edits. She summarized the proposed revisions as follows:

- A new SSAP No. 86, Exhibit A, which is proposed to replace both of the existing SSAP No. 86, Exhibits A and B. This updated exhibit proposes adoption with modification of the overall U.S. GAAP guidance for determining hedge effectiveness even though not all paragraphs are proposed to be captured within the exhibit. The proposed modification would exclude U.S. GAAP guidance for the measurement of the hedging instruments, including excluded components of those instruments. This exclusion is required as statutory accounting has specific accounting and reporting guidance that differs from U.S. GAAP.

- Proposed SSAP revisions to incorporate new measurement guidance for different types of excluded components. As identified by industry, there are current inconsistencies in SSAP No. 86 for excluded components. While the proposed measurement methods vary by excluded component, the proposed accounting and reporting is consistent with the overall recommendations from industry. The proposed edits are more robust than what industry proposed to ensure that the measurement methods are clearly defined and with more detailed disclosures to allow state insurance regulators the ability to identify and assess the impact of any excluded component in the financial statements.

Mr. Bruggeman stated that review of this ASU is welcome as insurers have historically had differences in the assessment of hedge effectiveness for U.S. GAAP versus statutory accounting. He stated he was aware of instances where insurers would purchase supplemental derivative instruments to eliminate statutory surplus volatility of their original hedging instruments. This practice causes an insurer to incur excess costs that is likely not necessary.

Ms. Albrizio, representing interested parties, stated that they appreciate the collaborative efforts on this topic and support exposure of the proposed documents.

Ms. Walker made a motion, seconded by Ms. Bernard, to expose revisions to SSAP No. 86, which include: 1) a revised Exhibit A, which will replace Exhibit A and Exhibit B; and 2) proposed measurement guidance for excluded components. The motion passed unanimously.

c. **Agenda Item 2021-21**

Mr. Bruggeman directed the Working Group to agenda item 2021-21: Related Party Reporting. Mr. Stultz stated that this agenda item was drafted in response to recent discussions on the reporting and disclosure requirements for investments that involve related parties. He stated that the agenda item revised SSAP No. 25—Affiliates and Other Related Parties and SSAP No. 43R to clarify related party and affiliate guidance, as well as to require new reporting information for investments that are acquired from a related party, regardless of whether the
investment is captured on the affiliate reporting line. He stated that interested parties’ comments recommended additional clarifying language on the presumption of control, as well as modifications to the proposed annual statement instructions, and NAIC staff have incorporated limited changes in the proposal for exposure consideration.

Mr. Stultz stated that in response to interested parties’ comments, this agenda item does not intend to make any changes to items currently reported as affiliated transactions. He stated that the clarification is intended to be consistent with the definition of an affiliate pursuant to the Insurance Holding Company System Regulatory Act (440), SSAP No. 25, and SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities. He stated that although the definition is consistently referenced, there is inconsistency in practice regarding the interpretation of what is required to be reflected on the affiliate reporting line. Pursuant to comments from interested parties, actual credit exposure should be present to report an investment on the affiliate reporting line. However, this interpretation is contrary to the preferences of some state insurance regulators who are expecting investment transactions with affiliates to be reported as affiliated transactions. Although there are no revisions proposed to change existing guidance for how affiliated investments are reported, it was noted that the expansion of the use of affiliates in structuring and procuring investment products has resulted with an increase in affiliated investment transactions in which there is no credit exposure to the actual affiliated entity, and state insurance regulators want to ensure that affiliated transactions are properly being disclosed to the domiciliary state. Mr. Stultz stated that interested parties also requested an effective date for 2023 year-end reporting. However, NAIC staff recommend a 2022 year-end effective date, as the reporting changes are in line with other state insurance regulators’ initiatives, including the Macroprudential (E) Working Group. In response to other interested parties’ comments, NAIC staff are recommending to also include additional clarifications that investments in exchange traded funds (ETFs) or mutual funds (as defined by the SEC) do not reflect ownership in an underlying entity, regardless of the ownership percentage the reporting entity holds, unless the mutual fund or ETF has the power to direct or cause direction of management of the underlying company. This additional revision is consistent with existing guidance in SSAP No. 97.

Angelica Tamayo-Sanchez (New York Life), representing interested parties, stated that it is important for the investment schedules to differentiate between investments that have true affiliated credit risk exposure from those that are simply managed/serviced by affiliates where the underlying assets of the investment structure do not have any credit risk exposure to affiliates and related parties. She stated that the investment codes being proposed would be beneficial to state insurance regulators for this identification and are supported by interested parties. Citing investments on Schedule D as an example, she stated that interested parties determine affiliated reporting based on the cash flows to service the underlying debt. In the case of debt service cash flow from an affiliate, those items would be reported as an affiliated transaction as the reporting entity is exposed to affiliated credit risk. However, this circumstance is very different from cases where an investment is managed by an affiliate, regardless of if the investment was originated by the affiliate. In these cases, interested parties do not believe these would be reported on the affiliated line as the cash flows do not originate from an affiliate, nor do they represent credit risk to an affiliated entity. She stated concern remains regarding state insurance regulator comments that affiliated transactions are reported as affiliated, regardless of any underlying credit exposure to an affiliate. However, the additional clarifications regarding the look through of ETFs and mutual funds are supported by interested parties. In terms of the look-through requirements, she stated that the requirement should be limited to private equity funds reported on Schedule BA. Additionally, while interested parties understand that there is a presumption of indirect control if an affiliated fund owns more than 10% of the voting shares of a corporation, they believe it would be rare for an investor that owns less than 50% of the voting stock of a corporation to have the ability to exercise control over the management and operations of such investee. Ms. Tamayo-Sanchez stated that while they understand that there is no desire by state insurance regulators to
defer this requirement into 2023, the operational burden to insurers for year-end 2022 reporting will be significant.

Ms. Mears noted that she agrees that it was important to continue the discussions with industry on this topic to ensure that the reporting requirements were clear. Ms. Mears stated that she wants more industry feedback regarding cases with highly structured assets held primarily within a holding company group, especially when the underlying investments are not publicly available and there is no market validation of investment quality. She requested more input on the industry position on why such investments should not qualify for affiliate reporting, especially when these transactions either have previously been reported or should be reported to the domiciliary state pursuant to Model #440. She stated there is a differentiation between an affiliated transaction versus an affiliated investment and that continued conversation should occur. She stated support for the additional reporting codes in the proposal, which will help identify related party involvement. Mr. Bruggeman stated he believes state insurance regulators still desire a 2022 reporting date and support efforts to achieve this objective.

Mr. Kasinow made a motion, seconded by Ms. Mears, to expose agenda item 2021-21, incorporating edits as proposed by NAIC staff for a 32-day public comment period ending May 6. The motion passed unanimously.

d. Agenda Item 2021-22

Mr. Bruggeman directed the Working Group to agenda item 2021-22: Schedule D-6-1, Supplemental Reporting. Mr. Pinegar stated that this agenda item proposed four additional data capture elements for Schedule D-6-1: Valuation of Shares of Subsidiary, Controlled or Affiliated Entities. He stated that the additional electronic-only columns will assist state insurance regulators in their review of subsidiary, controlled, and affiliated (SCA) filings, with a primary goal of helping identify filers who have repeated, identical adjustments year-after-year. He stated that in response to interested parties’ comments, the agenda details the current valuation communication process with the states and the respective filers, which includes details on the standard reporting templates and ongoing communication with the states of domicile. He noted that while this agenda item did not result in statutory revisions, adoption would express support for the corresponding Blanks (E) Working Group exposure (2022-02BWG). Mr. Bruggeman stated he believes this agenda item will further increase the efficiency of the SCA review process.

Ms. Walker made a motion, seconded by Ms. Gosselin, to adopt agenda item 2021-22, noting the agenda item did not result in statutory revisions (Attachment One-K). The motion passed unanimously.

e. Agenda Item 2021-25

Mr. Bruggeman directed the Working Group to agenda item 2021-25: Leasehold Improvements After Lease Termination. Mr. Stultz stated that this agenda item clarifies that when a lease terminates early, all remaining leasehold improvements shall be expensed, even if the leased asset is purchased. He stated that in response to interested parties’ comments, NAIC staff believe that if leasehold improvements are not expensed, items currently nonadmitted under SSAP No. 19—Furniture, Fixtures, Equipment and Leasehold Improvements or SSAP No. 73—Health Care Delivery Assets and Leasehold Improvements in Health Care Facilities could ultimately be admitted under SSAP No. 40R—Real Estate Investments. Additionally, not all lease agreements include provisions for a purchase option at the time that the lease is signed, and in these situations, leasehold improvement assets should be expensed at the time the leased asset is purchased as almost all professional real estate companies would factor those leasehold improvements into the purchase price of the building. However, for lease agreements that include purchase options that discuss leasehold improvements, NAIC staff agree that these must be considered
as part of the purchase of an asset that was part of a prior lease. He stated that NAIC staff recommended that the Working Group direct NAIC staff to work further with the interested parties in refining guidance for consideration. Ms. Albrizio stated that interested parties stand ready to assist with revised guidance for future consideration. Mr. Bruggeman agreed with the staff recommendation and directed NAIC staff to proceed accordingly.

5. Considered Maintenance Agenda – Pending Listing – Exposures

Ms. Mears made a motion, seconded by Ms. Travis, to move agenda items 2022-01 through 2022-08 to the active listing and expose all items for a public comment period. The motion passed unanimously.

Mr. Bruggeman stated that the public comment period for agenda items 2021-21, 2022-03 and 2022-08, is May 6. The comment deadline for all other exposure items is June 3.

a. Agenda Item 2022-01

Mr. Bruggeman directed the Working Group to agenda item 2022-01: Conceptual Framework – Updates. Mr. Pinegar stated that this agenda item reviews Financial Accounting Standards Board (FASB) Concepts Statement No. 8, Conceptual Framework for Financial Reporting—Chapter 4, Elements of Financial Statements (Chapter 4) and Concepts Statement No. 8, Conceptual Framework for Financial Reporting—Chapter 7, Presentation (Chapter 7) for their impact on statutory accounting. He stated Chapter 4 introduce revised definitions for the terms “asset” and “liability,” simplifying their definitional descriptions and redefining their essential characteristics. He stated that the historical definitions no longer include the term “probable” or the phrase “as the result of past transactions or events” citing rationale for their removal. He stated that as statutory accounting references these definitions, this agenda item proposed SAP clarifications to SSAP No. 4—Assets and Nonadmitted Assets and SSAP No. 5R—Liabilities, Contingencies and Impairment of Assets to reflect the FASB’s updated definitions. He stated that in addition, NAIC staff recommended exposing two issue papers, each articulating the changes for SSAP No. 4 and SSAP No. 5R, FASB’s rationale for the changes, and discussion as to why the updates are proposed to be SAP clarifications in nature.

Mr. Pinegar stated the final topic reviewed Chapter 7 and proposed a minor SAP clarification to the Preamble, updating a paragraph reference to Statement of Financial Accounting Concept 5, which was superseded by Chapter 7. He stated that Chapter 7 describes what information should be included in the financial statements and how appropriate presentation can contribute to the objective of financial reporting. However, Chapter 7 concepts were not expected to modify current guidance, other than to update references to superseded accounting concepts.

b. Agenda Item 2022-02

Mr. Bruggeman directed the Working Group to agenda item 2022-02: SSAP No. 48 – Alternative Valuation of Minority Ownership Interests. Mr. Pinegar stated this agenda item reviews the audited U.S. tax equity financial statements U.S. GAAP audit exception provided in SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies. He stated that this agenda item arose trying to address questions regarding at which level the audited U.S. tax basis should apply as there was ambiguity regarding if the insurer’s audit would suffice, or if the audit should reside at the investee level. He stated that informal comments from a member of the NAIC/American Institute of Certified Public Accountants’ (AICPA) (E) Working Group indicated they were not aware of anyone using the audited U.S. tax basis method, which is permitted as an exception if audited U.S. GAAP basis financial statements were not available. They further indicated that they were not aware of anyone issuing U.S. tax basis
equity audits. This agenda item proposes two options for consideration. The first option seeks input as to whether the audited U.S. tax basis exception is being used and if not, whether it should be removed as a permissible exception to audited U.S. GAAP basis in SSAP No. 48. The second option proposes an SAP clarification that if the audited U.S. tax basis exception is retained, the audit is required at the investee (investment) level.

c. **Agenda Item 2022-03**

Mr. Bruggeman directed the Working Group to agenda item 2022-03: Premium Adjustment Allocated to Jurisdictions. Robin Marcotte (NAIC) stated that while this agenda item does not propose statutory revisions, it does propose blanks instructional changes to Schedule T, the State Page and Accident and Health Policy Experience Exhibit (AHPEE) to clarify guidance for premium adjustments. She stated that NAIC staff received inquiries regarding a minor number of entities that primarily wrote health business related to the federal Affordable Care Act (ACA), which are believed to have not properly allocated premium adjustments by jurisdiction on the statutory financial statement. The proposed instruction changes clarify that all premium adjustments (both increases and decreases), including but not limited to ACA premium adjustments related to the risk adjustment program, shall be allocated as premium in the respective jurisdiction. This agenda item has a shortened comment period ending May 6.

d. **Agenda Item 2022-04**

Mr. Bruggeman directed the Working Group to agenda item 2022-04: ASU 2021-10, Government Assistance. Mr. Pinegar stated that this agenda item reviews ASU 2021-10, Government Assistance, Disclosures by Business Entities about Government Assistance, which increases transparency regarding certain types of government assistance by increasing the disclosure of such information in the financial statements. He stated that while ASU 2021-10 broadly defines government assistance, the disclosures are significantly reduced in scope as they would not apply to government transactions that are accounted for in accordance with other codification topics (e.g., accounted for as debt). He stated that due to the relative rarity of such disclosure, this agenda item proposed SAP clarifications to SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items, incorporating certain disclosures from ASU 2021-10. The proposed additions will supplement existing disclosures to require that if the unusual or infrequent item is as the result of government assistance, the transaction will require identification, as well as a description of the terms and provisions of the assistance received.

e. **Agenda Item 2022-05**

Mr. Bruggeman directed the Working Group to agenda item 2022-05: ASU 2021-09, Leases, Discount Rate for Lessees. Mr. Stultz stated that this agenda item reviews ASU 2021-09, Leases (Topic 842), Discount Rate for Lessees That Are Not Public Business Entities, which states that when the rate implicit in the lease is readily determinable for any individual lease, that the lessee should use that rate (rather than a risk-free rate or an incremental borrowing rate), regardless of whether it has made the risk-free rate election. However, as statutory accounting generally requires all leases be classified as operating leases, this agenda item proposes SAP clarifications to reject ASU 2021-05 in SSAP No. 22R for statutory accounting.

f. **Agenda Item 2022-06**

Mr. Bruggeman directed the Working Group to agenda item 2022-06: ASU 2021-07, Compensation - Stock Compensation. Mr. Pinegar stated that this agenda item reviews ASU 2021-07, Compensation - Stock Compensation (Topic 718), Determining the Current Price of an Underlying Share for Equity-Classified Share-Based...
Awards which offers nonpublic companies a practical expedient to one of the several inputs necessary for option-priced modeling. He stated that when equity share options or similar instruments are granted in a share-based payment transaction, the fair value (which is used to determine expense recognition at inception and during any subsequent award modification) is estimated using an option-pricing model valuation technique. ASU 2021-07 provides a third practical expedient for nonpublic companies and is the third such practical expedient permitted, of which the two other practical expedients have previously been adopted and are currently permissible for use in SSAP No. 104R—Share-Based Payments. He stated that this agenda item proposes SAP clarifications to SSAP No. 104R to incorporate the new practical expedient for the current price input.

g. Agenda Item 2022-07

Mr. Bruggeman directed the Working Group to agenda item 2022-07: ASU 2021-08, Business Combinations. Mr. Pinegar stated that this agenda item reviews ASU 2021-08, Business Combinations, Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which requires acquiring entities to apply the revenue from contracts with customer standard (Topic 606), when valuing and recognizing contract related assets and liabilities in a business combination. Prior to the issuance of ASU 2021-08, acquirers would generally only recognize such items based on their fair values on the date of acquisition. He stated that in keeping with historical precedent, this agenda item proposes SAP clarifications to reject ASU 2021-08 in SSAP No. 47—Uninsured Plans. However, as ASU 2021-08 is related to business combinations, the agenda item also proposes SAP clarifications to SSAP No. 68 to reject ASU 2021-08 for statutory accounting, while noting that rejection does not impact the determination of U.S. GAAP book value in an acquired entity.

h. Agenda Item 2022-08

Mr. Bruggeman directed the Working Group to agenda item 2022-08: INT 22-01T: Freddie Mac When-Issued K-Deal (WI Trust) Certificates. Ms. Gann stated that State Farm Mutual Automobile Insurance Company has sponsored this agenda item in collaboration with Freddie Mac requesting accounting and reporting clarification for Freddie Mac “When-Issued K-Deal (WI Trust) Certificates.” She stated that these certificates are akin to to-be-accounted (TBA) investments, in which certificate holders ultimately receive Freddie Mac guaranteed mortgage-backed securities. She stated that the program, in essence, creates an additional trust where the investor buys certificates in the “WI” trust, where then the WI trust uses the cash to purchase the mortgage securities from the real-estate mortgage investment conduit trust, who in turn purchases the mortgage securities directly from Freddie Mac. Upon conversion, the investor can take possession of the underlying mortgage securities or hold the trust certificates and receive the underlying mortgage security cashflows in a pass-through manner. In either event, the performance of the investment is guaranteed by Freddie Mac. The tentative statutory accounting interpretation clarifies that investments in the Freddie Mac WI Program shall be captured in scope of SSAP No. 43R from initial acquisition. This agenda item has a shortened comment period ending May 6.

6. Discussed Other Matters

a. Review of U.S. GAAP Exposure

Jason Farr (NAIC) stated that although there was one FASB exposure at the time the materials were published, its comment deadline of March 31 has passed. The proposed ASU would increase the disclosure regarding supplier finance programs. These programs allow a third-party financier to enter into the traditional buyer/supplier relationship, which effectively creates a structured payable agreement. NAIC staff recommend reviewing the final ASU under the SAP Maintenance Process as detailed in Appendix F—Policy Statements.
b. **Referral to the Casualty Actuarial and Statistical (C) Task Force – Update**

Ms. Marcotte stated that the Casualty Actuarial and Statistical (C) Task Force met March 8 to discuss a recommendation regarding the Working Group referral on agenda item 2019-49: Retroactive Reinsurance Exception regarding diversity in reporting for retroactive intercompany reinsurance contracts that meet the exception and allow for prospective reporting. She stated that the primary issue to address is whether to allocate premium back to prior years on annual statement Schedule P when multiple years of premium are ceded to a reinsurer. She stated that the Task Force plans to continue to work on this topic using a small group to draft proposed revisions to Schedule P instructions and other related guidance in SSAP No. 62R—Property and Casualty Reinsurance, specifically guidance in paragraph 36 and paragraph 37. NAIC staff were directed to continue working with the small group.

c. **Comment Letter Received from the ACLI**

Ms. Marcotte stated that the Working Group and the Valuation of Securities (E) Task Force received a comment letter from the American Council of Life Insurers (ACLI) regarding a proposed Task Force amendment to the P&P Manual to permit unguaranteed and unrated subsidiary obligors in working capital finance investment (WCFI) transactions. As the Working Group does not have an exposure on this topic, it noted receipt of the comments, including the mention of the FASB exposure of proposed disclosures regarding supply chain finance programs. The Working Group does not plan to address the ACLI comments at this time (see *NAIC Proceedings – Spring 2022, Valuation of Securities (E) Task Force, Attachment Six-B and Attachment Six-C*).

d. **ASU 2016-13**

Ms. Gann stated that NAIC staff have received an inquiry regarding anticipated work related to **ASU 2016-13, Financial Instruments – Credit Losses** (CECL). She stated that since its private company implementation is scheduled for enactment on Jan. 1, 2023, NAIC staff request input from industry representative on how CECL has affected their U.S. GAAP financial statements. Information on the U.S. GAAP impact may provide insight on how to approach the CECL standard for statutory accounting.

Having no further business, the Statutory Accounting Principles (E) Working Group adjourned.
The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force met March 2, 2022. The following Working Group members participated: Dale Bruggeman, Chair (OH); Carrie Mears, Vice Chair (IA); Kim Hudson and Susan Bernard (CA); William Arfanis and Michael Estabrook (CT); Tom Hudson and Rylynn Brown (DE); Cindy Andersen and Eric Moser (IL); Stewart Guerin and Melissa Gibson (LA); Judy Weaver (MI); Doug Bartlett and Patricia Gosselin (NH); Bob Kasinow (NY); Kimberly Rankin (PA); Jamie Walker (TX); Doug Stolte and David Smith (VA); and Elena Vetrina (WI).

1. Considered Maintenance Agenda – Active Listing
   a. Agenda Item 2019-21

Mr. Bruggeman directed the Working Group to agenda item 2019-21: Proposed Bond Definition. Julie Gann (NAIC) provided an overview of the project, stating that in May 2021, the Working Group exposed an original principles-based bond definition and affirmed the direction of the bond proposal after considering the comments in August 2021. Since that time, a small study group, representing state insurance regulators and interested parties have continued discussion and refinement of the principles-based bond definition. Ms. Gann stated that the purpose of holding today’s meeting is to consider exposure of a revised principles-based bond definition and draft issue paper. She stated that although limited edits are proposed to the proposed definition, the issue paper is detailed and intends to document the discussions that have occurred within the study group and the rationale supporting the various components of the bond definition. Ms. Gann stated that neither the proposed bond definition nor the issue paper would be considered authoritative. She stated that statement of statutory accounting principles (SSAP) revisions is not currently proposed as part of this exposure. She stated that with the specific deliberative process for this project, it is anticipated that comments on the issue paper and the revised definition would be considered prior to exposing proposed SSAP revisions.

Ms. Gann then identified the various revisions to the principles-based bond definition:

- Proposed revisions include explicit reference to U.S. Treasury Inflation-Protected Securities (TIPS) as an issuer credit obligation, which is in line with current guidance in SSAP No. 26R—Bonds. Ms. Gann stated that the inclusion of these securities was in response to another proposed edit, which clarifies the limitation for investments that have equity-driven results through a derivative or have an equity-based performance reference. With that clarification, U.S. TIPS, which are adjusted for inflation, could inadvertently be precluded from bond treatment.

- Proposed revisions broaden the approach to identify investments that are in scope when repayment is fully supported by an underlying contractual obligation of a single operating entity that meets the bond definition. Rather than identify specific investments, the concept is included with examples of known investments. Ms. Gann stated that the guidance for “fully supported” was defined to require cash flows for repayment to cover 100% of interest and at least 95% of the principal, which is in line with the NAIC Securities Valuation Office (SVO) guidance related to credit tenant loans (CTLs).
• Proposed revisions delete the hybrid security reference as an explicit issuer credit obligation. This deletion does not intend to indicate that hybrid securities are prohibited from reporting on Schedule D-1—Long-Term Bonds; it only intends to clarify that such items shall be reviewed in accordance with the bond definition and only reported on Schedule D-1 if they qualify. Historically, a hybrid security was defined as a security with both debt and equity components, and a broad exception for such securities under the principles-based bond definition is not viable.

• Proposed revision includes specific identification of exchange-traded funds (ETFs) as issuer credit obligations if they qualify for bond treatment as identified in the Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Office). Ms. Gann stated that inclusion of these funds is not a change to the principle concepts, rather it has been added for clarification purposes.

• Proposed revision to clarify that an investment with the potential for “additional returns” must be assessed as if the “additional returns” are a component of the investment’s interest. This revision is to clarify that it is not permissible to have a “stated interest” and then the potential for “additional returns” and conclude that the investment does not have a variable interest based on underlying equity interests.

• Proposed revision to delete the stapling example from Appendix 1, which details situations where securities, despite their legal form, do not in substance represent a creditor relationship. This example originally precluded bond reporting for a qualifying debt tranche if the reporting entity was required to hold equity tranches from the securitization. However, after considering comments from the first exposure period, as well as discussions that occurred within the study group, this example has been eliminated. With this revision, tranches that separately qualify as bonds are permitted to be reported as bonds, and the other tranches would be reported as equity; however, holding both types of securities should not preclude bond reporting for any eligible components. Ms. Mears stated that the origination of this example was to recognize the fact that in some cases, if an insurance company owned both equity and debt components or were required to hold both components as “stapled investments,” they may not necessarily be in a different economic position than had they held the entire investment as an equity investment on Schedule BA—Other Long-Term Assets. However, she stated that the accounting for such an investment should entail the substance of the holding, not necessarily the underlying risk of an investment, which is captured within the purview of the Capital Adequacy (E) Task Force, not statutory accounting. In addition, if a company sold one of their investment components, with the current example, the remaining component could move investment schedules, which is also not a practical solution. Ms. Mears stated that this issue will be considered by the recently formed Risk-Based Capital (RBC) Investment Risk and Evaluation (E) Working Group, which will jointly review the substance and recommend RBC charges for these types of investments.

• Proposed revisions to the example for when a reporting entity invests in a debt instrument issued from a special purpose vehicle that owns underlying equity interests. Ms. Gann stated that the original example was designed to focus on characteristics of an investment that did not qualify as a bond; instead, the example has been revised to provide information to assist users in determining whether a structure could qualify for bond reporting. She stated that the example includes expanded factors to consider in determining whether the rebuttable presumption—i.e., the assumption that a debt instrument collateralized by equity interests does not qualify as a bond—has been overcome.

Ms. Gann stated that staff’s recommendation is to expose both the proposed revisions to the bond definition and the issue paper for public comment. After comments are received, the next steps would be to introduce possible statutory accounting revisions, likely using SSAP No. 26R as the standard for issuer credit obligations and SSAP No.
43R—Loan-Backed and Structured Securities as the standard for asset-backed securities (ABS). Ms. Gann stated that revisions are also anticipated for SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments to clarify that ABS, due to their underlying nature of having a certain level of equity-backed cash flows, should not qualify for securities in the scope of SSAP No. 2R and SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, as that standard currently refers all beneficial interests to SSAP No. 43R.

Ms. Gann stated that comments received from industry on potential reporting options is expected for the Spring National Meeting. However, as part of this exposure, input is requested regarding the reporting of investments that will not qualify as bonds. In addition to the reporting schedule, consideration will need to occur regarding measurement methods (e.g., amortized cost versus lower of cost or fair value). Accordingly, input regarding which approach is supported and what characteristics can be used to identify and support any preferred measurement method is requested during the exposure period.

Ms. Mears made a motion, seconded by Ms. Weaver, to expose the revised principles-based bond definition and draft issue paper for a public comment period ending May 6. In addition, the motion included a recommendation for NAIC staff to continue discussions on the bond definition and develop proposed reporting changes and potential statutory accounting revisions for a subsequent exposure. The motion passed unanimously.

2. Discussed Other Matters

Ms. Gann stated that the agenda for the Spring National Meeting has been posted on the NAIC website. The Working Group’s in-person public meeting is scheduled for Monday, April 4 from 9:45 a.m. to 12:00 p.m. CT. Ms. Gann stated that the meeting will have an audio-only option for those registered and not attending in person. Mr. Bruggeman stated that with the current schedule, regulator-only sessions are planned for immediately before and after the Working Group’s meeting, so the agendas will need to be efficiently discussed to allow attendees to move between meetings.

Mr. Bruggeman stated that in terms of the March 1 statutory filing deadline, the NAIC systems have been a bit delayed, so initial data runs may indicate a company has not filed when they have. It is anticipated that filings will be caught up in the next day, and state insurance regulators should be aware if they are looking for their domestic company filing results.

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

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The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force met Jan. 27, 2022. The following Working Group members participated: Dale Bruggeman, Chair (OH); Carrie Mears and Kevin Clark, Co-Vice Chairs (IA); Sheila Travis (AL); Kim Hudson (CA); William Arfanis (CT); Tom Hudson, Nicole Brittingham, and Rylynn Brown (DE); Cindy Andersen and Eric Moser (IL); Stewart Guerin (LA); Judy Weaver (MI); Doug Bartlett (NH); Bob Kasinow (NY); Kimberly Rankin (PA); Jamie Walker (TX); Doug Stolte and David Smith (VA); and Amy Malm (WI).

1. **Reviewed Comments on Exposed Items**

The Working Group held a public hearing to review comments (Attachment One-B1) on previously exposed items.

   a. **Agenda Item 2021-18**

   Mr. Bruggeman directed the Working Group to agenda item 2021-18: SSAP No. 108 – VM-21 Scenario Consistency Update. Robin Marcotte (NAIC) stated that the Working Group previously received comments on the prior exposure and exposed additional statutory accounting principle (SAP) clarifications to Statement of Statutory Accounting Principles (SSAP) No. 108—Derivatives Hedging Variable Annuity Guarantees. The revisions exposed in December 2021 incorporated edits proposed by Life Actuarial (A) Task Force representatives and interested parties. The intent is to ensure consistency with revisions to VM-21, Requirements for Principle-Based Reserves for Variable Annuities. Ms. Marcotte stated that interested parties do not object to the exposed revisions. The Working Group also received additional informal comments from the Task Force that reorganized text within the document. The informal revisions proposed by a member of the Task Force were shared with interested parties prior to them submitting their comment letter, and the interested parties informally indicated that they do not object to the proposed edits. Ms. Marcotte stated that NAIC staff recommend that the Working Group adopt the exposed revisions classified as a SAP clarification incorporating the edits proposed. These revisions will have a Dec. 31, 2021, effective date so the Valuation Manual and Accounting Practices and Procedures Manual (AP&P Manual) will be synchronized.

   Mike Monahan (American Council of Life Insurers—ACLI), representing interested parties, stated that they appreciate NAIC staff working to include the edits; they do not object to the changes and support moving forward with this agenda item.

   Kim Hudson made a motion, seconded by Ms. Weaver, to adopt the exposed revisions to SSAP No. 108 with the edits presented by NAIC staff (Attachment One-B2), with an effective date of Dec. 31, 2021. The motion passed unanimously.

   b. **Agenda Item 2021-31**

   Mr. Bruggeman directed the Working Group to agenda item 2021-31: Life Reinsurance Disclosure Clarifications. Ms. Marcotte stated that this agenda item was exposed in December 2021 to address questions received from members of the American Institute of Certified Public Accountants’ (AICPA) NAIC Task Force regarding the life reinsurance disclosures and the related audited notes that were first effective in December 2020. The disclosures were adopted in SSAP No. 61R—Life, Deposit-Type and Health Reinsurance in agenda item 2017-28: Reinsurance
Risk Transfer for Short Duration Contracts. Preparers and auditors highlighted unclear elements in the disclosures that could use additional clarification. Comments were received from both interested parties and members of the AICPA NAIC Task Force. NAIC staff recommend that the Working Group adopt the exposed SAP clarifications with additional revisions that reflect the following: 1) revisions from the interested parties and the members of the AICPA NAIC Task Force as detailed in the comment letters; and 2) additional NAIC staff proposed edits to paragraph 78 that were developed in discussions with representatives from the AICPA NAIC Task Force. The edits were recommended to be added with a Dec. 31, 2021, effective date to assist preparers and auditors.

Ms. Marcotte summarized the revisions by paragraph. The main revisions in paragraph 78 addressed two issues. The first was the audit report location of the disclosures. The exposed revisions clarified that the information could be in the audited notes or the supplementary schedules. After discussions with members of the AICPA NAIC Task Force, it requested edits to clarify that the information resides in the supplementary schedules to the audited report, unless there are no such contracts subject to the disclosures identified, in which case the information that no such contracts were identified could be located in either the audited note or the supplementary schedule. Ms. Marcotte stated that the reason for this requested clarification was that the notes to the financial statement are subject to more review than the supplemental schedules. Clarification was requested as to whether the audited note in the supplemental schedules was required to be comparative. Comments noted that most supplemental schedules, including the one for similar reinsurance disclosures required by SSAP No. 62R—Property and Casualty Reinsurance, are not comparative and are only for contracts in effect during the current period covered by the statement. NAIC staff verified that the related property and casualty disclosures in the general interrogatories are focused on contracts in effect for the period covered by the statement. Therefore, NAIC staff drafted proposed revisions to further clarify that the audited note did not have to be comparative, meaning the inclusion of contracts in the prior years; i.e., it only needs to address current period contracts covered by the statement. Ms. Marcotte also discussed grammatical edits proposed by interested parties and the removal of a reference to assumed reinsurance contracts from paragraph 81. NAIC staff noted that the revision to paragraph 81 will make the life and health disclosure similar in scope to the related property and casualty disclosure, which addresses ceded contracts.

Mr. Bruggeman noted agreement with the revision to paragraph 81, as it made the text in the beginning of the paragraph consistent with the text of sub paragraphs a. and b. He also stated support for the clarifications, noting that the supplemental schedule is not required to be comparative.

Jean Connolly (PricewaterhouseCoopers LLP), chair of the AICPA NAIC Task Force, stated appreciation for NAIC staff and the Working Group’s assistance in working through the clarifications. She stated that the revisions were what was requested.

Steven Clayburn (ACLI) stated that interested parties were very appreciative of narrowing the scope of the disclosures, and they support the revisions discussed.

Ms. Malm made a motion, seconded by Mr. Smith, to adopt the exposed revisions to SSAP No. 61R on life reinsurance disclosures (Attachment One-B3), with the effective date of Dec. 31, 2021. The motion passed unanimously.

Ms. Marcotte stated that since the agenda items were adopted after year-end, which is the normal cutoff for edits to the AP&P Manual, the adopted revisions will be included in the updates section at the back of the 2021 and 2022 publication. Additionally, a guidance memo will be sent to the Blanks (E) Working Group for posting regarding the disclosures. Given the timing, NAIC staff will post the two adoptions on the Statutory Accounting Principles (E) Working Group’s web page on the documents tab. NAIC staff will also update the SSAP to annual statement disclosure checklists.
Mr. Bruggeman inquired, and Julie Gann (NAIC) confirmed that a printed hard cover copy of the AP&P Manual is not an option for interested parties now. The NAIC is still working on having a printed copy as a potential option for state insurance regulators through a local printing vendor. Ms. Gann stated that industry representatives would need to acquire an electronic version of the AP&P Manual, which is accessed through Bookshelf.

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

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Statutory Accounting Principles (E) Working Group  
January 27, 2022  
Comment Letters Received

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January 14, 2022

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: Comments on the Items Exposed for Comment during the Statutory Accounting Principles Working Group (the “Working Group”) Meeting on December 11, 2021 with Comments Due January 14, 2022

Dear Mr. Bruggeman:

Interested parties would like to thank the Statutory Accounting Principles Working Group (the “Working Group”) for the opportunity to comment on the items exposed for comment with comments due January 14th. We offer the following comments:

Ref #2021-18: VM-21 Scenario Consistency Update

The Working Group exposed revisions, to SSAP No. 108—Derivatives Hedging Variable Annuity Guarantees, as illustrated in the proposal. The revisions, which incorporate edits proposed from Life Actuarial (A) Task Force representatives, ensure consistency with revisions to VM-21 by removing reference to the standard scenario while adding reference to the conditional tail expectation 70 guidance. This agenda item has a shortened exposure period, ending Jan. 14, 2022, so that the Working Group may consider adoption for year-end 2021 reporting.

Interested parties do not object to these changes.

Ref #2021-31: Life Reinsurance Disclosure Clarifications

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to SSAP No. 61R, as in the proposal. These revisions intend to clarify, and in some cases, narrow the scope of certain disclosures. This agenda item also has a shortened exposure period, ending Jan. 14, 2022, so that the Working Group may consider adoption for year-end 2021 reporting.
Interested parties appreciate the exposure to clarify and narrow the scope of information requested in the SSAP No. 61R disclosures, specifically to paragraphs 78-83. Our understanding is that the original intent of these additional disclosures was to obtain information on ceded reinsurance. We note that the reference to “ceding” in paragraphs 79 and 80 should be “ceded” as is written in paragraph 81. For paragraph 81, we would suggest deleting “assumed or” so that the scope of disclosure remains consistent from 2020 to 2021 (with the extraneous disclosures clarified).

* * * * *

If you have any questions or would like to discuss these comments, please do not hesitate to contact us.

Sincerely,

D. Keith Bell  Rose Albrizio

cc: Interested parties

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To: The Statutory Accounting Principles (E) Working Group

From: Selected members of the American Institute of Certified Public Accountants’ (AICPA) NAIC Task Force

Date: January 14, 2022

Thanks again for considering the comments we submitted in 2021 related to these new disclosures and in developing the Form A. The AICPA NAIC Task Force has two additional comments that we would also appreciate that you consider:

1. Several of our members pointed out it might be confusing and/or lead to inconsistent practice to allow the disclosures to be included in either the footnotes or a supplemental schedule, because footnotes and supplemental information provide different levels of auditor assurance. Therefore, it would be unusual to have the option to include the disclosures in either place. As a result, we are recommending the following revisions below as "friendly amendments" to maintain the disclosures in a supplemental schedule, consistent with 2020. (This is also consistent with the intent of our comments last year.)

   78. Disclosures for paragraphs 79-84 are required to be included with the annual audit report financial statements beginning with the period ended December 31, 2020, regarding reinsurance contracts. The disclosures required within paragraphs 79-84 shall can be included in accompanying supplemental schedules or the notes of the annual audit report beginning in year-end 2020. If the disclosures are not applicable, an affirmative statement that no such contracts were identified is acceptable in the notes to the financial statements. These disclosures shall be limited to reinsurance contracts entered into, renewed or amended on or after January 1, 1996. This limitation applies to the annual audit report only and does not apply to the statutory annual statement interrogatories and the property and casualty reinsurance summary supplemental filing.

2. On a related issue and assuming the Working Group agrees to the changes above in paragraph 78 of SSAP No. 61R, we would like to comment on SAPWG’s conclusion that the life reinsurance supplemental schedule should be comparative. The other required schedules to the financial statements do not require comparable information. (A list of the schedules is below.) For these schedules, the annual statement instructions set out the form and content of the schedules which reflects a one year presentation. It would be useful to understand why this schedule would be different and if that was the intent of SAPWG. Do you know whether the decision to make the disclosure comparable considered that the other required schedules are not required to be comparable? In either case, we would like to request that the guidance in SSAP 61R (or in the 2022 annual statement instructions) state whether the schedule should be comparative.

With regard to the conclusion in the minutes that indicates that the change would be done prospectively, this seems like an accommodation to prevent companies from having to fix prior years (which we don’t want to discourage), but there could be some complexity in reporting on a comparative schedule that is not comparable because the guidance changed (e.g., the basis for preparing the schedule is not comparative) and could lead to diversity in approach in how individual companies and auditors deal with reporting in the current year.
Below is a list of current supplemental schedules which are not comparative (i.e. only the current year is presented)

- Supplemental schedule of assets and liabilities
- Supplemental schedule of Investment Risk Interrogatories
- Summary Investment Schedule
- Supplemental P/C Reinsurance Contracts Disclosures

Thanks

Kim

Kim Kushmerick
Director, Accounting Standards — Public Accounting

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Issue: VM-21 Scenario Consistency Update

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Description of Issue:
This agenda item provides a revision to Statement of Statutory Accounting Principles (SSAP) No. 108—Derivatives Hedging Variable Annuity Guarantees (SSAP No. 108) to ensure consistency with the Valuation Manual. This agenda item was developed in response to comments from an actuarial firm identifying an existing reference in SSAP No. 108 to the standard scenario in VM-21: Requirements for Principle-Based Reserves for Variable Annuities (VM-21). The Life Actuarial (A) Task Force NAIC staff support confirmed that the reference to the standard scenario has been deleted from VM-21.

VM-21 previously applied the standard scenario to all contracts in scope to generate the standard scenario amount. Revisions to VM-21 following the adoption of the Variable Annuity Framework resulted in the elimination of the standard scenario amount. Instead, VM-21 uses the prescribed projections amount, based on either the Company Specific Market Path (CSMP) or Conditional Tail Expectations (CTE) with Prescribed Assumptions (CTEPA). The CSMP and the CTEPA use random sets of scenarios to generate a CTE70 (adjusted) amount. This agenda item proposes using the VM-21 permitted approach that produces the CSMP or CTEPA scenario reserve closest to the CTE70 (adjusted) as the replacement for the standard scenario when determining the Macaulay duration in paragraph 14 of SSAP No. 108.

Existing Authoritative Literature:

SSAP No. 108—Derivatives Hedging Variable Annuity Guarantees provides the following (bolding added for emphasis)

13. Fair value fluctuations in the measurement of outstanding (non-expired) derivatives within a highly effective hedging strategy shall be reflected as follows:

   a. Fair value fluctuations in the hedging instruments attributable to the hedged risk that offset the current period change in the designated portion of the VM-21 reserve liability\(^7\) shall be

\(^7\) Hedge effectiveness is determined by comparing fair value fluctuations between the hedging instruments and the hedged item. However, in determining recognition in the financial statements, the fair value fluctuation of the hedging instruments is compared to the change in the reported value of the designated portion of the VM-21 liability. The designated portion of the VM-21 liability is not reported at fair value in the statutory financial statements, as such, the offset reported as realized gains and losses is the portion of the fair value change in hedging instruments offset by the change in the reported value of the designated portion of the VM-21 reserve. In accordance with the documented hedging strategy, reporting entities shall compare the fair value fluctuations to the change in the designated portion of the reserve liability, after considering recognized derivative returns (including recognized derivative income), when determining the recognition of fair value fluctuations.
recognized as a realized\(^6\) gain or loss.

b. Fair value fluctuations in the hedging instruments attributable to the hedged risk\(^9\) that do not offset the current period change in the designated portion of the VM-21 reserve liability shall be recognized as deferred assets (admitted) and deferred liabilities. The ability to recognize a deferred asset and deferred liability is limited to only the portion of the fair value fluctuation in the hedging instruments that is attributed to the hedged risk and does not immediately offset changes in the designated portion of the VM-21 reserve liability.

(Drafting Note subparagraphs 13.c. through 13.e. omitted to conserve space.)

14. Deferred assets and deferred liabilities recognized under paragraph 13.b. shall be amortized using a straight-line method into realized gains or realized losses over a finite amortization period. The amortization timeframe shall equal the Macaulay duration of the guarantee benefit cash flows based on the VM-21 Standard Scenario, but shall not exceed a period of 10 years.

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


Staff Recommendation:
NAIC staff recommends that the Working Group move this item to the active listing, categorized as nonsubstantive and expose revisions to SSAP No. 108, paragraph 14 as illustrated below. The revision will ensure consistency with VM-21 as it no longer references the standard scenario. With exposure, it is recommended that the Life Actuarial (A) Task Force receive notice of the exposure as part of the coordination process.

14. Deferred assets and deferred liabilities recognized under paragraph 13.b. shall be amortized using a straight-line method into realized gains or realized losses over a finite amortization period. The amortization timeframe shall equal the Macaulay duration of the guarantee benefit cash flows based on the VM-21 Standard Scenario adjusted run scenario that produces the scenario reserve closest to conditional tail expectation (CTE) 70 (adjusted), but shall not exceed a period of 10 years. The CTE 70 (adjusted) and the scenario reserve closest to the CTE 70 (adjusted) are determined using the method (company specific market path (CSMP) or conditional tail expectations (CTE) with prescribed assumptions (CTEPA)) applied by the reporting entity\(^9\) to calculate the prescribed projections amount.

New Footnote:
VM-21 allows a reporting entity to choose whether to use the CSMP method or the CTEPA method. Once the choice is made the company cannot change the method without the approval of the commissioner. For

\(^6\) Recognizing the fair value change for open derivative positions that offset the VM-21 change as a realized gain/loss (instead of an unrealized gain or loss) directly offsets the VM-21 reserve change in the income statement.

\(^9\) The change in fair value of the hedging instruments and hedged item is limited to changes driven by market factors. For example, periodic recognition of a cost owed to acquire the derivative from a counterparty (financing cost) shall not be captured as a change in the derivative instrument’s fair value. The fair value of the instrument shall be determined based on the underlying derivative without inclusion of acquisition costs (or other such contractual elements that may exist with the counterparty) that do not change based on the underlying derivative interests or market factors.
the purpose of determining the SSAP No. 108 amortization timeframe, the company shall apply its current method to determine the adjusted run scenario.

**Staff Review Completed by:** Robin Marcotte, NAIC Staff - October 2021

**Status:**
On October 25, 2021, in response to an e-vote to expose, the Statutory Accounting Principles (E) Working Group moved this agenda item to the active listing, categorized as nonsubstantive, and exposed revisions to SSAP No. 108—*Derivatives Hedging Variable Annuity Guarantees* to ensure consistency with revisions to VM-21, removing references to the standard scenario. The Working Group also provided notice of the exposure to the Life Actuarial (A) Task Force.

On December 11, 2021, Statutory Accounting Principles (E) Working Group exposed revisions, to SSAP No. 108—*Derivatives Hedging Variable Annuity Guarantees*, as illustrated below. The revisions, which incorporate edits proposed from Life Actuarial (A) Task Force representatives, ensure consistency with revisions to VM-21 by removing reference to the standard scenario while adding reference to the conditional tail expectation 70 guidance. This agenda item has a shortened exposure period, ending Jan. 14, 2022, so that the Working Group may consider adoption for year-end 2021 reporting.

**Exposed Revisions to SSAP No. 108**

14. Deferred assets and deferred liabilities recognized under paragraph 13.b. shall be amortized using a straight-line method into realized gains or realized losses over a finite amortization period. The amortization timeframe shall equal the Macaulay duration of the guarantee benefit cash flows based on the VM-21 Standard Scenario Projection (new FN), but shall not exceed a period of 10 years.

**New Footnote:**

*The VM-21 Standard Projection calculation shall be the prescribed assumption run for the scenario that produces the scenario reserve closest to conditional tail expectation (CTE) 70 (adjusted) and a discount rate equal to the valuation interest rate specified by the Standard Valuation Law for annuities valued on an issue year basis, using Plan Type A and a Guarantee Duration greater than 10 years but not more than 20 years. The VM-21 Standard Projection with prescribed assumption run is determined using the method (company specific market path (CSMP) or conditional tail expectations (CTE) with prescribed assumptions (CTEPA)) applied by the reporting entity to calculate the prescribed projections amount. For the CSMP method, the economic scenario is Path A, with the guarantee benefit cash flows from the run to calculate Prescribed Amount A. For the CTEPA method, the economic scenario is the scenario that produces the scenario reserve closest to the CTE70 (Adjusted) from the stochastic reserve calculation, with the guarantee benefit cash flows from the VM-21 Standard Projection with prescribed assumption run for this economic scenario.*

On January 27, 2022, the Statutory Accounting Principles (E) Working Group adopted SAP clarifications which update SSAP No. 108 references to be consistent with the *Valuation Manual*, Section 21 with a December 31, 2021, effective date, as detailed below. The adopted revisions included additional changes to the exposed language as recommended by a member of the Life Actuarial (A) Task Force.

**Adopted SSAP No. 108 revisions effective December 31, 2021:**

14. Deferred assets and deferred liabilities recognized under paragraph 13.b. shall be amortized using a straight-line method into realized gains or realized losses over a finite amortization period. The amortization timeframe shall equal the Macaulay duration of the guarantee benefit cash flows based on the VM-21 Standard Scenario Projection (new FN), but shall not exceed a period of 10 years.
New Footnote: The VM-21 Standard Projection benefit cash flows shall be based on the prescribed assumptions run for the scenario that produces the scenario reserve closest to conditional tail expectation (CTE) 70 (adjusted). The VM-21 Standard Projection with prescribed assumptions run is determined using the method (company specific market path (CSMP) or conditional tail expectations with prescribed assumptions (CTEPA)) applied by the reporting entity to calculate the prescribed projections amount. For the CSMP method, the economic scenario is Path A, with the guarantee benefit cash flows from the run to calculate Prescribed Amount A. For the CTEPA method, the economic scenario is the scenario that produces the scenario reserve closest to the CTE70 (adjusted) from the stochastic reserve calculation, with the guarantee benefit cash flows from the VM-21 Standard Projection with prescribed assumptions run for this economic scenario. The discount rate for the Macaulay duration calculation shall be equal to the valuation interest rate specified by the Standard Valuation Law for annuities valued on an issue year basis, using Plan Type A and a Guarantee Duration greater than 10 years but not more than 20 years.

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February 18, 2022

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: Items Exposed for Comment by the Statutory Accounting Principles Working Group on December 11, 2021 with Comments due February 18

Dear Mr. Bruggeman:

Interested parties appreciate the opportunity to comment on the exposure drafts released for comment by the NAIC Statutory Accounting Principles (E) Working Group (the Working Group).

We offer the following comments:

**Ref #2019-21: Proposed Bond Definition**

Pursuant to the direction from the Working Group in October 2020, a small group of regulators and industry have been meeting regularly to draft a bond definition for consideration. The intent of this project is to clarify what should be considered a bond (whether captured in SSAP No. 26R—Bonds or SSAP No. 43R—Loan-Backed and Structured Securities) and reported on Schedule D-1: Long-Term Bonds. This exposure is specific to the proposed bond definition included in the exposed Form A, along with the glossary (page 5) and appendices (pages 6-12), but comments on future developments (such as reporting changes, accounting and reporting guidance for items that do not qualify as bonds, transition guidance, etc.) may also be submitted to assist in the development of these items.

Interested parties appreciate the collaborative effort, between NAIC staff, regulators and interested parties, on this significant and complex project. We note this exposure includes the following three separate and distinct components for which we will provide comments:

1) Sufficiency Discussion – Concept (Attachment N),
Interested parties are supportive of the proposed refinements to the sufficient credit enhancement concept. Interested parties believe the clear articulation of the intent of the required substantive credit enhancement provides for a more understandable and workable proposed bond definition. Likewise, interested parties are supportive of the revised examples, where the new substantive credit enhancement concept has been incorporated.

Interested parties also offer the following comments on the various possible reporting options for Schedule D-1.

1. Reporting Lines:

   With the principles-based bond definition, it is recommended that more granular reporting lines be established to capture investments in scope of SSAP No. 26R and SSAP No. 43R. From preliminary assessments, the current general categories are not used for analytical assessments / reports except for U.S. Govt – Full Faith and Credit. As such, this document proposes to replace the current general categories with the inclusion of more useful reporting lines based on the type of investment.

   Exposure Request Detail provided on pages 2-5:

   1. Information is requested on the potential removal of the general categories and whether the elimination would impact any tools or analyses currently performed.
      - Interested parties have no concerns currently with the proposed removal of the general categories.

   2. Information is requested on the proposed reporting lines and whether additional categories would be beneficial. (Note – The proposal suggests dedicated reporting lines for certain securities that are now identified by codes. Comments on this approach are requested.)

      - Interested parties note that one of the challenges with the current Schedule D reporting categories and/or columns is ambiguity which leads to inconsistent reporting among companies. Interested parties recommends working together to ensure the instructions are clear and unambiguous to help prevent this problem with the new reporting schedules. This will benefit both companies and regulators.

      - Interested parties would like a better understanding of the unaffiliated/affiliated split of certain rows in the proposal; for example, are the rows not labelled with ‘Affiliated’ implied to be ‘Unaffiliated’? Or are the affiliated rows a subset of the former? Have you considered an alternative such as removing the lines identifying ‘Affiliated’ investments and utilizing a column to identify them instead? Blanks interested parties are suggesting that an Affiliated or Related Party indicator be utilized in a column for the investment schedules in the Blanks exposure 2021-22BWG (Related Party Reporting).
Since investments in GNMA are RBC exempt, we recommend that additional lines be added to the ABS section to accommodate these for ease of identification (e.g., US Government Residential Mortgage-Backed Securities; US Government Commercial Mortgage-Backed Securities).

Consider adding a new category in Issuer Credit Obligation for investments in Surplus Notes/Surplus Debentures which are currently reported on Schedule BA.

2. New Sub-Schedule D-1:

The bond project is currently proposing a new sub-schedule that details bond investments that have certain characteristics (e.g., ABS backed by financial assets that are not self-liquidating and ABS backed by cash-generating non-financial assets not captured within the practical expedient.)

Exposure Request:

1. Information is requested on how investments shall be categorized on this schedule.
   - Interested parties believe that the proposed ‘sub-schedule’ for Schedule D – Part 1 could be confusing, and the proposed data could be readily incorporated into electronic-only columns for the respective categories in the ‘Other Asset-Backed Securities’ section.
   - Clear instructions for each category under Other ABS will be extremely beneficial.

2. Information is requested on additional information / columns desired for these structures. Initial ideas that have been proposed include:
   a. Balloon payment as % of principal at acquisition
   b. Current loan-to-value
   c. PIK – Information on whether payment of interest is deferrable
   d. Amount of PIK interest to date
   e. Expected payoff date determined at acquisition
   f. Expected payoff date as of the financial statement date.

   - Currently, interested parties would support the proposed data elements for the ‘Other Asset-Backed Securities’ categories being reported in columns instead of in a ‘sub-schedule’. As changes to SSAP No. 26R and SSAP No. 43R are finalized for this project and further evaluation of these investments is done, modifications to the list may be warranted.
   - Interested Parties note that some of this data (e.g., Expected payoff date determined at acquisition) may not be readily available upon transition because it assumes a forward-looking analysis at a point in time that has already occurred (potentially decades in the past). Would a practical expedient be needed upon adoption to populate these types of fields?

3. Schedule D-1 Information:

As noted, with the change in reporting lines, it has been proposed a review of the columns and instructions also be considered. The following code columns have been potentially
identified.

- Column 3 – Code Column
- Column 5 – Bond Characteristics
- Column 26 – Collateral Type
- Column 34 – Capital Structure Code

Exposure Request– Detail provided on page 6:

1. Information is requested on whether other columns / reporting instructions should be clarified as part of the bond proposal project.
   - Interested parties are requesting additional time to address possible changes to the definitions of the columns indicated in the proposal. As rows are being changed, it could have a direct impact on what might be included in the columns as to minimize data redundancy.

2. Comments are welcome on the additional investment elements should be captured and/or whether certain elements are no longer beneficial to be captured. Potential elements related to asset-backed securities include:
   - Market Validation – This will be a code to identify situations where none of the issuance is owned by unrelated parties.
     - Currently, interested parties don’t have an issue with adding this field and we believe the answer could be either yes or no.
     - However, interested parties are not sure if the intent is to have the same meaning as the following – This will be a code to identify situations where all of the issuance is owned by related parties. If so, interested parties recommends removing the double negatives to be less confusing. If not, interested parties may not fully appreciate what is trying to be captured.
   - Participation in residual tranche (Y/N)
     - Interested parties aren’t sure how to respond to this question. Should the insurer respond Yes if it currently owns a residual tranche of the same securitization (e.g., residual issued from the same vehicle that issued the bond it invested in) or if they have ever owned a participation in the residual tranche?

Ref #2021-20: Effective Derivatives – ASU 2017-12

The Working Group moved this agenda item to the active listing, categorized as substantive, and directed NAIC staff to work with regulators and industry in assessing and developing revisions to facilitate effective hedge assessments consistently between U.S. GAAP and statutory accounting.

ASU 2017-12 provided targeted improvements to the existing GAAP hedge accounting framework that helps reduce some of the cost and complexity of applying hedge accounting and allows for additional hedging strategies that better align with an entity's risk management practices. Substantive changes that weren't initially adopted in SSAP No. 86 are addressing cross-currency basis spread as an excluded component, partial-term hedging for fair value
hedges, ability to use the benchmark interest rate component of contractual cash flows to calculate the change in fair value of the hedged item in fair value hedges, last-of-layer/portfolio layer method for fair value hedges, and hedges of interest rate risk when the hedged item can be settled before scheduled maturity. Additionally, we are proposing clarifications to existing SSAP No. 86 for the accounting of forward points as an excluded component for currency forwards. Please refer to the attached appendix for proposed mark-ups to SSAP86 for these changes.

Summary of changes proposed to SSAP No. 86:

1. **Clarifications for the accounting of forward points as an excluded component for FX forwards** – Currently there is implicit inconsistency between paragraph 40 and Exhibit C for forward points as excluded components; this results in accounting that doesn’t align with companies’ risk management strategies. Application of the guidance in Paragraph 40 for a FX forward in an effective hedge relationship with an excluded component results in an impact to Surplus that is the same as if hedge accounting had not been applied. We propose resolving this matter by explicitly allowing the guidance in Exhibit C to be applied regardless of whether a component of the derivative is excluded from the assessment of effectiveness. When forward points are an excluded component from the assessment of hedge effectiveness, the forward points would be amortized into income. This would allow for the execution of FX forward effective hedge relationships, which interested parties would consider sound risk management strategies, to receive an accounting treatment that is more favorable relative to hedge accounting not being applied.

2. **Adding cross-currency basis spread as an excluded component** – We propose adding cross-currency basis spread as an excluded component. Doing so better aligns hedge accounting with companies’ risk management strategies, aligns the accounting for FX swaps where the cross-currency basis spread is an excluded component with the proposed accounting for FX forwards where forward points are an excluded component, and brings consistency between U.S. GAAP and Statutory accounting. Changes in the fair value of cross-currency basis spread have historically resulted in a less effective hedge or ineffective hedge because there is no corresponding offset in the hedged item. Excluding the cross-currency basis spread from the assessment of hedge effectiveness is beneficial for fair value hedges of foreign-denominated assets and liabilities. When the value of the cross-currency basis spread is excluded from the assessment of effectiveness, based on proposed changes to Paragraph 40 and Exhibit C, the excluded component would be held at amortized cost. With FX forwards, forward points as excluded components need to be amortized to be recognized in income. For FX swaps, the value of the cross-currency basis spread is embedded in the coupon payments of the swap, so the value is recorded in income each period through the typical swap accrual process.

3. **Adding ability to designate partial-term for fair value hedges** – We propose adding partial-term hedging for fair value hedges because it better aligns hedge accounting with companies’ risk management strategies for managing interest rate risk and brings consistency between U.S. GAAP and Statutory accounting. Currently SSAP No. 86 requires that the full contractual cash flows of the entire hedged item must be used to
calculate the change in the hedged item’s fair value attributed to the benchmark interest rate. With partial term an entity may designate only certain consecutive interest payments of a financial instrument as the hedged item and assume that the principal payment occurs at the end of the hedge term. Partial-term hedging allows entities to calculate the change in the fair value of the hedged item using an assumed term that begins when the first hedged cash flow begins to accrue and ends when the last hedged cash flow is due and payable. When using full contractual cash flows to calculate the change in the hedged item's fair value attributed to changes in the benchmark rate, it can be difficult to achieve a highly effective hedge because the hedging instrument and the hedged item would react differently to changes in interest rates since the principal repayment occurs on different dates.

4. **Adding alternative to use the benchmark interest rate component of contractual cash flows to calculate the change in the fair value of the hedged item in fair value hedges** – We propose adding an alternative to use the benchmark interest rate component of contractual cash flows to calculate the change in the fair value of the hedged item in fair value hedges because it better aligns hedge accounting with companies’ risk management strategies for managing interest rate risk and brings consistency between U.S. GAAP and statutory accounting. Currently SSAP No. 86 requires that the full contractual cash flows of the entire hedged item be used to calculate the change in the hedged item’s fair value attributed to the benchmark interest rate. Calculating the change in fair value using only the benchmark rate component instead of the entire coupon may better reflect how an entity manages interest rate risk. In addition, it will provide a greater degree of offset between the changes in the fair values of the hedging instrument and the hedged item. Generally, the benchmark rate being hedged and the fixed rate on the hedging swap will match if the swap is “at-market” and executed at the inception of the hedging relationship.

5. **Adding last-of-layer/portfolio layer method for fair value hedges** – We propose adding last-of-layer/portfolio layer method for fair value hedges because it better aligns hedge accounting with companies’ risk management strategies for managing interest rate risk and brings consistency between U.S. GAAP and statutory accounting. Last-of-layer allows entities to designate as the hedged item the last dollar amount of a closed portfolio of prepayable financial assets, or one or more beneficial interests in a portfolio of prepayable financial instruments. When using this approach, it is assumed that as prepayments occur, they are first applied to the portion of the closed portfolio that are not part of the designated layer. At inception and on each assessment date, the entity would need to determine that the designated layer is expected to be outstanding until the end of the hedge. This approach simplifies the rigid nature of the similar asset test required for portfolio hedging for fair value hedges by allowing the ability to assess qualitatively instead of quantitatively by combining the partial-term fair value hedge election and the election to measure changes in the hedged item by using the benchmark rate component of the contractual coupon cash flows. This makes achieving hedge accounting for a portfolio of prepayable fixed rate assets easier. The similar asset test requirement for portfolio hedges often makes it difficult, if not impossible, for a group of disparate fixed-rate assets to qualify to be hedged on a portfolio basis. The FASB currently has tentative
conclusions for updates to last-of-layer method, so we will need a scope limitation to maintain consistency with GAAP. For example, last-of-layer would only be applicable to closed portfolios of assets, and companies would be prohibited from designating closed portfolios of liabilities.

6. **Adding hedges of interest rate risk when the hedged item can be settled before scheduled maturity** – We propose adding the ability to elect to only consider how changes in the benchmark rate affects the decision to prepay the instrument when it assesses hedge effectiveness and measures the change in the hedged item’s value attributable to the hedged risk because it better aligns hedge accounting with companies’ risk management strategies and brings consistency between U.S. GAAP and statutory accounting. If an entity makes this election, it does not consider how other factors (e.g. credit risk) might affect the decision to prepay the financial instrument.

**Ref #2021-21: Related Party Reporting**

The Working Group moved this agenda item to the active listing, categorized as nonsubstantive, and exposed revisions to SSAP No. 25 and SSAP No. 43R, as illustrated in the proposal, to clarify application of the existing affiliate definition and incorporate disclosure requirements for all investments that involve related parties, regardless of whether or not they meet the affiliate definition (“the Related Party Exposure”). In addition, draft annual statement reporting revisions were also exposed, in anticipation of incorporating those revisions into a Blanks (E) Working Group proposal.

Interested parties appreciate NAIC staff meeting with industry to better understand the regulatory concerns and intent of this proposal.

The Related Party Exposure has the following two main goals:

1. Clarify the reporting of affiliate transactions within existing reporting lines in the investment schedules. This clarification intends to be consistent with the definition of an “affiliate” pursuant to the Insurance Holding Company System Regulatory Act (Model #440), SSAP No. 25—Affiliates and Other Related Parties and SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated (SCA) Entities.

2. Incorporate new reporting requirements for investment transactions with related parties. Pursuant to recent discussions, regulators desire additional information on investment transactions involving related parties, regardless of whether the related party is “affiliated” pursuant to Model #440. To preserve the affiliate definition and reporting categories, these additional proposed reporting elements will be captured outside of the current affiliate reporting requirements.

To accomplish these goals, the Related Party Exposure proposes to make changes to SSAP No 25 - Affiliates and Other Related Parties and SSAP No. 43R - Loan-backed and Structured Securities. We understand that one of the goals of the proposal is to identify investments that are originated, managed, sponsored or serviced (referred to as managed by affiliates for the
remainder of this letter) by an affiliate or related party of the insurer. Interested parties agree that this information can be useful for the regulators, but we believe that it is critical to differentiate investments where there is direct credit exposure to an affiliate from those investments that are only managed by affiliates with no underlying credit exposure to the affiliate or related parties of the insurer. The affiliate reporting distinction is very important for a number of reasons, including but not limited to the following:

a. **Rating Agencies** – Interested parties understand that the rating agencies may apply a higher risk factor to affiliated assets as there is a presumption that anything reported as affiliated has credit risk exposure to an SCA of the insurer.

b. **NAIC Designations** – Affiliated debt investments where there is credit exposure to an SCA of the insurer have to be filed with the SVO to obtain an NAIC designation. Affiliated equity investments in SCAs reported on Schedule D also require filing to confirm their reporting value on Schedule D. Debt investments in CLOs/CDOs that are managed by affiliates but that do not have any credit exposure to an affiliate are filing exempt because they are not deemed affiliated.

Our comments to the proposed changes to SSAP No. 25 and SSAP No. 43 are provided below:

1. **Removal of references to U.S. GAAP guidance from SSAP No. 25** - Interested parties agree with removing the U.S. GAAP reference to FASB Interpretation No. 35 as we agree that the statutory guidance uses a different threshold than US GAAP to determine if significant influence exists over an investee. In addition, the SSAP No. 25 guidance already includes a number of scenarios to rebut the presumption of control, which are similar to the examples provided in the GAAP guidance.

2. **The Working Group’s Proposed changes to SSAP No. 25 to add the following new paragraph:**

   “For entities not controlled by voting interests, such as limited partnerships, trusts and other special purpose entities, control may be held by a general partner, servicer, or by other arrangements. The ability of the reporting entity or its affiliates to direct the management and policies of an entity through such arrangements shall constitute control as defined in paragraph 6. Additionally, a reporting entity or its affiliates may have indirect control of other entities through such arrangements. For example, if a limited partnership were to be controlled by an affiliated general partner, and that limited partnership held greater than 10% of the voting interests of another company, indirect control shall be presumed to exist. If direct or indirect control exists, whether through voting securities, contracts, common management or otherwise, the arrangement is considered affiliated under paragraph 5. Consistent with paragraph 8, a disclaimer of affiliation does not eliminate a “related party” distinction or disclosure requirements for material transactions pursuant to SSAP No. 25.”

We understand from conversations with staff that this paragraph is meant to clarify the guidance in paragraph 7 of SSAP No. 25 and paragraph 6 of SSAP No. 97- Investments
in Subsidiary, Controlled and Affiliated Entities. That guidance requires that investments in limited partnerships and other similar entities (i.e. investment funds) that are managed by a general partner that is affiliated to the insurer and where the insurer owns more than 10% of the investment fund’s equity be reported as affiliated investments.

Interested parties understand that the current SSAP No. 25 and SSAP No. 97 guidance already require equity investments in limited partnerships and similar entities to be reported as affiliated if the insurer owns more than 10% of the equity of the limited partnership and the insurer is affiliated to the general partner or managing member for limited liability company structures. One thing to note is that even if the insurer is affiliated to the general partner, the insurer would usually not have any credit exposure to its affiliates in these structures as the underlying assets of the investment fund are usually held with unrelated parties. For this reason, interested parties note that there is a diversity in practice in the reporting of these investment funds on Schedule BA, with some insurers reporting these investments in the affiliated section of Schedule BA and others reporting these investments as unaffiliated. If the intent is to report these types of equity investments as affiliated when the presumption of control cannot be overcome, this will require some reporting changes by some insurers.

In regard to debt investments in investment funds or securitization vehicles managed by the insurer affiliates or related parties as well as mortgage loans managed by affiliates, we note that most insurers currently report those investments as unaffiliated on Schedule D, Schedule BA and Schedule B if there is no underlying credit exposure to affiliates of the insurer. Interested parties would like to highlight again that just because the insurer is affiliated with the manager or servicer of an investment vehicle such as a securitization, if the underlying assets in the structure do not have affiliated credit exposure, the investment itself should not be reported as affiliated as that would not be accurate reporting. See further comments on the SSAP No. 43R proposed changes in item No. 4 below.

The new proposed paragraph also includes a look-through requirement of these investment funds to identify instances where the investment fund owns more than 10% of the common stock of its underlying investees. Interested parties have concerns with this look-through review. Doing a look-through of the underlying investments of investment funds managed by affiliates of the insurer could potentially create a very significant operational burden that may have little or no benefit. The reason why there is potentially little benefit to this is because if these investment funds have purchased an equity investment that represents more than 10% but less than 50% of the voting stock of one of their investees, this would almost never give control to the investment fund. For most entities capitalized with common stock (i.e. voting entities), the parties that control are the ones that own more than 50% of the voting shares. If the Working Group feels that this look-through is necessary, interested parties will need time to get this process implemented. Interested parties believe that the earliest this look-through requirement can be implemented is for year-end 2023 as time will be needed to set up a process with all affiliated funds so that the funds provide a listing of underlying equity investments in
other entities along with the percentage ownership. In addition, we suggest some wording changes, as shown below in the underlined text to the new paragraph, to link the new paragraph back to the examples in paragraph 7 to incorporate the examples of when the presumption of control can be overcome:

“For entities not controlled by voting interests, such as limited partnerships, trusts and other special purpose entities, control may be held by a general partner, servicer, or by other arrangements. The ability of the reporting entity or its affiliates to direct the management and policies of an entity through such arrangements shall constitute control as defined in paragraph 6. Additionally, a reporting entity or its affiliates may have indirect control of other entities through such arrangements. For example, if a limited partnership were to be controlled by an affiliated general partner, and that limited partnership held greater than 10% of the voting interests of another company, indirect control shall be presumed to exist unless the presumption of control can be overcome as detailed in paragraph 7. If direct or indirect control exists, whether through voting securities, contracts, common management or otherwise, the arrangement is considered affiliated under paragraph 5. Consistent with paragraph 8, a disclaimer of affiliation does not eliminate a “related party” distinction or disclosure requirements for material transactions pursuant to SSAP No. 25.”

Interested parties also ask for clarification regarding what the implications are of identifying an underlying investee of an investment fund as an affiliate. We believe that any other transactions carried out with the indirect affiliate need to be disclosed in the related party footnote, but we are unclear as to the impacts to Schedule Y and any other reporting schedules. The unit of account in this case would be the direct investment in the affiliated investment fund, not the underlying investments of the investment fund. It is not clear to us whether the indirect affiliates would also need to be reported on Schedule Y and/or any other reporting schedules.

3. Proposed changes under paragraph 6 (a) of SSAP No. 43R regarding insurers’ investments in securitization vehicles where the underlying assets of the securitization predominantly relate to assets with credit exposure to affiliates/related parties of the insurer – Interested parties agree that when the insurer has credit exposure to its SCAs, even if there are intermediaries as part of the transaction, such investment should be reported as affiliated in the investment schedules.

4. Proposed changes to SSAP No. 43R to clarify that investments managed by affiliates are viewed as affiliated even if the underlying assets in the structure do not have any credit exposure to an affiliate - Many insurers own asset management subsidiaries which manage securitization transactions. There is no question that the asset manager itself is an SCA of the insurer and such asset managers are reported on Schedule Y as affiliates of the insurer. However, when any debt tranches purchased from those securitization vehicles do not have any credit exposure to SCAs of the insurer, the debt tranches are not reported in the affiliated section of Schedule D even if the securitization vehicle is managed by an affiliate.
It is very important to interested parties that this distinction is understood for Schedule D bond investments. Schedule D bond investments should not be reported as affiliated if they do not have credit exposure to SCAs of the insurer.

We understand from conversations with NAIC staff that this clarification is not intended to change the reporting lines in which investments are currently reported. The expectation is that these investments will now have a new code that will identify these investments as being managed by a related party of the insurer but have no credit exposures to related parties.

Interested parties agree with adding new codes to differentiate investments that are simply managed by a related party (including SCAs) from those that in fact have credit exposure to a related party (including SCAs) of the insurer. See further comments to the proposed codes in item 5 below.

5. Proposed annual statement changes to add a new electronic-only column to the investment schedules to identify investments involving related parties – Interested Parties have no objection to the proposed new codes to specify the type of relationship with the manager/sponsor/servicer of an investment vehicle. However, we offer the following comments to provide better clarity as to the applicability of the codes:

   a. Most if not all of an insurer’s general account investments are managed by an affiliated asset manager. The affiliated asset manager makes decisions as to when to buy and sell a specific investment, including reviewing the investment for potential credit losses. We do not believe that it is the intent of the proposal to flag all investments as affiliated only because an affiliated asset manager makes investment decisions over the investment. Insurers already report their relationship with affiliated asset managers in the related party footnote. We believe that the intent of this proposal is to identify investment vehicles that are managed by related parties (including SCAs) as well as investments with direct exposure to related parties (including SCAs) of the insurer. To that end, we believe the codes would predominantly apply to the following types of investments:

      i. CLOs/CDOs or special purpose entities set up to create a securitization vehicle that are managed by related parties (including SCAs) of the insurer.

      ii. Mutual funds/ETFs and other similar funds where the asset manager is a related party of the insurers (including SCAs of the insurer).

      iii. Limited partnerships, limited liability companies or trusts set up as investment vehicles where the general partner or managing member is a related party of the insurer (including SCAs of the insurer).

      iv. Debt and equity investments in affiliates where there is direct credit risk exposure to a related party (including SCAs of the insurer).
b. Codes 2, 3 and 4 of the Related Party Exposure refer to “securitizations and other similar investments” which may imply to some that the codes only apply to Schedule D assets since Schedule D is where debt investments in securitizations are reported. If the codes are expected to apply to all investment vehicles, perhaps the wording can be made clearer by saying “securitizations and other investment vehicles such as mutual funds, limited partnerships and limited liability companies.”

Ref #2021-22: Schedule D-6-1, Supplemental Reporting

The Working Group moved this item to the active listing and exposed proposed revisions to be incorporated into a Blanks (E) Working Group proposal which would supplement the reporting of SCA investments reported in Schedule D-6-1, as illustrated in the proposal. The supplemental electronic data to be captured is consistent with current requirements in SSAP No. 97 and as a result, the agenda item did not propose statutory accounting revisions.

Interested parties have the following observations regarding this proposal:

- The nature of the NAIC valuation adjustments can be broad and include a range of possibilities. But in looking back to the reductions from the 2020 filings, there are notes for items such as: going concern, lack of audit, audit not provided in English, lack of a U.S. GAAP reconciliation, or other errors, etc. It appears that the most prevalent, by far, is a reduction to match the equity reflected in the audit.

- The adjustment is not intended to match the approved amount, but to adjust subsequent valuations to reflect the current equity that factors in the noted adjustment / issue by NAIC staff from the filing submission. For example, if an insurer didn’t adjust for a surplus note, and staff adjusted their approved year end value to remove the surplus note, the insurer should make sure that a similar adjustment is reflected going forward when reporting the current equity amount.

- In addition, since this is gathering prior year information, we note that regulators will be able to easily identify significant swings in equity values for any particular SCA.

In summary, interested parties recommend that there be a formal process for communicating the adjustment to the state of domicile and a clearly articulated instruction for how the adjustment is to be reported to ensure that the adjustments are communicated to insurers by the state of domicile and that insurers clearly understand how the adjustments are to be reflected.

Ref #2021-23: SSAP No. 43R – Financial Modeling – Updated Guidance

The Working Group moved this agenda item to the active listing, categorized as nonsubstantive, and exposed two options for possible revision, as illustrated in the proposal, to update the summarized financial modeling guidance in SSAP No. 43R. The first option will retain existing guidance, with updates to reflect Valuation of Securities (E) Task Force adopted edits. The
second option removes the summarized financial modeling guidance and refers users to the Purposes and Procedures Manual of the NAIC Investment Analysis Office, which is the source document for financial modeling guidance.

Interested parties support option one as presented in the exposure. While there are advantages and disadvantages to each option, option 1 provides meaningful holistic view of how these securities are treated in one spot, and without reference to the P&P manual, which we believe will be useful for financial and annual statement preparers. Interested parties note the following grammatical error in paragraph 27 a – third sentence (tracked changed suggestion):

“For a modeled non-legacy security, meaning one which closed after December 31, 2012, the NAIC designation and NAIC designation category assigned by the NAIC Securities Valuation Office must be used.”

Ref #2021-24: General Interrogatory for Cryptocurrencies

The Working Group moved this item to the active listing and exposed proposed revisions to be incorporated into a Blanks (E) Working Group proposal to add a new general interrogatory to the annual blanks, requiring disclosure of when cryptocurrencies are directly held or permitted for the remittance of premiums. This agenda item did not propose statutory revisions.

Interested parties have no comment on this item.

Ref #2021-25: Leasehold Improvements After Lease Termination

NAIC staff received a question about the treatment of leasehold improvements in situations where a leased property is purchased by the lessee during the lease term and noted that there is no explicit guidance for these situations in SSAP No. 19—Furniture, Fixtures, Equipment and Leasehold Improvements nor SSAP No. 73—Health Care Delivery Assets and Leasehold Improvements in Health Care Facilities. In these scenarios, it was identified that the reporting entity had acquired the property that was initially subject to a lease; however regardless of the scenario, amortization of leasehold improvements is only permitted over the shorter of the estimated useful life of the improvement or the lease term (as defined in SSAP No. 22R). In a normal lease termination, one where the lessee does not acquire said property, any remaining leasehold improvements shall be immediately expensed. This agenda item has been drafted to clarify this guidance, to eliminate future questions and ensure consistent application.

Interested parties agree that, in most cases, unamortized lessee owned leasehold improvements should be immediately expensed if the lease is terminated. However, in the situation where the reporting entity purchases a property that it was previously leasing, the immediate expensing may not be appropriate in all circumstances.

SSAP No. 19, Furniture, Fixtures, Equipment and Leasehold Improvements, paragraph 4 defines leasehold improvements as (bolded for emphasis) “lessee expenditures that are permanently attached to an asset” that a reporting entity is leasing under an operating lease.”
In defining this issue, NAIC Staff referred to paragraphs 18 and 31 of SSAP No. 40R, Real Estate Investments, which relate to the sale of real estate. Within the guidance of these paragraphs, it is emphasized by Staff that the sale of real estate includes property improvements or integral equipment, which are defined as any physical structure or equipment attached to the real estate that cannot be removed and used separately without incurring significant costs, such as an office building. Interested parties agree if a reporting entity sells real estate, the asset, including property improvements and integral equipment, should be derecognized and a gain or loss on the sale be realized. However, as noted above, this issue relates to when a reporting entity acquires, not sells, a property that it was leasing.

SSAP No. 40R paragraph 8 states (bolded for emphasis), “The cost of real estate represents the fair value of the consideration exchanged plus any costs incurred to place the real estate asset in usable condition, including but not limited to, brokerage fees, legal fees, demolition, clearing and grading, fees of architects and engineers, any additional expenditures made for equipment and fixtures that are made a permanent part of the structure…” Therefore, under SSAP No. 40R, leasehold improvements are admitted assets.

The proposed revisions to SSAP No. 19 and SSAP No. 73 both state (bolded for emphasis; italics to denote reference to the appropriate party acquiring the leased real estate):

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) lessor. If leased real estate is acquired, recognition of the real estate shall follow the provisions in SSAP No. 40R—Real Estate Investments.

It is noted in the Staff Recommendation that “[i]t is presumed that the purchase of a property from a third party would include the leasehold improvements as part of the full purchase price.” Under this presumption it is logical that the previously recognized leasehold improvements should be immediately expensed, otherwise, the reporting entity would be double counting the assets and related expense. In practice, however, interested parties generally believe this to be an unlikely scenario.

Lease agreements with purchase options can be complex and structured in a myriad of ways depending on how the reporting entity lessee negotiated with the lessor. There may be circumstances that the reporting entity negotiates a reduced price to acquire the real estate formerly leased to compensate for the permanent improvements it previously made. In other situations, the sales price is determined based on the then current fair or appraised value. In this situation, the lessee and lessor will engage a third-party appraiser to establish the sales price. Appraisers generally use the cost, sales comparison, or income approaches to establish the value. Generally, those approaches may not contemplate the specific lessee owned leasehold improvements unless those improvements generate material utility (e.g., expansion of the building itself, or in a ground lease, land improvements or a constructed building, etc.). Accordingly, the reporting entity would not be including in the cost of the acquired real estate
any additional expenditures made for equipment and fixtures that are made a permanent part of the structure as required/allowed by SSAP No. 40R if the amendments to SSAP No. 19 and 73 require them to be written off at acquisition.

Additionally, interested parties believe it would generally be economically punitive to a reporting entity to provide consideration to purchase a leased asset to the landlord (seller) that includes significant costs that the reporting entity lessee already incurred for the leasehold improvements. Also, many States require material purchases of real estate (particularly for HMOs) to be approved by the Department of Insurance. Barring any unique circumstances, it is unlikely a regulator would approve a transaction that requires the reporting entity to pay additional amounts to a lessor for costs its already incurred.

Interested parties are also concerned with the additional complexity the exposure draft will add in applying SSAP No 22R versus ASC 842 for GAAP. As it stands today, there is already a cost basis difference between GAAP and SAP when purchasing the underlying leased asset. SSAP No 22R implies that any deferred rent liability upon termination of a lease would be adjusted off to the P&L (i.e., a gain). For GAAP under ASC 842, any remaining lease liability upon purchase of the leased asset is adjusted to the cost basis of the asset (i.e., effectively deferring the gain) along with the unamortized portion of the lessee owned leasehold improvements. Expensing unamortized leasehold improvements in all circumstances for terminated leases for SAP creates further cost basis differences that will artificially and significantly distort earnings and will be extremely difficult to operationalize.

It is also worth noting that for some interested parties, external auditors and regulators have audited these transactions and have been comfortable that duplication is not occurring.

Interested parties suggest that the following amendments be revised guidance of SSAP No. 19 and 73:

The amortization of leasehold improvements (including property improvements and integral equipment) shall cease, with any remaining amount immediately expensed, in any events in which the lease is terminated in advance of the lease term. When leased real estate is purchased by the reporting entity lessee resulting in termination of the lease, any unamortized lessee owned leasehold improvements should be added to the cost basis of the acquired real estate and recognized in accordance with SSAP No. 40R—Real Estate Investments. Any unamortized leasehold improvements owned by the reporting entity lessee that have no future economic benefit upon purchase of the leased real estate asset or those included in the purchase price of the acquired real estate should be immediately expensed. This includes situations in which leased real estate is acquired by the reporting entity lessor. If leased real estate is acquired, recognition of the real estate shall follow the provisions in SSAP No. 40R—Real Estate Investments.

Ref #2021-26EP: Editorial and Maintenance Update

The Working Group moved this item to the active listing, categorized as nonsubstantive, and
exposed revisions to certain, remaining terminology references of “substantive” and “nonsubstantive,”

In response to an Aug. 14 referral from the Financial Condition (E) Committee, the edits are proposed to update the terminology references of “substantive” and “nonsubstantive,” which have historically been used to describe statutory accounting revisions being considered by the Working Group to the NAIC Accounting Practices & Procedures Manual. The Committee recommended terminology updates to alleviate concerns that users who are not familiar with the historical definitions of these terms may incorrectly perceive that the terms reflect potential financial impact rather than their intended definitions.

Accordingly, where applicable, the current concept/term of:

1) a “substantive” revision is proposed to be replaced with the phraseology of a “New SAP or New SAP concept in an existing SSAP,” and,
2) a “nonsubstantive” revision is proposed to be replaced with the phraseology of a “SAP clarification.”

Interested parties agree that the distinction between substantive (proposed to change to “development of new SSAPs or New SAP Concepts in an Existing SSAPs”) and non-substantive (proposed to change to “Development of SAP Clarifications”) can be confusing and that there would be more clarity in the development process if the distinction were eliminated.

Instead, we recommend that all new standards be handled similarly but that the effective date for each new standard be determined by evaluating the complexity of implementation (e.g., the extent that systems or process changes are required) and the availability of data to insurers to implement the new standard. This determination would be made as guidance is completed and with feedback from industry as to the time needed to adopt proposed reporting and/or disclosure.

**Ref #2021-27: ASU 2021-04 - Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options**

The Working Group moved this agenda item to the active listing, categorized as nonsubstantive, and exposed revisions, as illustrated in the proposal, to incorporate guidance related to the accounting for the changes in fair value when exchanging equity-classified written call options, while rejecting the remainder of ASU 2021-04 in SSAP No. 72.

Interested parties have no comment on the approach taken in the exposed revisions but recommend that the revisions be expanded to provide more detail to clarify what guidance from GAAP is adopted and what is not (similar to the description generally provided in an SSAP).

**Ref #2021-28: ASU 2021-03, Intangibles – Goodwill and Other (Topic 350) – Accounting Alternative for Evaluating Triggering Events**

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to SSAP No. 68—Business Combinations and Goodwill to reject ASU 2021-
03, Intangibles – Goodwill and Other (Topic 350) – Accounting Alternative for Evaluating Triggering Events for statutory accounting.

Interested parties have no comment on this item.

Ref #2021-29: ASU 2021-05 - Leases (Topic 842), Lessors—Certain Leases with Variable Lease Payments

The Working Group moved this agenda item to the active listing, categorized as nonsubstantive, and exposed revisions to reject ASU 2021-05 in SSAP No. 22R.

Interested parties have no comment on this item.

Ref #2021-30: ASU 2021-06—Amendments to SEC Paragraphs in Topic 205, Topic 942 and Topic 946

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to Appendix D—Nonapplicable GAAP Pronouncements to reject ASU 2021-06 as not applicable to statutory accounting.

Interested parties have no comment on this item.

* * *

Thank you for considering interested parties’ comments. If you have any questions in the interim, please do not hesitate to contact us.

Sincerely,

D. Keith Bell                    Rose Albrizio

cc: NAIC staff
    Interested parties

https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/2022 naic meetings/spring national meeting/committee meetings/financial condition (e) committee/accounting practices and procedures (e) tf/sapwg/1c_cmt ltrs/dkb2358 final.docx
APPENDIX

Suggested Modification to SSAP 86 for Discussions Related to FX Hedging / Excluded Components

Proposed Modifications to the Main Body of SSAP No. 86

40. The gain or loss on a derivative designated as a hedge and assessed to be effective is reported consistently with the hedged item. If an entity’s defined risk management strategy for a particular hedging relationship excludes a specific component of the gain or loss, or related cash flows, on the hedged derivative from the assessment of hedged effectiveness (as discussed in Exhibit B), that excluded component of the gain or loss shall be recognized in accordance with Appendix C, as an unrealized gain or loss. For example, if the effectiveness of a hedge with an option contract is assessed based on changes in the option’s intrinsic value, the changes in the option’s time value would be recognized in unrealized gain or losses. Time value is equal to the fair value of the option less its intrinsic value.

Proposed Modifications to Exhibit B

2. In defining how hedge effectiveness will be assessed, an entity must specify whether it will include in that assessment all of the gain or loss on a hedging instrument. As discussed in paragraph 33, this statement permits (but does not require) an entity to exclude all or a part of the hedging instrument’s time value from the assessment of hedge effectiveness, as follows:

a. If the effectiveness of a hedge with an option contract is assessed based on changes in the option’s intrinsic value, the change in the time value of the contract would be excluded from the assessment of hedge effectiveness.

b. If the effectiveness of a hedge with an option contract is assessed based on changes in the option’s minimum value, that is, its intrinsic value plus the effect of discounting, the change in the volatility value of the contract would be excluded from the assessment of hedge effectiveness.

c. If the effectiveness of a hedge with a forward or futures contract is assessed based on changes in fair value attributable to changes in spot prices, the change in the fair value of the contract related to the changes in the difference between the spot price and the forward or futures price would be excluded from the assessment of hedge effectiveness.

d. If the effectiveness of a hedge with a foreign currency swap is assessed based on changes in fair value attributable to changes in spot rates, only the change in value of the foreign currency notional amount due to fluctuations in spot prices would be included in the assessment of effectiveness.

In each circumstance above, changes in the excluded component would be recognized in accordance with Appendix C, as an unrealized gain or loss. As noted in paragraph 1 of this Exhibit, the effectiveness of similar hedges generally should be assessed similarly; that includes whether a component of the gain or loss on a derivative is excluded in assessing effectiveness. No other components of a gain or loss on the designated hedging instrument may be excluded from the assessment of hedge effectiveness.

Proposed Modifications to Exhibit C

2. Swaps, Collars, and Forwards (see also discussion to Introduction above)

b. Statement Value

iii. Open foreign currency swap and forward contracts hedging foreign currency exposure on items denominated in a foreign currency and translated into U.S. dollars where fair value accounting is not being used.
(a) **For forward contracts.** The foreign exchange premium (discount) on the currency contract shall be amortized into income over the life of the contract or hedge program. The foreign exchange premium (discount) is defined as the foreign currency (notional) amount to be received (paid) times the net of the forward rate minus the spot rate at the time the contract was opened.

Amortization is not required if the contract:

1) was entered into within a year of maturity; or
2) is a foreign currency swap. For foreign currency swaps, the equivalent of a forward contract’s premium (discount) is the cross-currency basis spread, which is amortized into income through the foreign currency swap’s periodic interest accruals.

(b) A foreign currency translation adjustment shall be reflected as an unrealized gain/loss (unassigned funds (surplus) adjustment) using the same procedures as done to translate the hedged item;

(c) The unrealized gain/loss for the period equals the foreign currency (notional) amount to be received (paid) times the net of the current spot rate minus the prior period end spot rate;

(d) The statement value of the derivative equals:

1) **For forward contracts,** the amortized (premium) discount plus the cumulative unrealized gains/(loss) on the contract.
2) **For foreign currency swaps,** the cumulative unrealized gains/(loss) on the contract. Amortization of the cross-currency basis spread is recorded on the balance sheet as Receivables (Payable) for Investment Income Due & Accrued or Other Liabilities, as a component of the foreign currency swap’s periodic interest accrual.

The cumulative unrealized gain/(loss) equals the foreign currency (notional) amount to be received (paid) times the net of the current spot rate minus the spot rate at the time the contract was opened.

(e) Recognition of unrealized gains/losses and amortization of foreign exchange premium/discount on derivatives hedging forecasted transactions or firm commitments shall be deferred until the hedged transaction occurs. These deferred gains/losses will adjust the basis or proceeds of the hedged transaction when it occurs;

(f) For hedges where the cost of the foreign currency contract is combined with the hedged item, the statement value on Schedule DB is zero. The fair value of the derivative and hedged item shall be determined and reported separately, either individually or in the aggregate;

(g) If during the life of the currency contract it or a designated portion of the currency contract is not effective as a hedge, the hedge relationship shall be discontinued and the derivative shall be recorded at fair value pursuant to paragraph 22—valuation at amortized cost shall cease. To the extent it ceased to be an effective hedge, a cumulative unrealized gain/loss (surplus adjustment) will be recognized equal to the difference between the carrying value of the derivative on the balance sheet (at the time of de-designation) and the fair value of the derivative (at the time of de-designation) notional amount or designated notional amount times the difference between the forward rate available for the remaining maturity of the contract (i.e., the forward rate as of the balance sheet date) and the forward rate at the time it ceased to be an effective hedge.
Proposed changes to Reporting

Updated to SSAP 86.62.vi:

86.62.vi 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;

The change in fair value of derivative components excluded from the assessment of effectiveness (pursuant to paragraph 2 in Exhibit B). These changes in fair value that occurred during the period and cumulatively over the life to date of the hedge relationship shall be disclosed by derivative type.

Example disclosure

Two examples to choose from - year to date or cumulative

For the years ended December 31, 2021 and 2020 there were derivative fair value changes excluded from the assessment of hedge effectiveness of $3M and $5M, respectively, related to foreign exchange swaps and $6M and $13M, respectively, related to foreign currency forwards.

At December 31, 2021 and 2020 there were derivative fair value changes excluded from the assessment of hedge effectiveness of $8M and 10M, respectively, related to foreign exchange swaps and $4M and $10M, respectively, related to foreign currency forwards.

Proposed Schedule DB changes for identifier:

Add an “X” to the Code column 15 indicating the qualifying derivative has a difference between BACV and FV due to an excluded component.
Suggested Modification to SSAP 86 for Discussions Related to Alignment of Interest Rate Hedging with GAAP (Topic 815/ASU 2017-12)

Proposed Modifications to the Main Body of SSAP 86

26. Fair value hedges qualify for hedge accounting if all of the following criteria are met:

   d. The hedged item is specifically identified as either all or a specific portion or partial term of a recognized asset or liability or of an unrecognized firm commitment. The hedged item is a single asset or liability (or a specific portion or partial term thereof) or is a portfolio of similar assets or a portfolio of similar liabilities (or a specific portion thereof) or closed portfolio of assets where assumed layer is anticipated to be outstanding (or a specific portion thereof). For partial term one or more consecutive selected contractual cash flows where the hedged item begins when the first hedge cash flow begins to accrue and ends when the last hedged cash flow is due and payable, the assumed maturity of the hedged item occurs on the date in which the last hedged cash flow is due and payable;

   e. If similar assets or liabilities are aggregated and hedged as a portfolio, the individual assets or individual liabilities must share the risk exposure for which they are designated as being hedged. The change in fair value attributed to the hedged risk for each individual item in a hedged portfolio must be expected to respond in generally proportionate manner to the overall change in the fair value of the aggregate portfolio to the hedged risk;

   f. For a closed portfolio of prepayable financial assets or one or more beneficial interests secured by a portfolio of prepayable financial instruments, an entity may designate as the hedged item a stated amount of the asset or assets that are not expected to be affected by prepayments, defaults, and other factors affecting the timing and amount of cash flows if the designation is made in conjunction with the partial-term hedging election in paragraph (this designation is referred to throughout as the “last-of-layer method” or “portfolio layer method”).

      a. For last-of-layer, an analysis shall be completed and documented to support the entity’s expectation that the hedged item (that is, the designated last of layer) is anticipated to be outstanding as of the hedged item’s assumed maturity date in accordance with the entity’s partial-term hedge election. That analysis shall incorporate the entity’s current expectations of prepayments, defaults, and other events affecting the timing and amount of cash flows associated with the closed portfolio of prepayable financial assets or beneficial interest(s) secured by a portfolio of prepayable financial instruments.

      b. For purposes of its analysis, the entity may assume that as prepayments, defaults, and other events affecting the timing and amount of cash flows occur, they first will be applied to the portion of the closed portfolio of prepayable financial assets or one or more beneficial interests that is not part of the hedged item (that is, the designated last of layer); and

   g. If the hedged item is a financial asset or liability, a recognized loan servicing right, or a nonfinancial firm commitment with financial components, the designated risk being hedged is:

      i. The risk of changes in the overall fair value of the entire hedged item;

      ii. The risk of changes in its fair value attributed to changes in benchmark interest rate risk;

      iii. The risk of changes in its fair value attributed to change in the related foreign currency exchange rates; or

      iv. The risk of changes in its fair value attributable to both change in the obligor’s creditworthiness and changes in the spread over the benchmark interest rate with respect to the financial asset’s or liability’s credit sector at inception of the hedged (referred to as credit risk).
If the risk designated as being hedged is not the risk in paragraph 26.f.i, two or more of the other risks (benchmark interest rate risk, foreign currency exchange risk, and credit risk) may simultaneously be designated as being hedged.

The benchmark interest rate being hedged in a hedge of interest rate risk must be specifically identified as part of the designation and documentation at the inception of the hedge relationship. In calculating the change in the hedged item’s fair value attributable to changes in the benchmark interest rate, the estimated cash flows used in calculating fair value must be based on all of the contractual cash flows of the entire hedged item or the benchmark rate component of the contractual coupon cash flows of the hedged item determined at hedge inception. An entity may designate a fair value hedge of interest rate risk in which the hedged item is a prepayable instrument. The entity may consider only how changes in the benchmark interest rate affect the decision to settle the hedged item before its scheduled maturity (for example, an entity may consider only how changes in the benchmark interest rate affect an obligor’s decision to call a debt instrument when it has the right to do so). The entity need not consider other factors that would affect this decision (for example, credit risk) when assessing hedge effectiveness. Excluding some of the hedged item’s contractual cash flows (for example the portion of the interest rate coupon in excess of the benchmark interest rate) from the calculation is not permitted. An entity may not simply designate prepayment risk as the risk being hedged for a financial asset. However, it can designate the option component of a prepayable instrument as the hedged item in a fair value hedge of the entity’s exposure to changes in the fair value of that “prepayment” option, perhaps thereby achieving the objective of its desire to hedge prepayment risk. The effect of an embedded derivative of the same risk class must be considered in designating a hedge of an individual risk. For example, the effect of an embedded prepayment option must be considered in designating a hedge of benchmark interest rate risk.

Proposed Modifications to Exhibit B

8. Conditions applicable to fair value hedges only

f. The expiration date of the swaps matches the maturity date or assumed maturity date of the interest-bearing asset or liability.

g. There is no floor or cap on the variable interest rate of the swap

h. The interval between repricing of the variable interest in the swap is frequent enough to justify an assumption that the variable payment or receipt is at a market rate (generally three to six months or less).

i. For last-of-layer If both of the following conditions exist, the quantitative test described for similar asset test may be performed qualitatively and only at hedge inception:

   a. The hedged item is a closed portfolio of prepayable financial assets or one or more beneficial interests.

   b. An entity measures the change in fair value of the hedged item based on the benchmark rate component of the contractual coupon cash flows.

Using the benchmark rate component of the contractual coupon cash flows when all assets have the same assumed maturity date and prepayment risk does not affect the measurement of the hedged item results in all hedged items having the same benchmark rate component coupon cash flows.
Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A

Issue: General Interrogatory for Cryptocurrencies

Check (applicable entity):

<table>
<thead>
<tr>
<th>Modification of Existing SSAP</th>
<th>P/C</th>
<th>Life</th>
<th>Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Issue or SSAP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interpretation</td>
<td></td>
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</tbody>
</table>

Description of Issue: On May 20, 2021, the Statutory Accounting Principles (E) Working Group adopted INT 21-01: Accounting for Cryptocurrencies, which addressed the statutory accounting treatment for cryptocurrencies, and established that directly held cryptocurrencies do not meet the definition of an admitted asset for statutory accounting. While researching this topic, it was noted that some insurance companies held cryptocurrencies, but that these were not always easy to identify in the statutory financial statements. Additionally, as the use of cryptocurrencies by insurance companies evolves, regulators expressed a desire to better understand how companies are using cryptocurrencies. NAIC staff were directed by the Working Group to look at possible ways to get a better view of how cryptocurrencies are currently directly held and used by insurance companies.

NAIC staff have proposed a new general interrogatory within the annual reporting blanks with several questions specific to cryptocurrencies. This is proposed as a new general interrogatory as this is information that has not been previously disclosed and does not fit well with any existing disclosures.

There are no proposed changes to statutory accounting, however the agenda item does result in a sponsored blanks proposal to the Blanks (E) Working Group to incorporate the general interrogatory and related instructions. NAIC staff from the Statutory Accounting Principles (E) Working Group will work directly with the Blanks (E) Working Group staff support.

Existing Authoritative Literature: As articulated in the “description of issue” section, INT 21-01 established that directly held cryptocurrencies do not meet the definition of an admitted asset and are therefore nonadmitted 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): INT 21-01, discussed in the prior section.

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

Convergence with International Financial Reporting Standards (IFRS): The IFRS Interpretations Committee issued a statement in June 2019 concluding that cryptocurrencies are not financial assets, however that they do meet the definition of an intangible asset.

Staff Recommendation:
NAIC staff recommends that the Working Group forward a sponsored blanks proposal to the Blanks (E) Working Group to add a new general interrogatory to the annual statement blanks to capture information about cryptocurrencies directly held or permitted for the remittance of premiums. Note, this agenda item does
not propose statutory revisions. The proposed additions to the reporting blanks and the blanks instructions are shown below.

Annual Statement Instructions, General Interrogatories, Investment Section: (All Types):

38.1 Answer “YES” if the company directly owns cryptocurrencies. Answer “NO” if the company does not directly own cryptocurrencies or only holds cryptocurrencies indirectly through funds (ETFs, Mutual Funds, etc.) *INT 21-01: Accounting for Cryptocurrencies* established that directly held cryptocurrencies do not meet the definition of cash or an admitted asset and are therefore considered to be a nonadmitted asset for statutory accounting.

38.2 If the answer to 38.1 is “YES”, specify on which schedule they are reported. (e.g., Schedule BA, etc.)

39.2 If the answer to 39.1 is “YES”, indicate if it is the policy of the reporting entity to directly hold cryptocurrency accepted as payment for premiums or immediately convert to U.S. dollars. Select “YES” for both questions if some cryptocurrencies are held directly and others are immediately converted to U.S. dollars.

39.21 Answer “YES” if it is the policy of the reporting entity to directly hold cryptocurrency that was accepted as payment for premiums.

39.22 Answer “YES” if it is the policy of the reporting entity to immediately convert cryptocurrency accepted as payment for premiums to U.S. dollars.

39.3 If the answer to 38.1 or 39.1 is “YES”, complete Columns 1 through 3 for each cryptocurrency accepted for payments of premiums or held directly.

<table>
<thead>
<tr>
<th>Name of Cryptocurrency:</th>
<th>Immediately Converted to USD, Directly Held, or Both:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>For each cryptocurrency listed, provide one of the following responses:</td>
</tr>
<tr>
<td></td>
<td>• Immediately converted to USD</td>
</tr>
<tr>
<td></td>
<td>• Directly held.</td>
</tr>
<tr>
<td></td>
<td>• Both.</td>
</tr>
</tbody>
</table>

Accepted for Payment of Premiums:

| If the cryptocurrencies are accepted for the payment of premiums provide the response of “YES” in the column otherwise the response in the column should be “NO”: |
Annual Statement Blanks, General Interrogatories, Investment Section: (All Types):

38.1 Does the reporting entity directly hold cryptocurrencies?  
[ ] Yes  [ ] No

38.2 If the response to 38.1 is yes, on what schedule are they reported?  

39.1 Does the reporting entity directly or indirectly accept cryptocurrencies as payment for premiums on policies?  
[ ] Yes  [ ] No

39.2 If the response to 39.1 is yes, are the cryptocurrencies held directly or are they immediately converted to U.S. dollars?  

<table>
<thead>
<tr>
<th>39.21 Held directly</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>

39.3 If the response to 38.1 or 39.1 is yes, list all cryptocurrencies accepted for payments of premiums or that are held directly.

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of Cryptocurrency</td>
<td>Immediately Converted to USD, Directly Held, or Both</td>
<td>Accepted for Payment of Premiums</td>
</tr>
</tbody>
</table>

Staff Review Completed by: Jake Stultz, NAIC Staff, November 2021

Status:
On December 11, 2021, the Statutory Accounting Principles (E) Working Group moved this item to the active listing and exposed proposed revisions to be incorporated into a Blanks (E) Working Group proposal to add a new general interrogatory to the annual blanks, requiring disclosure of when cryptocurrencies are directly held or permitted for the remittance of premiums. This agenda item did not propose statutory revisions.

On April 4, 2022, the Statutory Accounting Principles (E) Working Group adopted this agenda item, which did not result in statutory accounting revisions, however adoption expressed support of the corresponding Blanks (E) Working Group proposal (2022-01BWG), which incorporates a new general interrogatory to detail if cryptocurrencies are directly held or permitted for the remittance of premiums.

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/2022 NAIC Meetings/Spring National Meeting/Committee Meetings/FINANCIAL CONDITION (E) COMMITTEE/Accounting Practices and Procedures (E) TF/SAPWG/Att1D_21-24_CryptocurrencyGI.docx

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Issue: ASU 2021-03, Intangibles – Goodwill and Other (Topic 350) – Accounting Alternative for Evaluating Triggering Events

Check (applicable entity):

- Modification of Existing SSAP
- New Issue or SSAP
- Interpretation

Description of Issue:
In March 2021, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2021-03, Intangibles – Goodwill and Other – Accounting Alternative for Evaluating Triggering Events to provide private companies and not-for-profit entities with an optional accounting alternative for the performance of a goodwill impairment triggering evaluation. Goodwill impairment guidance requires entities to evaluate if the fair value of a reporting entity (that possesses goodwill) is less than its carrying value. Under guidance prior to this ASU, if it were deemed that it was more likely than not that goodwill was impaired, goodwill was tested for impairment using the triggering event date as the measurement date.

Several concerns regarding triggering event evaluations were raised by certain entities, specifically that the cost and complexity to evaluate interim triggering events was burdensome and operationally many private entities likely only evaluate impairment at the end of a reporting period. With these circumstances, the ASU referenced that it may be unduly difficult for these entities to determine a specific triggering date or even identify that a triggering event had occurred. Additionally, the temporary variability in values as a result of the COVID-19 pandemic likely exacerbated this issue.

Accordingly, the amendments in this ASU allow an accounting alternative to perform a goodwill impairment triggering event evaluation only as of the end of a reporting period, regardless of if that is an interim or an annual period. If an entity elects this alternative, they will only evaluate goodwill for impairment as of each reporting date. As a key note, this election is permitted for private and not-for-profit entities regardless of which U.S. GAAP accounting treatment was elected for goodwill (i.e., impairment only or straight-line amortization).

Existing Authoritative Literature:

**Staff note** – while the calculation of goodwill differs between U.S. GAAP and Statutory Accounting, the foundation of goodwill is similar. For completeness of this document, applicable goodwill references, as well as impairment guidance, have been included herein. Certain relevant items have been bolded for emphasis.

**SSAP No. 68—Business Combinations and Goodwill**

**Statutory Purchases of SCA Investments**

3. The statutory purchase method of accounting is defined as accounting for a business combination as the acquisition of one entity by another. It shall be used for all purchases of SCA entities including partnerships, joint ventures, and limited liability companies. The acquiring reporting entity shall record its investment at cost. Cost is defined as the sum of: (a) any cash payment, (b) the fair value of other assets distributed, (c) the fair value of any liabilities assumed, and (d) any direct costs of the acquisition. Contingent consideration issued in a purchase business combination that is embedded in a security or that
is in the form of a separate financial instrument shall be recorded by the issuer at fair value at the acquisition date.

4. **For those acquired SCA entities accounted for in accordance with paragraphs 8.b.i., 8.b.ii., 8.b.iii. or 8.b.iv. of SSAP No. 97, and joint venture, partnership or limited liability company entities accounted for in accordance with paragraph 8 of SSAP No. 48, goodwill is defined as the difference between the cost of acquiring the entity and the reporting entity’s share of the book value of the acquired entity. When the cost of the acquired entity is greater than the reporting entity’s share of the book value, positive goodwill exists. When the cost of the acquired entity is less than the reporting entity’s share of the book value, negative goodwill exists. Goodwill resulting from assumption reinsurance shall be recorded as a separate write-in for other-than-invested assets. All other goodwill shall be reported in the carrying value of the investment.**

5. **A business combination accounted for under the statutory purchase method and in which the acquired entity is valued in accordance with paragraphs 8.b.ii., 8.b.iii. or 8.b.iv. of SSAP No. 97 shall determine the amount of positive goodwill or negative goodwill created by the combination using the reporting entity’s share of the GAAP net book value of the acquired entity, adjusted to a statutory basis of accounting in accordance with paragraph 9 of SSAP No. 97 in the case of acquired entities valued in accordance paragraphs 8.b.ii. or 8.b.iv. of SSAP No. 97. Business combinations accounted for under the statutory purchase method and in which the acquired entity is valued in accordance with, paragraph 8.b.i. of SSAP No. 97 shall determine the amount of positive or negative goodwill created by the business combination using the insurer’s share of the statutory book value of the acquired entity.**

6. **For those acquired SCA entities accounted for in accordance with paragraph 8.b.i. of SSAP No. 97 under the statutory purchase method, the historical bases of the acquired entity shall continue to be used in preparing its statutory financial statements. Therefore, pushdown accounting is not permitted.**

7. **Positive goodwill recorded under the statutory purchase method of accounting shall be admitted subject to the following limitation: Positive goodwill from all sources, including life, accident and health, and deposit-type assumption reinsurance and goodwill resulting from the acquisition of an SCA by the insurance reporting entity that is reported on the SCA’s financial statements (resulting from the application of pushdown accounting), is limited in the aggregate to 10% of the acquiring entity’s capital and surplus as required to be shown on the statutory balance sheet of the reporting entity for its most recently filed statement with the domiciliary state commissioner adjusted to exclude any net positive goodwill, EDP equipment and operating system software, and net deferred tax assets. Additionally, all positive goodwill shall be nonadmitted when the underlying investment in the SCA or partnership, joint venture and limited liability company is nonadmitted. When negative goodwill exists, it shall be recorded as a contra-asset.**

8. **Positive or negative goodwill resulting from the purchase of an SCA, joint venture, partnership or limited liability company shall be amortized to unrealized capital gains and losses on investments over the period in which the acquiring entity benefits economically, not to exceed 10 years. Positive or negative goodwill resulting from life, accident and health, and deposit-type assumption reinsurance shall be amortized to operations as a component of general insurance expenses over the period in which the assuming entity benefits economically, not to exceed 10 years. Goodwill shall be evaluated separately for each transaction.**(INT 01-18)

**Impairment**

9. **For any decline in the fair value of an entity, acquired through a purchase, that is other than temporary**(INT 06-07), the investment shall be written down to fair value as the new cost basis and the amount of the write down shall be accounted for as a realized loss. The write down shall first be considered as an adjustment to any portion of the investment that is nonadmitted (e.g., nonadmitted goodwill). The new cost basis shall not be changed for subsequent recoveries in fair value. Future declines in fair value, which are determined to be other than temporary, shall be recorded as realized losses. A long-
lived asset shall be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The following are examples of such triggering events or changes in circumstances:

a. A significant decrease in the fair value of a long-lived asset

b. A significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition

c. A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, including an adverse action or assessment by a regulator

d. An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset

e. A current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset

f. A current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life

10. An impairment shall be considered to have occurred if it is probable that the reporting entity will be unable to recover the carrying amount of the investment or there is evidence indicating inability of the investee to sustain earnings which would justify the carrying amount of the investment. A fair value of an investment that is below the carrying amount based on the statutory equity method or the existence of investee operating losses may indicate a loss in value; however, they are not necessarily indicative of a loss in value that is other than temporary.

Staff note: In addition to the guidance in SSAP No. 68, INT 06-07: Definition of Phrase “Other Than Temporary” also provides authoritative guidance for when an impairment has occurred. While INT 06-07 has been included below, with certain relevant items bolded for emphasis, the requirement for impairment is an assessment - if an impairment indicator is present. Thus, it does not permit the delaying of an impairment assessment until a reporting period, nor does it permit assessment differentiation based on entity type (public vs. private or a not-for-profit entity).

INT 06-07: Definition of Phrase “Other than Temporary”

1. The Accounting Practices and Procedures Manual contains guidance for determining when an investment is considered impaired within each of the above identified statements. Those statements should also be used to determine the measurement of an impairment loss. Each of the above statements also makes reference to an “other than temporary” decline in fair value. This interpretation is designed to address questions related to that phrase, as well as summarize the statutory accounting process for determining when an investment is considered impaired.

Step 1: Determine Whether an Investment Is Impaired

2. The decision for determining when an investment is considered impaired is dictated by the applicable SSAP and the respective impairment indicators included in each of the SSAPs. If an impairment indicator is present, the determination of an impairment shall be assessed at the individual security or investment level as reported in the annual statement and supporting schedules. For those SSAPs that require the reporting entity to use the fair value to determine if an impairment has occurred, the determination of that value shall be consistent with how the term fair value is defined within SSAP No. 100—Fair Value. Once a reporting entity has determined that an impairment indicator is present, the reporting entity shall continue to evaluate whether the investment is impaired each subsequent reporting
period until either (a) the investment experiences a recovery of the fair value up to (or beyond) its carrying value or (b) the investor recognizes an other-than-temporary impairment loss.

Step 2: Evaluate Whether an Impairment Is Other Than Temporary

3. There are numerous factors to be considered when determining whether an impairment is other than temporary and their relative significance will vary from case to case. The Emerging Accounting Issues (E) Working Group (Working Group) has been asked if the phrase “other than temporary” should be interpreted to mean “permanent.” The Working Group believes the Statutory Accounting Principles (E) Working Group consciously chose the phrase “other than temporary” as the analysis was not intended to determine whether an individual security or investment was “permanently impaired.” The fair value of assets may decline for various reasons. The market price may be affected by general market conditions, which reflect prospects for the economy as a whole, or by specific information pertaining to an industry or an individual company. Such declines require further investigation by management. Acting upon the premise that a write-down may be required, management should consider all available evidence to evaluate the fair value of its investment.

4. The Working Group believes that the following items are only a few examples of the factors, which, individually or in combination, indicate that a security’s decline in value is specific to an issuer’s fundamental credit difficulties, or that a non-interest related decline is other than temporary and that a write-down of the carrying value is required:

   a. The length of time and the extent to which the fair value has been less than cost;

   b. The financial condition and short-term prospects of the issuer, including any specific events that may influence the operations of the issuer, such as changes in technology, that may impair the earnings potential of the asset or the discontinuance of a segment of the business that may affect the future earnings potential; or

   c. The intent and ability of the holder to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in value.

5. An interest related impairment should be deemed other-than-temporary when an investor has the intent to sell an investment, at the reporting date, before recovery of the cost of the investment. The investor should consider whether its cash or working capital requirements and contractual or regulatory obligations indicate that the investment may need to be sold before the forecasted recovery occurs. The term “interest related” includes a declining value due to both increases in the risk free interest rate and general credit spread widening. Credit spreads can widen or contract for a variety of reasons, including supply/demand imbalances in the marketplace or perceived higher/lower risk of an entire sector. If the declining value is caused, in whole or in part, due to credit spreads widening, but not due to fundamental credit problems of the issuer, the change in credit spreads is deemed to be interest related. Fundamental credit problems exist with the issuer when there is evidence of financial difficulty that may result in the issuer being unable to pay principal or interest when due.

6. Unless evidence exists to support the assertion that the decline in fair value below carrying value is temporary, a write-down, accounted for as a realized loss, should be recorded. In accordance with the guidance of the SSAPs, such loss should be recognized in income for the period in which other than temporary impairment is determined to have occurred. The adjusted carrying value reflecting the impairment loss of the individual security or investment shall be the new cost basis of the individual security or investment.

7. The Working Group has also been asked if it is appropriate for reporting entities, independent auditors or state examiners to apply predefined thresholds to the phrase “other than temporary”? The Working Group is aware that certain insurers, independent auditors and state examiners, over time, have developed quantitative thresholds as “rules of thumb” to assist in the evaluation of asset impairment. One
rule of thumb in particular suggests that if the fair value is less than its carrying value by 20 percent or more, then it is considered to be other than temporarily impaired. Another suggests that an asset is other than temporarily impaired if the fair value has been less than cost for more than 6 months. The use of a numerical threshold may provide the basis for a preliminary assumption that – without considering all relevant circumstances – an impairment may have occurred. Identifying the impairment is only the beginning of the analysis; it cannot appropriately be used as a substitute for a full analysis of all relevant qualitative considerations. Exclusive reliance on such thresholds removes the ability of management to apply its judgment, a concept inherent to the impairment model.

**Step 3: If the Impairment is Other Than Temporary, the Cost Basis of the Individual Asset Shall Be Written Down to a New Cost Basis and the Amount of the Write-Down Is Accounted for as a Realized Loss**

8. If an impairment is considered other than temporary, the cost or carrying value of the asset should be written down to reflect its value in accordance with the relevant SSAP. A company’s management should follow the impairment guidance in the SSAP pertaining to that particular asset class while considering various factors on a case-by-case basis in determining the amount of the realized loss that should be recorded.

**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


**Staff Recommendation:**
NAIC staff recommends that the Working Group move this item to the active listing, categorized as nonsubstantive and expose revisions to SSAP No. 68—*Business Combinations and Goodwill* to reject *ASU 2021-03, Intangibles – Goodwill and Other (Topic 350) – Accounting Alternative for Evaluating Triggering Events* for statutory accounting. Rejecting this ASU will result with continuation of existing guidance from INT 06-07, which does not permit delays in impairment assessment or variations in assessment based on type of entity.

Proposed revisions to SSAP No. 68 ( Relevant Literature section – paragraph 22):


**Staff Review Completed by:** Jim Pinegar, NAIC Staff – October 2021
Status:
On December 11, 2021, the Statutory Accounting Principles (E) Working Group moved this item to the active
listing, categorized as nonsubstantive, and exposed revisions to SSAP No. 68—Business Combinations and
Goodwill to reject ASU 2021-03, Intangibles – Goodwill and Other (Topic 350) – Accounting Alternative for
Evaluating Triggering Events for statutory accounting.

On April 4, 2022, the Statutory Accounting Principles (E) Working Group adopted, as final, the exposed revisions,
as illustrated above, to SSAP No. 68—Business Combinations and Goodwill rejecting ASU 2021-03, Intangibles –
Goodwill and Other (Topic 350) – Accounting Alternative for Evaluating Triggering Events for statutory
accounting.

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Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
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Issue: ASU 2021-05, Leases (Topic 842), Lessors—Certain Leases with Variable Lease Payments

Check (applicable entity):

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Description of Issue: In July 2021, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2021-05, Leases (Topic 842), Lessors—Certain Leases with Variable Lease Payments. 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). The guidance in ASU 2021-05 applies to lessors with lease contracts that: 1) have variable lease payments that do not depend on a reference index or rate, and/or 2) would have resulted in the lessor being required to recognize a day one selling loss (at lease commencement) if those leases were classified as sales-type or direct financing. The changes to Topic 842 will require a lessor to classify a lease with variable lease payments that do not depend on an index or a rate as an operating lease at lease commencement if classifying the lease as a sales-type lease or a direct financing lease would result in the recognition of a selling loss. SSAP No. 22R—Leases requires nearly all leases to be treated as operating leases for statutory accounting, so adoption of this guidance would be redundant and unnecessary.

Existing Authoritative Literature:
The ASUs related to Topic 842 have previously been rejected in SSAP No. 22R—Leases.

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.

Recommendation: Staff recommends the Working Group move this agenda item to the active listing, categorized as nonsubstantive and expose revisions to reject ASU 2021-05 in SSAP No. 22R—Leases. Under statutory accounting almost all leases are classified as operating leases, thus this U.S. GAAP guidance is not necessary.

Proposed Revision to SSAP No. 22R (Relevant Literature section – paragraph 52):

i. ASU 2020-02, Leases (Topic 842), Lessors—Certain Leases with Variable Lease Payments (Rejected in its entirety.)

Staff Review Completed by: Jake Stultz, NAIC Staff – August 2021
Status:
On December 11, 2021, the Statutory Accounting Principles (E) Working Group moved this agenda item to the active listing, categorized as nonsubstantive, and exposed revisions to reject ASU 2021-05 in SSAP No. 22R.

On April 4, 2022, the Statutory Accounting Principles (E) Working Group adopted, as final, the exposed revisions, as illustrated above, to reject ASU 2021-05, Leases (Topic 842), Lessors—Certain Leases with Variable Lease Payments in SSAP No. 22R—Leases.

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/2022 NAIC Meetings/Spring National Meeting/Committee Meetings/FINANCIAL CONDITION (E) COMMITTEE/Accounting Practices and Procedures (E) TF/SAPWG/Att1F_21-29_ASU2021-05.docx
**Statutory Accounting Principles (E) Working Group**  
**Maintenance Agenda Submission Form**  
**Form A**

**Issue:** *ASU 2021-06—Amendments to SEC Paragraphs in Topic 205, Topic 942 and Topic 946*

**Check (applicable entity):**
- Modification of Existing SSAP: P/C [✓], Life, Health [✓]
- New Issue or SSAP: P/C, Life, Health [✓]
- Interpretation: P/C, Life, Health [✓]

**Description of Issue:**
The Financial Accounting Standards Board issued *Accounting Standard Update (ASU) 2021-06, Presentation of Financial Statements (Topic 205), Financial Services—Depository and Lending (Topic 942), and Financial Services—Investment Companies (Topic 946), Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, and No. 33-10835, Update of Statistical Disclosures for Bank and Savings and Loan Registrants*, which effects only SEC paragraphs in Topic 205, Topic 942 and Topic 946. These edits are predominantly formatting and paragraph references, with new guidance duplicated from SEC requirements on the presentation of financial statements for funds acquired or to be acquired.

**Existing Authoritative Literature:**
Generally, all SEC guidance from ASUs is rejected as not applicable for statutory accounting in *Appendix D—Nonapplicable GAAP Pronouncements*.

**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, categorized as nonsubstantive, and expose revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject *ASU 2021-06, Presentation of Financial Statements (Topic 205), Financial Services—Depository and Lending (Topic 942), and Financial Services—Investment Companies (Topic 946), Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, and No. 33-10835, Update of Statistical Disclosures for Bank and Savings and Loan Registrants* as not applicable to statutory accounting.

This item is proposed to be rejected as not applicable as ASU 2021-06 is specific to deletion and modification of SEC paragraphs, which are not applicable for statutory accounting purposes.

**Staff Review Completed by:** Jake Stultz, November 2021
Status:
On December 11, 2021, the Statutory Accounting Principles (E) Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject ASU 2021-06 as not applicable to statutory accounting.

On April 4, 2022, the Statutory Accounting Principles (E) Working Group adopted, as final, the exposed revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject ASU 2021-06 as not applicable to statutory accounting.

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

Issue: SSAP No. 43R – Financial Modeling – Updated Guidance

Check (applicable entity):

- Modification of Existing SSAP
- New Issue or SSAP
- Interpretation

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Description of Issue: This agenda item reflects updated NAIC designation/NAIC designation category guidance recently adopted by the Valuation of Securities (E) Task Force (VOSTF) to the Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual), for residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS).

On October 20, 2021, the VOSTF adopted instructions to the P&P Manual to designate that 1) modeled RMBS/CMBS tranches that do not have expected losses will be assigned an NAIC 1 Designation and a NAIC 1.A. Designation Category, and 2) financial modeling for “legacy” RMBS/CMBS securities (those that closed prior to January 1, 2013), shall continue to utilize the insurer’s carrying value for said modeling.

This agenda item has been drafted to ensure the financial modeling guidance summarized in SSAP No. 43R—Loan-Backed and Structured Securities reflects the practices as directed by the P&P Manual. (Note, while the Accounting Practices and Procedures Manual is higher than the P&P manual in the statutory hierarchy, the primary source of authoritative guidance for financial modeling is the P&P manual as only a general description of the modeling process is included in SSAP No. 43R).

Existing Authoritative Literature:

SSAP No. 43R—Loan-Backed and Structured Securities

Designation Guidance

27. For RMBS/CMBS securities within the scope of this statement, the initial NAIC designation used to determine the carrying value method and the final NAIC designation for reporting purposes is determined using a multi-step process. The P&P Manual provides detailed guidance. A general description of the processes is as follows:

a. Financial Modeling: Pursuant to the P&P Manual, the NAIC identifies select securities where financial modeling must be used to determine the NAIC designation. NAIC designation based on financial modeling incorporates the insurers’ carrying value for the security. For those securities that are financially modeled, the insurer must use NAIC CUSIP specific modeled breakpoints provided by the modelers in determining initial and final designation for these identified securities. As specified in the P&P Manual, securities where modeling results in zero expected loss in all scenarios and that would be equivalent to an NAIC designation and NAIC designation category of NAIC 1 and NAIC 1.A. respectively, if the filing exemption process in the P&P Manual was applied, are automatically considered to have a final NAIC designation of NAIC 1 and NAIC designation category of NAIC 1.A., regardless of the carrying value. The three-step process for modeled securities is as follows:
i. Step 1: Determine Initial Designation – The current amortized cost (divided by remaining par amount) of a loan-backed or structured security is compared to the modeled breakpoint values assigned to the six (6) NAIC designations for each CUSIP to establish the initial NAIC designation.

ii. Step 2: Determine Carrying Value Method – The carrying value method, either the amortized cost method or the lower of amortized cost or fair value method, is then determined as described in paragraph 26 based upon the initial NAIC designation from Step 1.

iii. Step 3: Determine Final Designation – The final NAIC designation is determined by comparing the carrying value (divided by remaining par amount) of a security (based on paragraph 27.a.ii.) to the NAIC CUSIP specific modeled breakpoint values assigned to the six (6) NAIC designations for each CUSIP. The final designation is mapped to an NAIC designation category according to the instructions in the P&P Manual. This final NAIC designation shall be applicable for statutory accounting and reporting purposes and the NAIC designation category will be used for investment schedule reporting and establishing RBC and AVR charges. The final NAIC designation is not used for establishing the appropriate carrying value method in Step 2 (paragraph 27.a.ii.).

b. All Other Loan-Backed and Structured Securities: For securities not subject to paragraph 27.a. (financial modeling) follow the established designation procedures according to the appropriate section of the P&P Manual. The NAIC designation shall be applicable for statutory accounting and reporting purposes (including determining the carrying value method and establishing the AVR charges). The carrying value method is established as described in paragraph 26. Examples of these securities include, but are not limited to: equipment trust certificates, credit tenant loans (CTL), 5*/6* securities, interest only (IO) securities, securities with CRP ratings (excluding RMBS/CMBS), loan-backed and structured securities, and mortgage-referenced securities with SVO assigned NAIC designations. [NAIC staff note, it is anticipated that the revisions shown above in this paragraph will be reflected when agenda item 2021-11: SSAP No. 43R – CTL is adopted. As these edits do not impact this agenda item, they are shown here for reference and accordingly, are not shown below in the options presented for possible exposure.]

Specific Interim Reporting Guidance Financially Modeled Securities

28. For securities that will be financially modeled under paragraph 27, the guidance in this paragraph shall be applied in determining the reporting method for such securities acquired in the current year for quarterly financial statements. Securities reported as of the prior-year end shall continue to be reported under the prior-year end methodology for the current-year quarterly financial statements. For year-end reporting, securities shall be reported in accordance with paragraph 27, regardless of the quarterly methodology used.

a. Reporting entities that acquired the entire financial modeling database for the prior-year end are required to follow the financial modeling methodology (paragraph 27.a.) for all securities acquired in the subsequent year that were included in the financial modeling data acquired for the prior year-end.

b. Reporting entities that acquired identical securities (identical CUSIP) to those held and financially modeled for the prior year-end are required to follow the prior year-end financial modeling methodology (paragraph 27.a.) for these securities acquired subsequent to year-end.
c. Reporting entities that do not acquire the prior-year financial modeling information for current-year acquired individual CUSIPS, and are not captured within paragraphs 28.a. or 28.b., are required to follow the analytical procedures for non-financially modeled securities (paragraph 27.b. as appropriate). Reporting entities that do acquire the individual CUSIP information from the prior-year financial modeling database shall use that information for interim reporting.

d. Reporting entities that acquire securities not previously modeled at the prior year-end are required to follow the analytical procedures for non-financially modeled securities (paragraph 27.b. as appropriate).

SSAP No. 43R - EXHIBIT A – Question and Answer Implementation Guide

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<td>9.</td>
<td>The NAIC Designation process for LBSS may incorporate loss expectations that differ from the reporting entity’s expectations related to OTTI conclusions. Should the reporting entities be required to incorporate recovery values obtained from data provided by the service provider used for the NAIC Designation process for impairment analysis as required by SSAP No. 43R?</td>
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8. Question – Do LBSS purchased in different lots result in a different NAIC designation for the same CUSIP? Can reporting entities use a weighted average method determined on a legal entity basis?

8.1 Under the financial modeling process (applicable to qualifying RMBS/CMBS reviewed by the NAIC Structured Securities Group), the amortized cost of the security impacts the “final” NAIC designation used for reporting and RBC purposes. As such, securities subject to the financial modeling process acquired in different lots can result in a different NAIC designation for the same CUSIP. In accordance with the current instructions for calculating AVR and IMR, reporting entities are required to keep track of the different lots separately, which means reporting the different designations. For reporting purposes, if a SSAP No. 43R security (by CUSIP) has different NAIC designations by lot, the reporting entity shall either 1) report the aggregate investment with the lowest applicable NAIC designation or 2) report the investment separately by purchase lot on the investment schedule. If reporting separately, the investment may be aggregated by NAIC designation. (For example, all acquisitions of the identical CUSIP resulting with an NAIC 1 designation may be aggregated, and all acquisitions of the identical CUSIP resulting with an NAIC 3 designation may be aggregated.)

9. Question – The NAIC Designation process for LBSS subject to the financial modeling process may incorporate loss expectations that differ from the reporting entity’s expectations related to OTTI conclusions. Should the reporting entities be required to incorporate recovery values obtained from data provided by the service provider used for the NAIC Designation process for impairment analysis as required by SSAP No. 43R?
9.1 In accordance with INT 06-07: Definition of Phrase “Other Than Temporary,” reporting entities are expected to “consider all available evidence” at their disposal, including the information that can be derived from the NAIC designation.

10. **Question** - For companies that have separate accounts, can the NAIC designation be assigned based upon the total legal entity or whether it needs to be calculated separately for the general account and the total separate account?

10.1 The financial modeling process for qualifying RMBS/CMBS securities is required for applicable securities held in either the general or separate account.

**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):**

- To be consistent with the P&P Manual revisions, agenda item 2018-19 eliminated the multi-step designation guidance for modified filing exempt (MFE) securities. The elimination of MFE was effective March 31, 2019, with early application permitted for year-end 2018. With the elimination of MFE, for securities that are filing exempt, the NAIC designation reported will correspond to the CRP rating without adjustment based on carrying value. Also, in agenda item 2018-03, the Working Group clarified that securities acquired in lots shall not be reported with weighted average designations. With the adopted guidance, if a SSAP No. 43R security (by CUSIP) has different NAIC designations by lot, the reporting entity shall either 1) report the aggregate investment with the lowest applicable NAIC designation or 2) report the investment separately by purchase lot on the investment schedule. If reporting separately, the investment may be aggregated by NAIC designation. With the elimination of MFE, the instances of different designations by lot is not expected to be prevalent, but could still occur with the financial modeling process for RMBS and CMBS.

- In November 2020, the Working Group adopted edits to SSAP No. 43R from agenda item 2020-21: SSAP No. 43R – Designation Categories for RMBS/CMBS investments, incorporating newly adopted VOSTF guidance to the P&P manual detailing the use and mapping of NAIC designations to NAIC designation categories. Reporting entities were to then utilize the new NAIC designation categories for accounting and reporting purposes.

**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 Recommendation:** NAIC staff recommends that the Working Group move this item to the active listing, categorized as nonsubstantive and expose revisions to SSAP No. 43R—Loan-backed and Structured Securities to reflect the updated financial modeling guidance for RMBS/CMBS securities. These revisions reflect the guidance recently adopted for the Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual).

NAIC staff note - Two options for incorporating the newly revised P&P manual guidance are presented below. Option 1 retains the past approach to summarize the financial modeling approach. Option 2 removes the summary and instead refers to the P&P Manual. When the modeling guidance was first adopted, it was identified as necessary to summarize in the AP&P. However, as the concept is no longer new, NAIC staff requests feedback on the extent
the guidance needs to be retained. Since the P&P Manual governs this process, the AP&P guidance must currently be updated anytime they incorporate a change.

**Proposed Revisions to SSAP No. 43R—Loan-Backed and Structured Securities**

**OPTION #1 – Retain existing guidance in SSAP No. 43R with updates to reflect recent actions of the VOSTF. (If this option is preferred, further updates are likely forthcoming as the VOSTF considers additional modifications to the financial modeling guidance.)**

**Designation Guidance**

27. For RMBS/CMBS securities within the scope of this statement, the initial NAIC designation used to determine the carrying value method and the final NAIC designation for reporting purposes is determined using a multi-step process of the NAIC designation assigned by the NAIC Securities Valuation Office. The P&P Manual provides detailed guidance. A general description of the processes is as follows:

a. **Financial Modeling:** Pursuant to the P&P Manual, the NAIC identifies select securities where financial modeling must be used to determine the NAIC designation. For a modeled legacy security, meaning one which closed prior to January 1, 2013, the NAIC designation is based on financial modeling incorporating the insurers’ carrying value. For the security a modeled on-legacy security, meaning one which closed after December 31, 2012, the NAIC designation and NAIC designation category assigned by the NAIC Securities Valuation Office must be used. For those legacy securities that are financially modeled, the insurer must use NAIC CUSIP specific modeled breakpoints provided by the modelers in determining initial and final designation for these identified securities. As specified in the P&P Manual, a modeled legacy security RMBS or CMBS tranche that has no expected loss, as compiled and published by the NAIC Securities Valuation Office, under any of the selected modeling scenarios would be assigned an NAIC 1 designation and NAIC 1.A designation category regardless of the insurer’s book/adjusted carrying value. Securities where modeling results in zero expected loss in all scenarios and that would be equivalent to an NAIC designation and NAIC designation category of NAIC 1 and NAIC 1.A, respectively, if the filing exemption process in the P&P Manual was applied, are automatically considered to have a final NAIC designation of NAIC 1 and NAIC designation category of NAIC 1.A., regardless of the carrying value. The three-step process for modeled legacy securities is as follows:

i. **Step 1: Determine Initial Designation** – The current amortized cost (divided by remaining par amount) of a loan-backed or structured security is compared to the modeled breakpoint values assigned to each of the six (6) NAIC designations and NAIC designation category for each CUSIP to establish the initial NAIC designation.

ii. **Step 2: Determine Carrying Value Method** – The carrying value method, either the amortized cost method or the lower of amortized cost or fair value method, is then determined as described in paragraph 26 based upon the initial NAIC designation from Step 1.

iii. **Step 3: Determine Final Designation** – The final NAIC designation is determined by comparing the carrying value (divided by remaining par amount) of a security (based on paragraph 27.a.ii.) to the NAIC CUSIP specific modeled breakpoint values assigned to the six (6) NAIC designations and NAIC designation category for each CUSIP or. The final designation is mapped to an NAIC designation category, according to the instructions in the P&P Manual. This final NAIC designation shall be applicable for statutory accounting and reporting purposes.
and the NAIC designation category will be used for investment schedule reporting and establishing RBC and AVR charges. The final NAIC designation is not used for establishing the appropriate carrying value method in Step 2 (paragraph 27.a.ii.).

b. All Other Loan-Backed and Structured Securities: For securities not subject to paragraph 27.a. (financial modeling) follow the established designation procedures according to the appropriate section of the P&P Manual. The NAIC designation shall be applicable for statutory accounting and reporting purposes (including determining the carrying value method and establishing the AVR charges). The carrying value method is established as described in paragraph 26.

**Specific Interim Reporting Guidance Financially Modeled Securities**

28. For securities that will be financially modeled under paragraph 27, the guidance in this paragraph shall be applied in determining the reporting method for such securities acquired in the current year for quarterly financial statements. Securities reported as of the prior-year end shall continue to be reported under the prior-year end methodology for the current-year quarterly financial statements. For year-end reporting, securities shall be reported in accordance with paragraph 27, regardless of the quarterly methodology used.

a. Reporting entities that acquired the entire financial modeling database for the prior-year end are required to follow the financial modeling methodology (paragraph 27.a.) for all securities acquired in the subsequent year that were included in the financial modeling data acquired for the prior year-end.

b. Reporting entities that acquired identical securities (identical CUSIP) to those held and financially modeled for the prior year-end are required to follow the prior year-end financial modeling methodology (paragraph 27.a.) for these securities acquired subsequent to year-end.

c. Reporting entities that do not acquire the prior-year financial modeling information for current-year acquired individual CUSIPS, and are not captured within paragraphs 28.a. or 28.b., are required to follow the analytical procedures for non-financially modeled securities (paragraph 27.b. as appropriate). Reporting entities that do acquire the individual CUSIP information from the prior-year financial modeling database shall use that information for interim reporting.

d. Reporting entities that acquire securities not previously modeled at the prior year-end are required to follow the analytical procedures for non-financially modeled securities (paragraph 27.b. as appropriate).

**OPTION #2 – Remove summarized financial modeling guidance from SSAP No. 43R and refer to the guidance in the P&P Manual. (If this option is preferred, further updates to financial modeling guidance are expected to be isolated to the P&P Manual, which is the governs the designation process.)**

**Designation Guidance**

27. **NAIC Designations** are determined in accordance with the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual). The NAIC designations shall be applicable for statutory accounting and reporting purposes (including determining the carrying value and establishing the AVR charges). For RMBS/CMBS securities within the scope of this statement may be subject to the financial modeling process. The P&P Manual shall be consulted for the specific process for obtaining or determining the NAIC designation. The initial NAIC designation used to determine the carrying value method and the final NAIC designation for reporting purposes is
determined using a multi-step process. The P&P Manual provides detailed guidance. A general description of the processes is as follows:

a. Financial Modeling: Pursuant to the P&P Manual, the NAIC identifies select securities where financial modeling must be used to determine the NAIC designation. NAIC designation based on financial modeling incorporates the insurers’ carrying value for the security. For those securities that are financially modeled, the insurer must use NAIC CUSIP specific modeled breakpoints provided by the modelers in determining initial and final designation for those identified securities. As specified in the P&P Manual, securities where modeling results in zero expected loss in all scenarios and that would be equivalent to an NAIC designation and NAIC designation category of NAIC 1 and NAIC 1.A., respectively, if the filing exemption process in the P&P Manual was applied, are automatically considered to have a final NAIC designation of NAIC 1 and NAIC designation category of NAIC 1.A., regardless of the carrying value. The three-step process for modeled securities is as follows:

i. Step 1: Determine Initial Designation — The current amortized cost (divided by remaining par amount) of a loan-backed or structured security is compared to the modeled breakpoint values assigned to the six (6) NAIC designations for each CUSIP to establish the initial NAIC designation.

ii. Step 2: Determine Carrying Value Method — The carrying value method, either the amortized cost method or the lower of amortized cost or fair value method, is then determined as described in paragraph 26 based upon the initial NAIC designation from Step 1.

iii. Step 3: Determine Final Designation — The final NAIC designation is determined by comparing the carrying value (divided by remaining par amount) of a security (based on paragraph 27.a.ii.) to the NAIC CUSIP specific modeled breakpoint values assigned to the six (6) NAIC designations for each CUSIP. The final designation is mapped to an NAIC designation category according to the instructions in the P&P Manual. This final NAIC designation shall be applicable for statutory accounting and reporting purposes and the NAIC designation category will be used for investment schedule reporting and establishing RBC and AVR charges. The final NAIC designation is not used for establishing the appropriate carrying value method in Step 2 (paragraph 27.a.ii.).

b. All Other Loan-Backed and Structured Securities: For securities not subject to paragraph 27.a. (financial modeling) follow the established designation procedures according to the appropriate section of the P&P Manual. The NAIC designation shall be applicable for statutory accounting and reporting purposes and the NAIC designation category shall be used for investment schedule reporting and establishing RBC and AVR charges. The carrying value method is established as described in paragraph 26.

Specific Interim Reporting Guidance Financially Modeled Securities

27. For securities that will be financially modeled under paragraph 27, the guidance in this paragraph shall be applied in determining the reporting method for such securities acquired in the current year for quarterly financial statements. Securities reported as of the prior-year end shall continue to be reported under the prior-year end methodology for the current-year quarterly financial statements. For year-end reporting, securities shall be reported in accordance with paragraph 27, regardless of the quarterly methodology used.

a. Reporting entities that acquired the entire financial modeling database for the prior-year end are required to follow the financial modeling methodology (paragraph 27.a.) for all
Designation Guidance

27. For RMBS/CMBS securities within the scope of this statement, the initial NAIC designation used to determine the carrying value method and the final NAIC designation for reporting purposes is determined using a multi-step process or the NAIC designation assigned by the NAIC Securities Valuation Office. The P&P Manual provides detailed guidance. A general description of the processes is as follows:

a. Financial Modeling: Pursuant to the P&P Manual, the NAIC identifies select securities where financial modeling must be used to determine the NAIC designation. For a modeled legacy security, meaning one which closed prior to January 1, 2013, the NAIC designation is based on financial modeling incorporating the insurers’ carrying value. For the security a modeled non-legacy security, meaning one which closed after December 31, 2012, the NAIC designation and NAIC designation category assigned by the NAIC Securities Valuation Office must be used. For those legacy securities that are financially modeled, the insurer must use NAIC CUSIP specific modeled breakpoints provided by the modelers in determining initial and final designation for these identified securities. As specified in the P&P Manual, a modeled legacy security RMBS or CMBS tranche that has no expected loss, as compiled and published by the NAIC Securities Valuation Office, under any of the selected modeling scenarios would be assigned an NAIC 1 designation and NAIC 1.A designation category regardless of the insurer’s book/adjusted carrying value.
value, securities where modeling results in zero expected loss in all scenarios and that would be equivalent to an NAIC designation and NAIC designation category of NAIC 1 and NAIC 1.A., respectively, if the filing exemption process in the P&P Manual was applied, are automatically considered to have a final NAIC designation of NAIC 1 and NAIC designation category of NAIC 1.A., regardless of the carrying value. The three-step process for modeled legacy securities is as follows:

i. Step 1: Determine Initial Designation – The current amortized cost (divided by remaining par amount) of a loan-backed or structured security is compared to the modeled breakpoint values assigned to each the six (6) NAIC designations and NAIC designation category for each CUSIP to establish the initial NAIC designation.

ii. Step 2: Determine Carrying Value Method – The carrying value method, either the amortized cost method or the lower of amortized cost or fair value method, is then determined as described in paragraph 26 based upon the initial NAIC designation from Step 1.

iii. Step 3: Determine Final Designation – The final NAIC designation is determined by comparing the carrying value (divided by remaining par amount) of a security (based on paragraph 27.a.ii.) to the NAIC CUSIP specific modeled breakpoint values assigned to the six (6) NAIC designations and NAIC designation category for each CUSIP. The final designation is mapped to an NAIC designation category, according to the instructions in the P&P Manual. This final NAIC designation shall be applicable for statutory accounting and reporting purposes and the NAIC designation category will be used for investment schedule reporting and establishing RBC and AVR charges. The final NAIC designation is not used for establishing the appropriate carrying value method in Step 2 (paragraph 27.a.ii.).

b. All Other Loan-Backed and Structured Securities: For securities not subject to paragraph 27.a. (financial modeling) follow the established designation procedures according to the appropriate section of the P&P Manual. The NAIC designation shall be applicable for statutory accounting and reporting purposes (including determining the carrying value method and establishing the AVR charges). The carrying value method is established as described in paragraph 26.
Maintenance updates provide revisions to the Accounting Practices and Procedures Manual (AP&P Manual), such as editorial corrections, reference changes and formatting.

<table>
<thead>
<tr>
<th>SSAP/Appendix</th>
<th>Description/Revision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various</td>
<td>Pursuant to an Aug. 14 referral from the Financial Condition (E) Committee, the edits propose herein update the terminology references of “substantive” and “nonsubstantive,” which have historically been used to describe statutory accounting revisions being considered by the Statutory Accounting Principles (E) Working Group to the AP&amp;P Manual.</td>
</tr>
</tbody>
</table>

The Committee recommended terminology updates to alleviate concerns that users who are not familiar with the historical definitions of the aforementioned terms may incorrectly perceive that the terms reflect potential financial impact rather than their intended definitions. Accordingly, where applicable, the current concept/term of:

1) a “substantive” revision is proposed to be replaced with the phraseology of a “New SAP or New SAP concept in an existing SSAP,” and,

2) a “nonsubstantive” revision is proposed to be replaced with the phraseology of a “SAP clarification.”

Agenda item 2021-14: SAP Terminology, which was previously exposed by the Working Group on Aug. 26, addresses the proposed terminology/phraseology changes in the NAIC Policy Statement on Maintenance of Statutory Accounting Principles (Appendix F). This editorial agenda item identifies all remaining uses of the terms in the current AP&P manual for change consideration.

Please note, it is anticipated that terminology changes will generally only occur on a go-forward basis as amendments to previously adopted SSAPs, issue papers, agenda items or other historical documents will not occur. As such, the terms used in previously adopted guidance will remain, with the new terms being used prospectively when considering future revisions to statutory accounting.

**Recommendation:**
NAIC staff recommend that the Statutory Accounting Principles (E) Working Group move this agenda item to the active listing, categorize as nonsubstantive, and expose editorial revisions as illustrated below.

**Status:**
On December 11, 2021, the Statutory Accounting Principles (E) Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to certain, remaining terminology references of “substantive” and “nonsubstantive,” as illustrated below.

On April 4, 2022, the Statutory Accounting Principles (E) Working Group adopted, as final, the exposed editorial revisions as shown below.
Various SSAPs in response to terminology changes of “Substantive” and “Nonsubstantive”
(Note: for a review of every use “substantive and nonsubstantive,” as well documentation as to proposed modifications, if any, please see pages see attachment G.1.)

Edit 1: Table of Contents (How to use this Manual), Volume I, Page xvii

Summary of Changes:
The Summary of Changes outlines changes made to the prior edition of the Manual to create the current year’s version. It is divided into three sections: 1) the development of new SSAPs or new SAP concepts to existing SSAPs; substantive revisions to statutory accounting principles; 2) SAP clarifications; nonsubstantive revisions to statutory accounting principles; and 3) revisions to the appendices included in the Manual. The Summary of Changes is a key resource for readers who are looking to identify changes from the prior edition.

Edit 2: Table of Contents (How to use this Manual), Volume I, Page xviii

Statements of Statutory Accounting Principles:
As indicated by the Statutory Hierarchy, the Statements of Statutory Accounting Principles (SSAPs) are the primary authoritative statutory accounting practices and procedures promulgated by the NAIC. These statements are the result of issue papers that have been exposed for public comment and finalized. Finalized issue papers are found in Appendix E and ARE NOT authoritative. While it is not intended that there be any significant differences between an underlying issue paper and the resultant SSAP, if differences exist, the SSAP prevails and shall be considered definitive. Readers may use the NAIC website to keep abreast of adopted revisions; substantive and nonsubstantive changes to the SSAPs. Completely superseded SSAPs that are no longer authoritative are moved from the printed Manual into Appendix H – Superseded SSAPs and Nullified Interpretations, which is posted for public reference on the Statutory Accounting Principles (E) Working Group web page at https://content.naic.org/cmte_e_app_sapwg.htm.

Edit 3: Table of Contents (How to use this Manual), Volume I, Page xviii

New paragraph proposed (To be inserted between the paragraphs starting with "As indicated by the Statutory Hierarchy..." and "The cover page of each SSAP...")
Prior to (adoption date), the term used to describe a new SAP concept or a new SAP concept in an existing SSAP was “substantive” and the term used to describe a SAP clarification was “nonsubstantive.” The new terms will be reflected in materials to describe revisions to statutory accounting principles on a prospective basis and historical documents will not be updated to reflect the revised terms.

Edit 4: Table of Contents (How to use this Manual), Volume I, Page xviii

AFFECTS/AFFECTED BY – A useful tool for tracking relationships between statements and interpretations is contained within these sections. The “affects” section is used when a SSAP has previously been substantively amended to reflect new SAP concepts or superseded by other or superseded previously issued SSAPs. Nullified INTs are also noted in this section. Readers are referenced to another SSAP in the “affected by” section if the SSAP has been substantively amended or superseded or amended with a new SAP concept or with the issuance of a new SSAP. Text within paragraphs substantively amended with new SAP concepts or superseded may also be “shaded” to notify readers that revised guidance is available.

Edit 5: Table of Contents (How to use this Manual), Volume I, Page xviii

Refer to the Relevant Literature and Effective Date and Transition sections of each SSAP for details of the development of new SSAPs or new SAP concepts, as well as changes as the result of SAP clarifications; substantive and nonsubstantive changes.
Section 1 summarizes substantive revisions that result with a new SSAP or a new SAP concept to statutory accounting principles. Substantive revisions that introduce original or modified accounting principles and can be reflected in an existing or new SSAP. When substantive revisions that result in a new SAP concept are made to an existing SSAP, the effective date is identified in the Status section, and the revised text within is depicted by underlines (new language) and strikethroughs (removed language). This tracking will not be shown in subsequent manuals. New SSAPs and new SAP concepts that revise existing substantively revised SSAPs are commonly accompanied by a corresponding issue paper that reflects the revisions for historical purposes. If language in an existing SSAP is superseded, that language is shaded and the new or substantially revised SSAP is referenced. Completely superseded SSAPs and nullified interpretations are included in Appendix H.

Section 2 summarizes the nonsubstantive revisions that clarify existing statutory accounting principles. Nonsubstantive revisions are characterized as language clarifications which do not modify the original intent of a SSAP, or changes to reference material. Nonsubstantive revisions are depicted by underlines (new language) and strikethroughs (removed language) and will not be tracked in subsequent manuals. Nonsubstantive revisions that clarify existing statutory accounting principles are effective when adopted unless a specific effective date is noted.

1. Substantive Revisions that resulted in a new SSAP or a new SAP concept – Statutory Accounting Principles

2. Nonsubstantive Revisions that resulted in a SAP clarification – Statutory Accounting Principles

23. The Accounting Practices and Procedures (E) Task Force will accomplish its mission through charges assigned to the following working groups:

- Statutory Accounting Principles (E) Working Group: Responsible for developing and adopting substantive and nonsubstantive revisions to the Statements of Statutory Accounting Principles (SSAPs). Statutory accounting principles provide the basis for insurers to prepare financial statements for financial regulation purposes, and SSAPs are considered level 1 (highest authority) in the statutory accounting hierarchy. Refer to the Statutory Accounting Principles (E) Working Group Web page (http://www.naic.org/cmte_e_app_sapwg.htm) for specific information and charges.

- Blanks (E) Working Group: Considers improvements and revisions to various annual/quarterly statement blanks to conform to changes made in other areas of the NAIC to promote uniformity in reporting of financial information by insurers and develop reporting formats for other entities subject to the jurisdiction of state insurance departments. Refer to the Blanks (E) Working Group webpage (http://www.naic.org/cmte_e_app_blanks.htm) for specific information and charges.

47. Once promulgated, statements will only be amended or superseded through the issuance of new SSAP pronouncements. If it is necessary to introduce a new SAP concept that will substantially modify or augment the guidance in an existing SSAP, a new statement will be promulgated and/or the statement will be reissued with “revised” in the title. Nonsubstantial changes as a result of clarifying an existing SAP will be included in the existing statement with changes tracked (i.e., new text will be underlined and deleted text as strikethrough) in
the next printing of the Manual. Then no changes will be shown after the initial year. A useful tool for tracking of the relationships between statements is contained in the “Status” section of each statement which includes sections labeled “Affects” and “Affected By.” As SSAPs are issued in the future that modify or augment the guidance previously provided, these sections will identify the relationships between statements.

**Edit 12: Table of Contents (How to use this Manual), Volume II, Page xvii**

**Summary of Changes:**

The Summary of Changes outlines changes made to the prior edition of the Manual to create the current year’s version. It is divided into three sections: 1) the development of new SSAPs or new SAP concepts to existing SSAPs; substantive revisions to statutory accounting principles; 2) SAP clarifications; nonsubstantive revisions to statutory accounting principles; and 3) revisions to the appendices included in the Manual. The Summary of Changes is a key resource for readers who are looking to identify changes from the prior edition.

**Edit 13: Table of Contents (How to use this Manual), Volume II, Page xviii**

**Statements of Statutory Accounting Principles:**

As indicated by the Statutory Hierarchy, the Statements of Statutory Accounting Principles (SSAPs) are the primary authoritative statutory accounting practices and procedures promulgated by the NAIC. These statements are the result of issue papers that have been exposed for public comment and finalized. Finalized issue papers are found in Appendix E and ARE NOT authoritative. While it is not intended that there be any significant differences between an underlying issue paper and the resultant SSAP, if differences exist, the SSAP prevails and shall be considered definitive. Readers may use the NAIC website to keep abreast of adopted revisions; substantive and nonsubstantive changes to the SSAPs. Completely superseded SSAPs that are no longer authoritative are moved from the printed Manual into Appendix H – Superseded SSAPs and Nullified Interpretations, which is posted for public reference on the Statutory Accounting Principles (E) Working Group web page at https://content.naic.org/cmte_e_app_sapwg.htm.

**Edit 14: Table of Contents (How to use this Manual), Volume II, Page xviii**

New paragraph proposed (To be inserted between the paragraphs starting with "As indicated by the Statutory Hierarchy..." and "The cover page of each SSAP..."

Prior to (adoption date), the term used to describe a new SAP concept or a new SAP concept in an existing SSAP was “substantive” and the term used to describe a SAP clarification was “nonsubstantive.” The new terms will be reflected in materials to describe revisions to statutory accounting principles on a prospective basis and historical documents will not be updated to reflect the revised terms.

**Edit 17: Summary of Changes, Volume II, Page xxiii**

Section 1 summarizes substantive revisions that result with a new SSAP or new SAP concept to statutory accounting principles. Substantive Revisions that introduce original or modified accounting principles and can be reflected in an existing or new SSAP. When substantive revisions that result in a new SAP concept are made to an existing SSAP, the effective date is identified in the Status section, and the revised text within is depicted by underlines (new language) and strikethroughs (removed language). This tracking will not be shown in subsequent manuals. New SSAPs and new SAP concepts that revise existing substantively revised SSAPs are commonly accompanied by a corresponding issue paper that reflects the revisions for historical purposes. If language in an existing SSAP is superseded, that language is shaded and the new or substantively revised SSAP is referenced. Completely superseded SSAPs and nullified interpretations are included in Appendix H.

**Edit 18: Summary of Changes, Volume II, Page xxiii**

Section 2 summarizes the nonsubstantive revisions that clarify existing to statutory accounting principles. Nonsubstantive These revisions are characterized as language clarifications which do not modify the original
intent of a SSAP, or changes to reference material. **Nonsubstantive** revisions are depicted by underlines (new language) and strikethroughs (removed language) and will not be tracked in subsequent manuals. **Nonsubstantive** revisions that clarify existing statutory accounting principles are effective when adopted unless a specific effective date is noted.

**Edit 19: Summary of Changes (heading in table), Volume II, Page xxiii**

1. **Substantive** Revisions that resulted in a new SSAP or a new SAP concept – Statutory Accounting Principles

**Edit 20: Summary of Changes (heading in table), Volume II, Page xxiii**

2. **Nonsubstantive** Revisions that resulted in a SAP clarification – Statutory Accounting Principles


3. Information and issues can be presented to the Working Group in a variety of ways. Issues can be recommended or forwarded from 1) other NAIC committees, task forces or working groups; 2) interested parties; 3) interested regulators; and 4) NAIC staff. Also, if any guidance within the Generally Accepted Accounting Principles (GAAP) Hierarchy (see § V of the Preamble to the Accounting Practices and Procedures Manual (AP&P Manual)) is added or revised, those changes must be considered by the Working Group for potential revisions to SAP. In order for an issue to be placed on the **Pending Listing**, the recommending party must complete a Statutory Accounting Principles Maintenance Agenda Submission Form (Form A) and submit it to the Working Group support staff no later than 20 business days prior to the next scheduled Working Group meeting. NAIC staff will prepare a submission form for all GAAP pronouncements that have not been previously addressed by the Working Group. NAIC staff will update the **Pending Listing** before each national meeting and will notify the recommending party of such action. If the Working Group does not wish to address the issue (e.g., issue deemed not applicable to statutory accounting) or rejects the position presented, then the Working Group may move the item to the **Rejected Listing**. Should the Working Group choose to address an issue, it is moved to the **Active Listing** where it is prioritized and categorized as a new SSAP concept, clarification of an existing SSAP, **Substantive**, Nonsubstantive or an **Interpretation** agenda item.


4. The **Active Listing** identifies agenda items that are in the process of development and includes the following:

   a. **New SAP Concept Substantive**: These agenda items address the development of new SSAPs and/or the introduction of a new and substantially revised SSAP’s concept as defined in the NAIC Policy Statement on Maintenance of Statutory Accounting Principles.

   b. **Clarification of an Existing SSAP Nonsubstantive**: These agenda items address the development of nonsubstantive revisions which clarify an existing to SAP as defined in the NAIC Policy Statement on Maintenance of Statutory Accounting Principles.
c. **Interpretations:** These agenda items address the development of interpretations to SAP as defined in the NAIC Policy Statement on Maintenance of Statutory Accounting Principles. If SSAP revisions are subsequently deemed necessary, the Working Group shall re-categorize the agenda item as either a *new SAP concept*, or a *clarification of an existing SSAP substantive or nonsubstantive*, as applicable, and follow the appropriate process to consider and adopt revisions.


5. After review of the agenda item (including any interested party comments), at its discretion, the Working Group makes the ultimate determination of whether an agenda item is categorized (or re-categorized) as a *new SAP concept, clarification of an existing SSAP substantive* (either as a new SSAP or substantively-revised SSAP), *nonsubstantive* or an interpretation.


8. NAIC staff will maintain the following on the Working Group Web page ([http://naic.org/cmte_e_app_sapwg.htm](http://naic.org/cmte_e_app_sapwg.htm)): 1) A blank Form A (Attachment A to this policy statement); 2) The current Maintenance Agenda, and 3) Current *statutory substantive, nonsubstantive* and/or interpretation revisions exposed for public comment. Attachment B to this policy statement will be attached to all exposures with proposed *substantive* revisions that result in a *new SAP concept* and serves as the request for written comment and notice of a public hearing.

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/2022 NAIC Meetings/Spring National Meeting/Committee Meetings/FINANCIAL CONDITION (E) COMMITTEE/Accounting Practices and Procedures (E) TF/SAPWG/Att1I_21-26EP_Sub_NonSub.docx
Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A

Issue: ASU 2021-04 - Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options

Check (applicable entity):

- Modification of Existing SSAP
- New Issue or SSAP
- Interpretation

Description of Issue: In May 2021, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2021-04, Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)—Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options. The amendments in this ASU impact all entities that issue freestanding written call options, that are then modified in connection with either an equity issuance, debt origination or a debt modification.

The amendments affect those entities for when a freestanding equity-classified written call option is modified, or exchanged, and the instrument remains classified as equity after the modification or exchange. This topic is discussed in SSAP No. 72—Surplus and Quasi-Reorganization, paragraph 10. If the warrant is modified as part of a debt modification and the warrant is held by the creditor involved in the debt modification, the issuer would treat the warrant’s change in value as a fee to or from the creditor, based on if it is an increase or a decrease. If the modification of the warrant is connected to a debt modification where the debt is held by a third-party, the increase in fair-value of the warrant will be treated as third-party cost, and any decreases would be disregarded. Guidance for debt issuance costs is in SSAP No. 15—Debt and Holding Company Obligations.

The main provisions of this ASU are:

1. An entity should treat a modification of the terms or conditions or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange as an exchange of the original instrument for a new instrument.

2. An entity should measure the effect of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange as follows:
   a. For a modification or an exchange that is a part of or directly related to a modification or an exchange of an existing debt instrument or line-of-credit or revolving-debt arrangements (hereinafter, referred to as a “debt” or “debt instrument”), as the difference between the fair value of the modified or exchanged written call option and the fair value of that written call option immediately before it is modified or exchanged.
   b. For all other modifications or exchanges, as the excess, if any, of the fair value of the modified or exchanged written call option over the fair value of that written call option immediately before it is modified or exchanged.
3. An entity should recognize the effect of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange on the basis of the substance of the transaction.

An entity should recognize the effect of a modification or an exchange of a freestanding equity-classified written call option to compensate for goods or services in accordance with the guidance in Topic 718, Compensation—Stock Compensation. In a multiple-element transaction (for example, one that includes both debt financing and equity financing), the total effect of the modification should be allocated to the respective elements in the transaction.

**Existing Authoritative Literature:** The guidance for the issuance of stock purchase warrants is in SSAP No. 72—Surplus and Quasi-Reorganization, paragraph 10, and guidance for debt issuance costs is included in SSAP No. 15—Debt and Holding Company Obligations, paragraph 5.

SSAP No. 72:

10. Stock purchase warrants issued in return for cash shall be credited to gross paid-in and contributed surplus. When debt instruments are issued with conversion features, no value shall be assigned to the conversion features unless the conversion feature is clearly separable from the debt obligation in the form of a detachable stock purchase warrant. In such instances the relative fair value of the detachable stock purchase warrant at time of issue shall be credited to gross paid-in and contributed surplus. For instances in which a reporting entity has issued puttable warrants or mandatorily redeemable warrants, such items shall be reflected as liabilities as the warrants obligate the reporting entity to ultimately transfer cash or other assets to the holder in order to repurchase the shares.

SSAP No. 15:

5. Debt issuance costs (e.g., loan fees and legal fees) do not meet the definition of an asset as defined in SSAP No. 4—Assets and Nonadmitted Assets. Accordingly, these costs shall be charged to operations in the period incurred.

**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 Review Completed by:** Jake Stultz -NAIC staff, September 2021

**Staff Recommendation:**

NAIC staff recommends that the Working Group move this item to the active listing and expose revisions to SSAP No. 72—Surplus and Quasi-Reorganization to reject ASU 2021-04 for statutory accounting. However, NAIC staff recommends that the FASB guidance related to accounting for the changes in fair value regarding the exchange of a free-standing equity-classified written call option be incorporated into SSAP No. 72.

**Proposed revisions to SSAP No. 72:**

10. Stock purchase warrants issued in return for cash shall be credited to gross paid-in and contributed surplus. **An entity shall treat a modification of the terms or conditions or an exchange of a freestanding**
equity-classified written call option as an exchange of the original instrument for a new instrument. In substance, the entity repurchases the original instrument by issuing a new instrument. The total effect of the modification or exchange shall be allocated to the respective elements in the transaction. When debt instruments are issued with conversion features, no value shall be assigned to the conversion features unless the conversion feature is clearly separable from the debt obligation in the form of a detachable stock purchase warrant. In such instances the relative fair value of the detachable stock purchase warrant at time of issue shall be credited to gross paid-in and contributed surplus. For instances in which a reporting entity has issued puttable warrants or mandatorily redeemable warrants, such items shall be reflected as liabilities as the warrants obligate the reporting entity to ultimately transfer cash or other assets to the holder in order to repurchase the shares.

29. This statement also rejects Accounting Research Bulletin No. 43, Restatement and Revision of Accounting Research Bulletins, “Chapter 1, Prior Opinions,” paragraph 12 of APB 10, and FASB Technical Bulletin No. 85-6, Accounting for a Purchase of Treasury Shares at a Price Significantly in Excess of the Current Market Price of the Shares and the Income Statement Classification of Costs Incurred in Defending against a Takeover Attempt and Accounting Standard Update (ASU) 2021-04, Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)—Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options.

Status:
On December 11, 2021, the Statutory Accounting Principles (E) Working Group moved this agenda item to the active listing, categorized as nonsubstantive, and exposed revisions, as illustrated above, to incorporate guidance related to the accounting for the changes in fair value when exchanging equity-classified written call options, while rejecting the remainder of ASU 2021-04 in SSAP No. 72.

On April 4, 2022, the Statutory Accounting Principles (E) Working Group adopted SAP clarifications to SSAP No. 72—Surplus and Quasi-Reorganizations to reject ASU 2021-04 for statutory accounting while incorporating guidance that modifications of terms, conditions or exchanges of free-standing equity-classified written call options shall be treated as an exchange, as detailed below. The adopted revisions included additional changes to the exposed language as recommended interested parties.

29. This statement also rejects Accounting Research Bulletin No. 43, Restatement and Revision of Accounting Research Bulletins, “Chapter 1, Prior Opinions,” paragraph 12 of APB 10, and FASB Technical Bulletin No. 85-6, Accounting for a Purchase of Treasury Shares at a Price Significantly in Excess of the Current Market Price of the Shares and the Income Statement Classification of Costs Incurred in Defending against a Takeover Attempt and Accounting Standard Update (ASU) 2021-04, Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)—Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options, while incorporating guidance that clarifies that an entity shall treat a modification of the terms or conditions or an exchange of a freestanding equity-classified written call option as an exchange of the original instrument for a new instrument.
Issue: Schedule D-6-1, Supplemental Reporting

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Description of Issue: SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities defines the specific criteria for when an investment is considered a subsidiary, controlled or affiliated entity (SCA) for statutory accounting purposes. Broadly defined, SCAs are entities that are 1) directly or indirectly owned or controlled by a reporting entity (i.e., a subsidiary), or 2) within a holding company system or a party that is directly or indirectly, through one or more intermediaries, in which controls, is controlled by, or is under common control with a reporting entity (i.e., an affiliate). While SSAP No. 97 offers varying classifications of SCAs with differing valuation methods, all SCAs are ultimately reported on Schedule D – Part 6 – Section 1: Valuation of Shares of Subsidiary, Controlled or Affiliated Entities.

The reporting requirements for SCAs is defined in SSAP No. 97, Exhibit A, however in general, the process is as follows: (note: the following comments are not applicable for domestic SCA insurance companies)

- All SCA entities, regardless of if they are nonadmitted, have a zero value, or are immaterial to the reporting entity, must file a “Sub-1” within 90 days of the acquisition or formation of the investment. The Sub-1 filing is to gather basic information about the SCA and is used to determine if the transaction meets certain specific criteria specified within SSAP No. 97.

- Annually, but no later than August 31 (or one month after the audit report is issued for an SCA – for entities who routinely received their audit reports after August 31), SCAs must file a “Sub-2” filing. This filing details the valuation method utilized; the value claimed in Schedule D-6-1 and includes all required supporting documentation. (Nonadmitted assets are not required to file a Sub-2 if they are nonadmitted, or had a zero value, for the full reporting period). The Sub-2 filing is then reviewed by the NAIC for verification of the claimed value. If required, valuation adjustments are made. As directed in SSAP No 97, if the insurance company has reported a value for a SCA investment on its financial statement blank that differs from the value approved by the NAIC, the insurer is required to adjust the reported value in its next quarterly financial statement blanks, unless otherwise directed by the insurer’s state of domicile. (Note, the SCA review process occurs in arrears. As such, when a value is adjusted, the concepts for the adjustment shall be applied to the next year-end. For example, if a company did not incorporate required SSAP No. 97 adjustments in determining the reported value as of Dec. 31, 2020, those adjustments should be considered when determining the value reported as of Dec. 31, 2021 (or earlier if known when the quarterly financials are completed). When the adjustment is material, then the guidance in SSAP No. 3—Accounting Changes and Corrections of Errors would be applicable.)

In 2019, the NAIC reviewed 824 SCA filings (which includes both Sub-1 and Sub-2 filings). Of the total, 720 were Sub-2 filings (the filing in which a value is approved). Of the 720 Sub-2 filings, 125 (approx. 17%) resulted in valuation decreases. Presumably, per SSAP No. 97, entities (unless directed by their state of domicile) adjusted the reported values in their next quarterly financial statements, however NAIC staff have found that it is not
uncommon for the same entities, year after year, to have approved values that vary significantly from their reported balances. It is also important to note that while the NAIC does send monthly reports on SCA activity to state regulators, the process of reviewing the activity reports and verifying compliance with SSAP No. 97, for state regulators (and NAIC staff) is operationally onerous. Accordingly, this agenda item has been drafted to propose new supplemental reporting (in electronic only columns) to assist state regulators to 1) ensure Sub-1 and Sub-2 filings are being submitted by reporting entities, and 2) identify situations where the NAIC approved value varies significantly from the value reported on Schedule D-6-1.

Existing Authoritative Literature:

**Staff note** – For completeness of the document, the authoritative guidance defining SCA’s in scope of SSAP No. 97 has been included herein. Certain relevant items have been bolded for emphasis.

**SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities**

**Definition [of a SCA]**

1. Parent and subsidiary are defined as follows:
   a. Parent—An entity that directly or indirectly owns and controls the reporting entity;
   b. Subsidiary—An entity that is, directly or indirectly, owned and controlled by the reporting entity.

2. An affiliate is defined as an entity that is within the holding company system or a party that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the reporting entity. An affiliate includes a parent or subsidiary and may also include partnerships, joint ventures, and limited liability companies as defined in SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies. Those entities are accounted for under the guidance provided in SSAP No. 48, which requires an equity method for all such investments.

3. Control is defined as the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the investee, whether through the (a) ownership of voting securities, (b) by contract other than a commercial contract for goods or nonmanagement services, (c) by common management, or (d) otherwise. Control shall be presumed to exist if a reporting entity and its affiliates directly or indirectly, own, control, hold with the power to vote, or hold proxies representing 10% or more of the voting interests of the entity.

4. Control as defined in paragraph 5 shall be measured at the holding company level. For example, if one member of an affiliated group has a 5% interest in an entity and a second member of the group has an 8% interest in the same entity, the total interest is 13% and therefore each member of the affiliated group shall be presumed to have control. This presumption will stand until rebutted by an evaluation of all the facts and circumstances relating to the investment based on the criteria in FASB Interpretation No. 35, Criteria for Applying the Equity Method of Accounting for Investments in Common Stock, an Interpretation of APB Opinion No. 18. The corollary is required to demonstrate control when a reporting entity owns less than 10% of the voting securities of an investee. The insurer shall maintain documents substantiating its determination for review by the domiciliary commissioner. An investment in an SCA entity may fall below the level of ownership described in paragraph 5, in which case, the reporting entity would discontinue the use of the equity method, as prescribed in paragraph 13.g. Additionally, through an increase in the level of ownership, a reporting entity may become qualified to use the equity method of accounting (paragraph 8.b.), in which case, the reporting entity shall add the cost of acquiring additional interest to the current basis of the previously held interest and shall apply the equity method prospectively, as of the date the
investment becomes qualified for equity method accounting. Examples of situations where the presumption of control may be in doubt include the following:

a. Any limited partner investment in a limited partnership, unless the limited partner is affiliated with the general partner.

b. An entity where the insurer owns less than 50% of an entity and there is an unaffiliated individual or group of investors who own a controlling interest.

c. An entity where the insurer has given up participating rights as a shareholder to the investee.

5. Investments in SCA entities 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.

EXHIBIT A – SCA REPORTING PROCESS

50. SCA entities, except for domestic SCA insurance company investments accounted for under paragraph 8.b.i of this statement, in which the reporting entity has an equity interest (common or preferred stock), are required to be filed with the NAIC. Nonadmitted assets are not required to be filed in a Sub-2 as long as they were nonadmitted, or had a zero value, for the full reporting period (all interim and annual reporting). Immaterial asset SCAs do not have an automatic exclusion from filing, as immateriality of an SCA will be ascertained by the state of domicile of the insurance reporting entity, but companies are allowed to request an exemption from the domiciliary state to not file an SCA on the basis that it is immaterial. The filing process does not include investments within the scope of SSAP No. 48.

51. Except for domestic SCA insurance company investments accounted for under paragraph 8.b.i., all SCA investments within the scope of this statement, purchased during any one calendar year, shall be reported to the NAIC on a Sub-1 form within 90 days of the acquisition or formation of the investment; this includes nonadmitted, zero-valued and immaterial SCAs. The NAIC will process that filing in the same year but will not at that time approve or disapprove a value for the SCA investment. By August 31 of each year, the insurance company shall submit a Sub-2 filing for the previously purchased SCA investment reported on a Sub-1 form and later that year, the NAIC will approve a value for the transaction. For SCAs that routinely receive their audit reports after the August 31 deadline, a filing deadline of one month after the audit date shall be applied. Filers must provide previous years’ audit reports to verify an audit report dated after August 31 in order to not be charged a late fee for a Sub-2 filing that is filed after the August 31 deadline. The value approved by the NAIC at the conclusion of the Sub-2 form filing is reported by the insurance company on its financial statement blank. If the insurance company has reported a value for the SCA investment on its financial statement blank that differs from the value approved by the NAIC, the insurer is required to adjust the reported value in its next quarterly financial statement blank unless otherwise directed by the insurer’s state of domicile.

52. Insurance companies shall use one of the valuation methods described in paragraph 8 to calculate the value of their investments in insurance and non-insurance SCA companies. An insurance company shall calculate the value of its investments in foreign insurance and all non-insurance company SCA entities and report the value to the NAIC no later than August 31, or one month after the audit report date for SCAs that routinely receive their audits after August 31 for existing SCA investments, and within 90 days of the acquisition or formation of a new SCA investment.
Initial Reporting of SCA Investments

53. Reporting the acquisition or formation of a new investment is accomplished by submitting a completed Sub-1 form for each investment, disclosing (i) the valuation reported or to be reported by the insurance company on its latest or next quarterly financial statement blank, (ii) which method of those described in paragraph 8 was used to arrive at the valuation, (iii) the factual context of the transaction and (iv) economic and business motivations for the transaction. The submission will be processed by the NAIC only if the NAIC determines it has been provided with all material information with respect to all SCA companies of the reporting insurance company that require valuation.

54. The purpose of a Sub-1 filing is to gather basic information about the SCA. If the NAIC determines that the reported transaction meets the tests specified, it will complete the filing in the VISION database. If the NAIC determines that the transaction does not meet the tests specified, it will not complete the filing in the VISION database and instead shall notify the reporting insurance company and the state of domicile in writing of its determination.

Subsequent Reporting of SCA Investments

55. By August 31 or one month after the audit report date of each year and subsequent to the reporting of an SCA investment on the Sub-1 form, the insurance company shall submit a Sub-2 form filing, with all supporting documentation for foreign SCAs provided in English, for the same SCA investment. Additionally, by August 31 or one month after the audit report date of each year, any insurance company that has made a Sub-2 form filing in a previous year must update the information by filing an updated Sub-2 form filing.

56. Each year the NAIC shall compile a list of all SCA investments (excluding insurance company SCAs (paragraph 8.b.i.) nonadmitted and zero-value SCAs) reported as Sub-1 form filings for which a Sub-2 form filing has not yet been received. For these transactions, the NAIC will notify the responsible reporting insurance company and its state of domicile that it has not received a Sub-2 filing for the SCA investment.

57. The purpose of the Sub-2 filing is to determine whether the value calculated by the reporting insurance company for the SCA investment is appropriate and to approve that or some other value for reporting on the insurer's financial statement blank.

58. An insurance company that concludes an SCA transaction at year-end may be unable to file a Sub-1 form prior to the time it would be required to file a Sub-2 form. Where this is the case, the NAIC is authorized to accept and review a Sub-1 filing from such an insurance company and to accept and review the Sub-2 filing after the Sub-1 filing review has been completed.

59. No filing of an investment in a domestic SCA insurance company valued under paragraph 8.b.i. shall be required to be made with the NAIC.

Assessment and Review of Sub-2 Form

64. By August 31 or one month after the audit report date of each year, the NAIC shall initiate a review of all SCA investments for which new Sub-2 form filings have been received as well as an annual update review of Sub-2 SCA investments already logged in the VISION database. The NAIC review shall encompass a review of the most recent annual statutory reporting by the parent insurance company’s Schedule Y (to ascertain the identity of the members of the holding company system and to ensure that information for all SCA companies has been submitted), a review of the parent’s financial statement blank to review the last reported value for the SCA investments and a review of the VISION database to determine whether SCA debt and SCA preferred securities have been assigned NAIC designations. As part of its analysis, the NAIC shall review the portion of the bond...
investments carried by the parent or a subsidiary insurer with a Z notation. If the NAIC determines that the portion of the Z bonds shown on the documentation is significant, the NAIC shall not process the Sub-2 filing until the insurance company reports the bonds to permit removal of the Z notation. Beginning with year-end 2019, two new suffixes will apply: YE and IF. YE means that the security is a properly filed annual update that the SVO has determined will not be assigned an NAIC designation by the close of the year-end reporting cycle. The symbol YE is assigned by the SVO pursuant to the carryover administrative procedure described in Part One, Section 3 f) (iii) of the Purposes and Procedures Manual of the NAIC Investment Analysis Office. When the SVO assigns the symbol YE it also assigns the NAIC designation in effect for the previous reporting year. IF means that the security is an initial filing that has been properly filed with the SVO but which the SVO has determined will not be assigned an NAIC designation by the close of the year-end reporting cycle. The symbol IF is assigned by the SVO and communicates that the insurer should self-designate the security for year-end and identify it with the symbol IF. IF, therefore, also communicates to the regulator that the NAIC designation reported by the insurance company was not derived by or obtained from the SVO, but has been determined analytically by a reporting insurance company.

65. Upon completion of the procedures described above, the NAIC will determine whether the value reported by the insurance company on the current SCA filing was calculated in accordance with the instructions for the valuation method chosen and verify that the filed value reflects the adjustments required by paragraph 9.

66. Upon approval of a value (including making necessary adjustments), the NAIC will complete the Sub-2 filing with the approved value in the status field of the VISION database.

67. The NAIC shall report its determination to the insurance company. If a significant discrepancy exists between the value claimed by the reporting insurance company and the value approved by the NAIC, the NAIC shall communicate the discrepancy with the company. If the NAIC cannot come to a conclusion based on the support provided, the filing can be rejected in VISION, and written notification will be provided to the reporting insurance company and the company's state of domicile of this action. This correspondence will be sent to the domiciliary state. Filers are able to download their review information from the NAIC filing system.

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): N/A

Staff Recommendation: NAIC staff recommends that the Working Group forward a proposal to the Blanks (E) Working Group to supplement the identification of SCA investments in Schedule D – Part 6 – Section 1: Valuation of Shares of Subsidiary, Controlled or Affiliated Entities. The supplemental data to be captured is consistent with current requirements in SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities, however this improved reporting granularity will significantly assist regulators to 1) ensure Sub-1 and Sub-2 filings are being submitted by reporting entities, and 2) identify situations where the NAIC approved value varies significantly from the value reported on Schedule D-6-1.

The proposed (electronic column) additions to Schedule D – Part 6 – Section 1 are shown below. (Note: for brevity, the included blanks instructions, which do not have proposed edits, have been abbreviated and should not be used for blanks filing purposes.)
SCHEDULE D – PART 6 – SECTION 1
Valuation of Shares of Subsidiary, Controlled or Affiliated Companies

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<td>ID Number</td>
<td>NAIC Valuation Method</td>
<td>Total Amount of Goodwill Included in Book/Adjusted Carrying Value</td>
<td>Nonadmitted Amount</td>
<td>Stock of Such Company Owned by Insurer on Statement Date Number of Shares</td>
<td>% of Outstanding</td>
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1. Total amount of goodwill nonadmitted $...............................

Reporting Instructions for Schedule D, Part 6, Section 1

Column 1 – CUSIP Identification
Column 2 – Description
Column 3 – Foreign
Column 4 – NAIC Company Code
Column 5 – ID Number
Column 6 – NAIC Valuation Method
Column 8 – Total Amount of Goodwill
Column 9 – Nonadmitted Amount
Column 10 – Stock of Such Company Owned by Insurer on Statement Date Number of Shares and
Column 11 – Stock of Such Company Owned by Insurer on Statement Date % of Outstanding

** Column 12 through 159 will be electronic only. **

Column 12 – Legal Entity Identifier (LEI)
Column 13 – Issuer
Column 14 – Issue
Column 15 – ISIN Identification

Column 16 – Prior Year BACV

Column 17 – Prior Year Nonadmitted Amount

Provide the amount nonadmitted, if any, included in Column 4 of the Asset page.
Column 18 – Prior year Sub-2 Verified Value

If per SSAP No. 97 or by direction of the domiciliary regulator, the SCA is required to be filed with the NAIC, provide the prior year’s Sub-2 ‘Total Value Claimed.’

Column 18 – Prior year VISION Filing Number

If per SSAP No. 97 or by direction of the domiciliary regulator, the SCA is required to be filed with the NAIC, provide the prior year NAIC VISION filing number.

Staff Review Completed by: Jim Pinegar, NAIC Staff – November 2021

Status:
On December 11, 2021, the Statutory Accounting Principles (E) Working Group moved this item to the active listing and exposed proposed revisions to be incorporated into a Blanks (E) Working Group proposal which would supplement the reporting of SCA investments reported in Schedule D-6-1, as illustrated above. The supplemental data to be captured is consistent with current requirements in SSAP No. 97 and as a result, the agenda item did not propose statutory revisions.

On April 4, 2022, the Statutory Accounting Principles (E) Working Group adopted this agenda item, which did not result in statutory accounting revisions, however adoption expressed support of the corresponding Blanks (E) Working Group proposal (2022-02BWG), which incorporates new electronic only columns in Schedule D-6-1. The supplemental data to be captured is consistent with current requirements in SSAP No. 97.

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/2022 NAIC Meetings/Spring National Meeting/Committee Meetings/FINANCIAL CONDITION (E) COMMITTEE/Accounting Practices and Procedures (E) TF/SAPWG/Att1K_21-22_SchD-6-1.docx
The Blanks (E) Working Group of the Accounting Practices and Procedures (E) Task Force met March 29, 2022. The following Working Group members participated: Pat Gosselin, Chair (NH); Kim Hudson, Vice Chair (CA); William Arfanis (CT); Philip Barlow and N. Kevin Brown (DC); Tom Hudson (DE); Carolyn Morgan (FL); Daniel Mathis (IA); Roy Eft (IN); Dan Schaefer (MI); Debbie Doggett (MO); Lindsay Crawford (NE); Nakia Reid (NJ); Dale Bruggeman and Tracy Snow (OH); Holly Mills (OK); Kimberly Rankin (PA); Shawn Frederick and Jamie Walker (TX); Jake Garn (UT); Steve Drutz (WA); Adrian Jaramillo (WI); and Michael Crum (WV). Also participating was: Anna Krylova (NM).

1. **Adopted its Nov. 16, 2021, Minutes**

Ms. Gosselin referenced the Blanks (E) Working Group’s Nov. 16 minutes, where the sponsor withdrew the previously exposed agenda item 2021-21BWG. During this meeting, the Working Group took the following action: 1) deferred proposal 2021-13BWG to allow for additional discussion; 2) adopted deferred proposal 2021-14BWG with editorial revisions; 3) rejected proposal 2021-11BWG, which was previously deferred; 4) exposed seven new proposals for a public comment period ending March 4; 5) adopted its editorial listing; and 6) approved the state filing checklists.

Mr. Hudson made a motion, seconded by Ms. Crawford, to adopt the Working Group’s Nov. 16, 2021, minutes (see NAIC Proceedings – 2021 Fall, Accounting Practices and Procedures (E) Task Force, Attachment Two). The motion passed unanimously.

2. **Withdrew an Item Previously Deferred**

   a. **Agenda Item 2021-13BWG**

Ms. Gosselin stated that this proposal adds a new supplement, Exhibit of Premiums and Losses (State Page) – Other Liability, to the property/casualty (P/C) blank to capture premium and loss data for annual statement line 17.1, line 17.2 and line 17.3. There were numerous interested party comments received for this proposal. Taking those into consideration, Ms. Gosselin requested the withdrawal of this proposal, and a new proposal is being submitted for exposure incorporating interested parties’ suggested revisions. She said the new proposal is 2022-04BWG, and it is to be exposed during this meeting.

3. **Adopted Items Previously Exposed**

   a. **Agenda Item 2021-15BWG**

Mr. Bruggeman stated that this blanks agenda item results from the Statutory Accounting Principles (E) Working Group’s adoption of its related agenda item 2021-16, which is to increase the transparency of Federal Home Loan Bank (FHLB) borrowings classified as a funding agreement within the scope of Statement of Statutory Accounting Principles (SSAP) No. 52—Deposit-Type Contracts reported in Exhibit 7 – Deposit-Type Contracts. Exhibit 7 includes columnar reporting of various types of deposit-type contracts, including guaranteed interest contracts (GICs), annuities certain, supplemental contracts, etc. Due to the varied nature of reporting based on policy form, FHLB...
borrowings classified as a deposit-type contract and reported in Exhibit 7 are not readily identifiable to financial statement users. Mr. Bruggeman stated that the recommendation from the Statutory Accounting Principles (E) Working Group was to include a new footnote detailing the FHLB borrowings associated with every column in Exhibit 7.

Mr. Bruggeman stated that the comments from interested parties suggested adding a new line in Exhibit 7, rather than a footnote, stating that the new line would be easier to align to the associated FHLB borrowings with the respective deposit type contract columns. When this agenda item was drafted by NAIC staff, interested parties indicated preference for the footnote. While the footnote proposed by the Statutory Accounting Principles (E) Working Group was envisioned to be below the table, it deferred to the Blanks (E) Working Group support staff on the format of the footnote.

Mr. Bruggeman made a motion, seconded by Mr. Garn, to adopt the proposal (Attachment Two-A). The motion passed unanimously.

b. Agenda Item 2021-16BWG

Mr. Bruggeman stated that this blanks agenda item proposes revisions to Note 9–Income Taxes and Note 15–Leases. For Note 9, specifically 9C, the agenda item addresses differences between the portable document format (PDF) reporting of Note 9C and the data capture element of the disclosure. The data capture element has a single “Other” line for deferred tax asset (DTA) and deferred tax liability (DTL) components, whereas the instructions for Note 9C ask that additional lines be added to the illustration for additional components over 5% in the PDF document. The additional lines in the PDF were intended to be temporary to identify if there were other specific lines that needed to be added based on what companies were reporting as additional lines in the PDF. With no additional items identified, the instruction for adding these lines is now being removed.

Mr. Bruggeman stated that for Note 15, the proposal adds minor modifications by including a “thereafter” row in the minimum aggregate rental commitment table and adjusts the total formula accordingly. The comments from interested parties recommended a couple of minor editorial revisions to the formulas to reflect the removal of the lines in the income tax PDF, which NAIC staff agree with and are reflected in the final proposal.

Mr. Bruggeman made a motion, seconded by Mr. Hudson, to adopt the proposal (Attachment Two-B). The motion passed unanimously.

c. Agenda Item 2021-17BWG

Mr. Drutz stated that this proposal modifies the Analysis of Operations by Lines of Business in the health blank to include all of health lines of business included in the life/fraternal blank Analysis of Operations by Lines of Business – Accident and Health. It adds instructions for the new columns and adjusts the column references. It adds the Health Blank Analysis of Operations by Lines of Business as a supplement to the life/fraternal blank with the appropriate instructions and crosschecks. It adds crosschecks to the Health Blank Analysis of Operations by Lines of Business to the life/fraternal Analysis of Operations by Lines of Business – Accident and Health instructions.

Mr. Drutz stated that there were interested party comments received. With regards to the request to change the effective date, this proposal was changed to a supplement to accommodate interested parties’ previous request and input. There does not appear to be a need to postpone this proposal to annual 2023. Regarding the identical descriptions comment, those will remain in the instructions for now as they appear in the proposal. Mr. Drutz
stated that both the life\fraternal and health statement instructions have duplication of definitions of Lines of Business. NAIC staff will put together a proposal to concentrate the definitions in the Appendix of the instructions. The P/C instructions have the Lines of Business in the Appendix, and the instructions for the individual pages refer to the Appendix.

Mr. Drutz stated that the request to change the name of the supplement was included in the modifications highlighted in the proposal. Interested parties pointed out some issues with the crosschecks, which have been discussed with them and resolved. The crosscheck for the Analysis of Operations – Accident and Health, line 13, language will be added to include the change in the reserve that is reported in Exhibit 6, column 1. Language will be added to line 19 to clarify that the line should include the increase in policy reserves and the change in premium deficiency reserves. This language is consistent with the same line reported in the health blank. The crosschecks for line 19 and line 20 of the page will be deleted and replaced with one adding line 19 and line 20 to match up in total with the supplement lines 21 through 24, column 1. A crosscheck is being added from the Supplement, column 1 minus column 14, line 24 should equal the total in the Analysis of Operations Summary, column 6 (accident and health [A&H]), line 29. This is similar to the other crosschecks of the Analysis of Operations pages to the summary. Interested parties asked for an instruction added to the supplement to indicate that life companies that do not write any health business or hold any health reserves are not required to file the supplement.

Mr. Drutz made a motion, seconded by Mr. Hudson, to adopt the modifications to the proposal. Tip Tipton (Thrivent Financial) stated that interested parties would like the effective date to be an annual 2023. He stated that companies have indicated that they are adjusting to the previous changes to Schedule H and the changes to the Accident and Health Policy Experience Exhibit, which is also effective this year. He stated that those efforts, especially for smaller companies, will make it difficult to implement this change for annual 2022. He stated that this proposal, being effective for annual 2022, would require companies to retroactively report the data back to the first of the year.

Mr. Hudson made a subsequent motion, seconded by Mr. Drutz, to adopt the modifications, including the change in effective date to annual 2023 to accommodate interested parties’ request. The motion passed unanimously. Mr. Drutz made a motion, seconded by Mr. Hudson, to adopt the modified proposal (Attachment Two-C). The motion passed.

d. Agenda Item 2021-18BWG

Ms. Walker stated that this proposal modifies the Life Insurance exhibit (State Page) to include the line of business detail reported on the Analysis of Operations by Lines of Business pages. Two new Schedule T style pages, Exhibit of Claims Settled During the Current Year and Policy Exhibit, are created to include detail captured by state on the existing Life Insurance exhibit (State Page) that could not be included due to space restrictions. This proposal adds definitions for life and annuity products to the lines of business definitions in the health appendix. She stated that considering the interested party comments, she would like to defer this proposal to allow time for further discussion and review by other regulatory groups.

Ms. Walker made a motion, seconded by Ms. Doggett, to defer the proposal for a public comment period ending April 25. The motion passed unanimously.

e. Agenda Item 2021-19BWG
Mr. Drutz stated that this proposal adds columns and lines to Underwriting and Investment Exhibits, Parts 1, 2, 2A, 2B, and 2D and the Exhibit of Premiums, Enrollment and Utilization in the annual statement bringing the lines of business reporting in line with Life/Fraternal and Property. It adds columns and lines to the Exhibit of Premiums, Enrollment and Utilization and Underwriting and Investment analysis of Claims Unpaid quarterly pages. The appropriate adjustments to the instructions are also being made.

Mr. Drutz made a motion, seconded by Mr. Hudson to adopt the modifications to the proposal. The motion passed unanimously. Mr. Garn made a motion, seconded by Mr. Drutz to adopt the modified proposal (Attachment Two-D). The motion passed unanimously.

f. Agenda Item 2021-20BWG

Mr. Garn stated that this proposal, beginning at line 72 of the Life/Fraternal Five-Year Historical, adds or deletes lines to pull in the specific lines of business reported on the Life/Fraternal Analysis of Operations by Lines of Business detail pages for life (individual and group), annuities (individual and group), and Accident and Health for line 33 of those pages.

Mr. Garn stated that the changes to the life/fraternal Analysis of Operations by Lines of Business were made in the 2019 filing. The effective date of 2023 was recommended to accommodate the five years of data to coincide with this adoption. Companies have reported the five-year historical page for three years using the lines as they currently exist. As it should not be a hardship for companies to report in the current lines for one additional year and complete the full five years of data in 2023, it is recommended that the proposal remain with a 2023 effective date.

Mr. Garn said the A&H claim reserves adequacy lines are not part of the current proposal. They will remain and can be discussed further as to whether they should remain in the future. The crosscheck references will be adjusted in a future editorial listing as these may no longer work with the recent changes to Schedule H. The other editorial suggestions from the interested parties have been made and are highlighted in the proposal as modifications.

Mr. Garn made a motion, seconded by Mr. Eft to adopt the modifications to the proposal. The motion passed unanimously. Mr. Garn made a motion, seconded by Mr. Eft to adopt the modified proposal (Attachment Two-E). The motion passed unanimously.

g. Agenda Item 2021-21BWG

Mr. Bruggeman stated that this blanks agenda item results from the Statutory Accounting Principles (E) Working Group’s adoption of agenda item 2021-15, which specified that residual tranches shall be reported on Schedule BA - Other Long-Term Investments and valued at the lower of amortized cost or fair value. The effective date of this required reporting is year-end 2022. This blanks item added instructions to the Investment Schedules General Instructions to exclude residual tranches or interests from being reported as bonds on Schedule D, Part 1 and added lines to Schedule BA for the reporting of those investments. He stated that the comments from interested parties recommended adding a notation that the proposal should also apply to separate accounts, as these types of investments could exist in separate account investment holdings. This change was not deemed necessary as the general account instructions are relevant for this type of investment.
Mr. Bruggeman stated that interested parties recommended modifying the title of residual tranches or interests to include the phrase “with underlying assets having characteristics of.” This change has been made to the proposal. Interested parties also suggested splitting the Common Stock subcategory between Preferred Stock and Common Stock, which would require renumbering of the lines for the subsequent categories/subcategories. They state that this change would support the efforts of the newly formed Risk-Based Capital Investment Risk and Evaluation (E) Working Group as it evaluates possible changes to the RBC factors for these types of investments. While NAIC staff support this suggestion, this item has not yet been reflected in the proposal. However, it could be considered, as long as the revisions can be implemented for year-end 2022 reporting.

Finally, interested parties proposed adding instructions that the investment in Residual Tranches or Interests should be assigned to the subcategory with the highest underlying asset concentration as there should not be any bifurcation of the underlying assets among the subcategories. NAIC staff conferred with state insurance regulators, who indicated support for these revisions. Mr. Bruggeman recommended adoption of proposal 2021-21BWG, incorporating the suggestions of interested parties, which: 1) split the common stock subcategory between preferred and common stock; and 2) add instructions that residual tranches should be assigned to the subcategory with the highest underlying asset concentration.

Ms. Doggett and Mr. Hudson indicated that they agreed with the breakout of the preferred stock and common stock lines. Mr. Tipton stated that interested parties approved of the breakout of preferred stock and common stock as well.

Mr. Bruggeman made a motion, seconded by Mr. Eft to adopt the modifications to the proposal. The motion passed unanimously. Mr. Bruggeman made a motion, seconded by Mr. Eft, to adopt the modified proposal (Attachment Two-F). The motion passed unanimously.

h. Agenda Item 2021-22BWG

Mr. Bruggeman stated that this blanks agenda item is in response to the Statutory Accounting Principles (E) Working Group’s agenda item 2021-21 regarding related party reporting. The Working Group’s agenda item had two main goals: 1) to clarify reporting of affiliate transactions within existing reporting lines in the investment schedules; and 2) to incorporate new reporting requirements for investment transactions with related parties. Pursuant to recent discussions, state insurance regulators desire additional information on investment transactions involving related parties, regardless of whether the related party is “affiliated” pursuant to the Insurance Holding Company System Regulatory Act (#440).

Mr. Bruggeman stated that the identification of certain investments/transactions would be identified through the use of a reporting code in the 2022 year-end investment schedules: 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 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 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 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; and 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.
Mr. Bruggeman stated that during its April 4 meeting at the Spring National Meeting, the Statutory Accounting Principles (E) Working Group plans to expose its related agenda item with modifications to the reporting proposal that considers comments from interested parties. The exposure will include modifications to the original proposed SSAP No. 25—Affiliates and Other Related Parties clarifications and revisions to the proposed annual statement reporting instructions. Accordingly, it is recommended that the Blanks (E) Working Group expose this blanks item incorporating the new language that will be concurrently exposed by the Statutory Accounting Principles (E) Working Group.

Mr. Bruggeman made a motion, seconded by Mr. Hudson, to adopt the modifications to the proposal. The motion passed unanimously. Mr. Bruggeman made a motion, seconded by Mr. Drutz to re-expose the modified proposal (Attachment Two-G) for a public comment period ending April 25. The motion passed unanimously.

i. **Agenda Item 2021-23BWG**

Mr. Bruggeman stated that this blanks agenda item assumes adoption of 2021-21BWG. With the new reporting lines proposed for residuals in Schedule BA, additional revisions are needed to map those reporting lines to the asset valuation reserve (AVR) schedule. The proposed revisions will separately capture these items in a new category within AVR as they are items that are not comparable to other investments.

The comments from interested parties, similar to 2021-21BWG, recommended adding a notation that the proposal should also apply to separate accounts, as these types of investments could exist in separate account investment holdings. This change was not deemed necessary as the general account instructions are relevant for this type of investment. However, interested parties also suggested other editorial updates, and those items have been corrected in the final proposal. Mr. Bruggeman recommend adoption of 2021-21BWG, incorporating the editorial suggestions of interested parties.

Mr. Bruggeman made a motion, seconded by Ms. Doggett, to adopt the modifications to the proposal. The motion passed unanimously. Mr. Bruggeman made a motion, seconded by Ms. Doggett to adopt the modified proposal (Attachment Two-H). The motion passed unanimously.

John DuBois (MassMutual) stated that the Working Group may need to look at the risk-based capital (RBC) impact. Mr. Bruggeman stated that the factors will stay the same for this year. It will be broken out in the AVR categories. They may go in a different category of risk, so there may be a covariance difference, but the factors should not have an impact for 2022. There may need to be an editorial comment in the new RBC instructions to account for that.

4. **Exposed New Items**

   a. **Agenda Item 2022-01BWG**

Mr. Bruggeman stated that this blanks agenda item is in response to Statutory Accounting Principles (E) Working Group agenda item 2021-24, which the Working Group exposed in December 2021 and is up for consideration of adoption during the Spring National Meeting. The Blanks (E) Working Group’s agenda item proposes a new general interrogatory within the annual reporting blanks, specific to the use or acceptance of cryptocurrencies. Examples of inquiries within the interrogatory include the identification regarding: 1) if cryptocurrencies are held by an insurance reporting entity (and if so, which reporting schedules are the cryptocurrencies reported); and 2) if
cryptocurrencies are accepted for the payment of premiums. This general interrogatory was requested by regulators after the Statutory Accounting Principles (E) Working Group's May 2021 adoption of *Interpretation (INT) 21-01: Accounting for Cryptocurrencies*, which established that directly held cryptocurrencies do not meet the definition of an admitted asset for statutory accounting.

Hearing no objection, Ms. Gosselin stated that the proposal will be considered exposed.

b. **Agenda Item 2022-02BWG**

Mr. Bruggeman stated that this blanks agenda item is in response to Statutory Accounting Principles (E) Working Group agenda item 2021-22, which the Working Group exposed in December 2021 and is up for consideration of adoption during the Spring National Meeting. The agenda item is to expand, through electronic-only columns, the reporting on Schedule D – Part 6 – Section 1: Valuation of Shares of Subsidiary, Controlled or Affiliated Entities (Schedule D-6-1). Schedule D-6-1 captures investments that are defined in SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities. The proposed expansion in reporting would capture items consistent with current requirements in SSAP No. 97 and include items such as prior year’s book/adjusted carrying value (BACV), nonadmitted amount, sub-2 verified value, and VISION filing number. The addition of these items to the Schedule D, Part 6, Section 1 tables were proposed as they will assist state insurance regulators to: 1) ensure Sub 1 and Sub 2 filings are being submitted by reporting entities; and 2) identify situations where the NAIC approved value varies significantly from the value reported on Schedule D, Part 6, Section 1.

Hearing no objection, Ms. Gosselin stated that the proposal will be considered exposed.

c. **Agenda Item 2022-03BWG**

Mary Caswell (NAIC) stated that this affects only the P/C quarterly filing with effective date of first-quarter 2023. This proposal is to fix the reporting of line 5 to be reported as line 5.1 – Commercial multiple peril (non-liability portion) and line 5.2 – Commercial multiple peril (liability portion) on the Quarterly Part 1 and Part 2 pages to be consistent with the annual reporting. This change was missed on proposal 2020-33BWG. This is a big enough change to warrant a proposal rather than an editorial correction.

Hearing no objection, Ms. Gosselin stated that the proposal will be considered exposed.

d. **Agenda Item 2022-04BWG**

Ms. Gosselin stated that this proposal adds a new supplement to capture premium and loss data for the P/C blank for annual statement line 17.1, line 17.2 and line 17.3 of the Exhibit of Premiums and Losses (State Page) – Other Liability by more granular lines of business. She stated that after discussions with interested parties and state insurance regulators and reviewing their input, this proposal was drafted to replace 2021-13BWG.

Hearing no objection, Ms. Gosselin stated that the proposal will be considered exposed.

e. **Agenda Item 2022-05BWG**

Ms. Caswell stated that this proposal adds line numbers to the status data points of the life/fraternal, health. and P/C Schedule T footnote for ease in electronic data capture of the lines and clarification of reporting.
Hearing no objection, Ms. Gosselin stated that the proposal will be considered exposed.

f. **Agenda Item 2022-06BWG**

Mr. Drutz stated that this proposal is sponsored by the Health Risk-Based Capital (E) Working Group. After much discussion of the Health Test Ad Hoc Group members, and approval by the Health Risk-Based Capital (E) Working Group, the proposal was drafted to amend the health test language annual statement instructions in an effort to move those filers who write predominantly health business and file on the life blank to begin filing on the health blank.

Hearing no objection, Ms. Gosselin stated that the proposal will be considered exposed.

g. **Agenda Item 2022-07BWG**

Eric King (NAIC) stated that this proposal is sponsored by the Health Actuarial (B) Task Force. It modifies the Health Actuarial Opinion Instructions to add definitions of “actuarial asset” and “actuarial liability” and modifies Section 4 (Identification), Section 5 (Scope), and Section 7 (Opinion) to clarify that the actuary’s opinion covers actuarial assets, as well as actuarial liabilities. It modifies Section 9 to clarify that the guidance related to the type of opinion rendered by an appointed actuary covers both actuarial assets and actuarial liabilities.

Hearing no objection, Ms. Gosselin stated that the proposal will be considered exposed.

h. **Agenda Item 2022-08BWG**

Ms. Krylova stated that this proposal modifies the instructions in Section 1, Section 3, and Section 8 of the Property/Casualty Actuarial Opinion Instructions to reflect the changes adopted by the Actuarial Opinion (C) Working Group. She stated that the first change is deletion of the paragraph on continuing education log procedures because this is no longer needed as the Task Force has ended its project of studying the continuing education logs. The second change came about as a request for guidance from industry. In consultation with the financial examiner, the technical group developed guidance on documenting the review of the qualification documentation for companies that are part of a larger group. The third change regarding the directly appointed actuaries to include an additional requirement is added in the Identification paragraph for appointed actuaries to confirm that qualification documentation has been provided to the board of directors. This statement in the Identification paragraph will assist state insurance regulators in determining whether this requirement has been met. The fourth change clarifies that the signature block requirements apply to the Statement of Actuarial Opinion only.

Hearing no objection, Ms. Gosselin stated that the proposal will be considered exposed.

i. **Agenda Item 2022-09BWG**

Jennifer Frasier (NAIC) stated that this proposal is sponsored by the Life Actuarial (A) Task Force with an effective date of annual 2022. She stated that the *Valuation Manual* allows for an ongoing exemption, which means that a company can file once for a life principles-based reserve (PBR) exemption, and for subsequent years, the company could just attest to its ongoing qualification. The proposal changes are meant to sync up the blanks requirements with the new allowance for an ongoing exemption. It changes to the Life/Fraternal VM-20 Reserves Supplement blank part 2, adding a question 3, a disclosure of the year that the Life PBR Exemption was actively filed, and a
confirmation of the eligibility criteria in the case of ongoing exemptions. It corrects references to a state “granting” an exemption, since this is often not the case (e.g., the exemption may be allowed). For the VM-20 Reserves Supplement Instructions, it adds instructions for the new disclosure item, question 3. It corrects the references to a state “granting” an exemption. For the Supplemental Exhibits and Schedules Interrogatories (Quarterly Statement), for question 8, it adds instructions for how to respond if the company is using the ongoing exemption. The same instructions can also be found in the Valuation Manual, Section II, Subsection 1.G.1.

Hearing no objection, Ms. Gosselin stated that the proposal will be considered exposed.

j. Agenda Item 2022-10BWG

Mr. Bruggeman stated that this blanks agenda item is in response to Statutory Accounting Principles (E) Working Group agenda item 2022-03, which the Working Group expects to consider for exposure during the Spring National Meeting. The Statutory Accounting Principles (E) Working Group’s agenda item was drafted to propose blanks instructional changes primarily to Schedule T, which reflects premiums, allocated by states and territories. NAIC staff received inquiries from three states in the fourth quarter of 2021 regarding a minor number of entities that primarily wrote health business related to the federal Affordable Care Act (ACA), which are believed to have not properly allocated premium adjustments by jurisdiction on the statutory financial statement. In summary, the agenda item directs that all premium adjustments (both increases and decreases), including but not limited to ACA premium adjustments related to the risk adjustment program, shall be allocated as premium in the respective jurisdiction.

Hearing no objection, Ms. Gosselin stated that the proposal will be considered exposed.

k. Agenda Item 2022-11BWG

Mr. Barlow stated that this proposal updates the Life/Fraternal AVR factors to correspond with the adopted RBC factors for the expanded bond designation categories. This is strictly a mechanical update. The maximum reserve factor is set to the after-tax RBC factor, and the basic contribution and reserve objective factors are a percentage of those updated maximum reserve factors.

Hearing no objection, Ms. Gosselin stated that the proposal will be considered exposed.

5. Adopted the Editorial Listing

Mr. Hudson made a motion, seconded by Ms. Gosselin, to adopt the Blanks (E) Working Group editorial listing. The motion passed unanimously (Attachment Two-I).

6. Received the Statutory Accounting Principles (E) Working Group Memorandum

Mr. Bruggeman stated that this is a standardized year-end memorandum from the Statutory Accounting Principles (E) Working Group. It is intended to notify the Blanks (E) Working Group of revisions to the “Notes to the Financial Statements” that have been adopted for year-end 2021 reporting. It is recommended that this memorandum, detailing instructional revisions and changes to existing disclosure requirements, be posted to the NAIC website. If deemed necessary, specific proposals, if not yet submitted, will be submitted to the Blanks (E) Working Group to formalize the instruction revisions. It is requested that this information be included in the next update to the Annual Statement Instructions. A year-end review identified that the instructions in Schedule D, Part 2 on
preferred stock need to be updated to be consistent with the SSAP No. 32R—Preferred Stock revision, because the valuation of perpetual preferred stock is no longer based on the NAIC designation.

Mr. Bruggeman made a motion, seconded by Mr. Hudson, to receive the Statutory Accounting Principles (E) Working Group memorandum (Attachment Two-J). The motion passed unanimously.

Having no further business, the Blanks (E) Working Group adjourned.
NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

<table>
<thead>
<tr>
<th>CONTACT PERSON:</th>
<th>Dale Bruggeman</th>
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<td>Columbus, OH 43215</td>
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FOR NAIC USE ONLY

Agenda Item # 2021-15BWG
Year 2022
Changes to Existing Reporting [ X ]
New Reporting Requirement [ ]

REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT

No Impact [ X ]
Modifies Required Disclosure [ ]

DISPOSITION

[ ] Rejected For Public Comment
[ ] Referred To Another NAIC Group
[ ] Received For Public Comment
[ X ] Adopted Date 03/29/2022
[ ] Rejected Date
[ ] Deferred Date
[ ] Other (Specify)

BLANK(S) TO WHICH PROPOSAL APPLIES

[ X ] ANNUAL STATEMENT
[ ] QUARTERLY STATEMENT
[ ] Life, Accident & Health/Fraternal
[ ] Property/Casualty
[ ] Health
[ ] Separate Accounts
[ X ] Protected Cell
[ X ] Health (Life Supplement)

Anticipated Effective Date: Annual 2022

IDENTIFICATION OF ITEM(S) TO CHANGE

Add a footnote to Exhibit 7 in the Life/Fraternal Statement and the Health Statement (Life Supplement) to capture amount of FHLB Funding Agreements reported in Columns 1 through 6 of the exhibit.

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

The purpose of this proposal is to provide regulators the amount of FHLB Funding Agreements in the individual columns of Exhibit 7. (2021-16 SAPWG)

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:______________________________
Other Comments:

** This section must be completed on all forms. Revised 7/18/2018
## ANNUAL STATEMENT BLANK – LIFE/FRATERNAL AND HEALTH (LIFE SUPPLEMENT)

### EXHIBIT 7 – DEPOSIT-TYPE CONTRACTS

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<tr>
<th></th>
<th>1 Guaranteed Interest Contracts</th>
<th>2 Annuities Certain</th>
<th>3 Supplemental Contracts</th>
<th>4 Dividend Accumulations or Refunds</th>
<th>5 Premium and Other Deposit Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Balance at the beginning of the year before reinsurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Deposits received during the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Investment earnings credited to the account</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Other net change in reserves</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Fees and other charges assessed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Surrender charges</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Net surrender or withdrawal payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Other net transfers to or (from) Separate Accounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Balance at the end of current year before reinsurance (a) (Lines 1+2+3+4-5-6-7-8)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Reinsurance balance at the beginning of the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Net change in reinsurance assumed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Net change in reinsurance ceded</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Reinsurance balance at the end of the year (Lines 10+11-12)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Net balance at the end of current year after reinsurance (Lines 9+13)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(a\) FHLB Funding Agreements

1. Reported as a GICs (captured in column 2): $____________

2. Reported as an Annuities Certain (captured in column 3): $____________

3. Reported as Supplemental Contracts (captured in column 4): $____________

4. Reported as Dividend Accumulations or Refunds (captured in column 5): $____________

5. Issued as Premium or Other Deposit Funds (captured in column 6): $____________

6. Total Issued as Deposit-Type Contracts (captured in column 1): (Sum of Lines 1 through 6) $____________

https://naiconline.sharepoint.com/sites/NAICSsupportStaffHub/Member Meetings/2022 NAIC Meetings/Spring National Meeting/Committee Meetings/FINANCIAL CONDITION (E) COMMITTEE/Accounting Practices and Procedures (E) TF/BWG/Att2A_2021-15BWG.doc
NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

DATE: 10/19/2021

CONTACT PERSON: [ ]

TELEPHONE: [ ]

EMAIL ADDRESS: [ ]

ON BEHALF OF: [ ]

NAME: Dale Bruggeman

TITLE: Chair SAPWG

AFFILIATION: Ohio Department of Insurance

ADDRESS: 50W. Town St., 3rd Fl., Ste. 300

Columbus, OH 43215

FOR NAIC USE ONLY

Agenda Item # 2021-16BWG MOD Year 2022

Changes to Existing Reporting [ X ]
New Reporting Requirement [ ]

REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT

No Impact [ X ]
Modifies Required Disclosure [ ]

DISPOSITION

[ ] Rejected For Public Comment
[ ] Referred To Another NAIC Group
[ ] Received For Public Comment
[ ] Adopted Date 03/29/2022
[ ] Rejected Date
[ ] Deferred Date
[ ] Other (Specify)

BLANK(S) TO WHICH PROPOSAL APPLIES

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

[ X ] Separate Accounts
[ ] Protected Cell
[ ] Health (Life Supplement)

[ ] Life, Accident & Health/Fraternal
[ ] Property/Casualty
[ X ] Health

Anticipated Effective Date: Annual 2022

IDENTIFICATION OF ITEM(S) TO CHANGE

***See next page for details***

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

***See next page for details***

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: ________________________________

Other Comments:

** This section must be completed on all forms. Revised 7/18/2018
IDENTIFICATION OF ITEM(S) TO CHANGE

Note 9 – Income Taxes:

- Modify the instructions for 9C to eliminate the instruction for adding additional lines for DTA and DTL components to the PDF/printed version of the notes not specifically detailed in the illustration that are greater than 5% to bring in line with the data capture element of the note that can’t accommodate variable lines.

- Add formulas for calculation of total and subtotal on the illustration for 9C that are not already present.

Note 15 – Leases:

- Modify the illustrations to add a “Thereafter” line.

- Add formula for “Total” line.

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

For Note 9 – Income Taxes, address differences between the PDF reporting of Note 9C and the data capture element of the disclosure. The data capture element has a single “Other” line for DTA and DTL components where the instructions for 9C asks that additional lines be added to the illustration for additional components over 5% in the PDF document. The additional lines on the PDF were intended to be temporary to identify if there were other specific lines needed to be added based on what companies were reporting as additional lines on the PDF. With no additional items identified to be added the instruction for adding these lines is being removed. The proposal also specifically clarifies calculation of total and subtotal lines where that calculation has not already been provided for clarification.

For Note 15 – Leases, there should have been a line for aggregating the amounts for the remaining years after the five years specifically shown in the illustration. This proposal adds those lines as Line 6 – Thereafter. In addition, formula for calculating the total line has been added to the illustration for clarification.
9. Income Taxes

Instruction:

C. Disclose the significant components of income taxes incurred (i.e., current income tax expenses) and the changes in DTAs and DTLs. These components would include, for example:

- Current tax expense or benefit;
- The change in DTAs and DTLs (exclusive of the effects of other components listed below);
- Investment tax credits;
- The benefits of operating loss carry forwards;
- Adjustments of a DTA or DTL for enacted changes in tax laws or rates or a change in the tax status of the reporting entity; and
- Adjustments to gross deferred tax assets because of a change in circumstances that causes a change in judgment about the realizability of the related deferred tax asset, and the reason for the adjustment and change in judgment.

NOTE: The illustration below for this disclosure reflects the setup for the data capture of the electronic notes. Reporting entities should disclose those items included as “Other” (Lines 2a13, 2e4, 3a5 and 3b3) as additional lines for those items greater than 5% in the printed/PDF filing document.
C. Current income taxes incurred consist of the following major components:

<table>
<thead>
<tr>
<th></th>
<th>(1) 12/31/2021</th>
<th>(2) 12/31/2020</th>
<th>(3) Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Current Income Tax</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Federal</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(b) Foreign</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(c) Subtotal 1a+1b</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(d) Federal income tax on net capital gains</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(e) Utilization of capital loss carry-forwards</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(f) Other</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(g) Federal and foreign income taxes incurred (1c+1d+1e+1f)</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Deferred Tax Assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Ordinary</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Discounting of unpaid losses</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(2) Uncollected premium</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(3) Policyholders reserves</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(4) Investments</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(5) Deferred acquisition costs</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(6) Policyholders dividends accrual</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(7) Fixed assets</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(8) Compensation and benefits accrual</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(9) Pension accrual</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(10) Receivables – nonadmitted</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(11) Net operating loss carry-forward</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(12) Tax credit carry-forward</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(13) Other (excluding items &lt;5% of total ordinary tax assets)</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(99) Subtotal (sum of 2a1 through 2a13)</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(b) Statutory valuation allowance adjustment</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(c) Nonadmitted</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(e) Capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Investments</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(2) Net capital loss carry-forward</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(3) Real estate</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(4) Other (excluding items &lt;5% of total capital tax assets)</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(99) Subtotal (2e1+2e2+2e3+2e4)</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(f) Statutory valuation allowance adjustment</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(g) Nonadmitted</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(i) Admitted deferred tax assets (2d + 2b)</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Deferred Tax Liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Ordinary</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Investments</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(2) Fixed assets</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(3) Deferred and uncollected premium</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(4) Policyholders reserves</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(5) Other (excluding items &lt;5% of total ordinary tax liabilities)</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(99) Subtotal (3a1+3a2+3a3+3a4+3a5+3a6)</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(b) Capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Investments</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(2) Real estate</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(3) Other (excluding items &lt;5% of total capital tax liabilities)</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(99) Subtotal (3b1+3b2+3b3)</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(c) Deferred tax liabilities (3a99 + 3b99)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Net deferred tax assets/liabilities (2i – 3c)</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
</tbody>
</table>
15. Leases

Instruction:

A. Disclose the following items related to lessee leasing arrangements (refer to SSAP No. 22R—Leases):

Detail Eliminated to Conserve Space

(2) For leases having initial or remaining noncancelable lease terms in excess of one year:

a. Future minimum rental payments required as of the date of the latest balance sheet presented, in the aggregate and for each of the five succeeding years.

b. The total of minimum rentals to be received in the future under noncancelable subleases as of the date of the latest balance sheet presented.

Detail Eliminated to Conserve Space

B. When leasing is a significant part of the lessor’s business activities in terms of revenue, net income or assets, disclose the following information with respect to leases:

(1) For operating leases:

a. A general description of the lessor’s leasing arrangements;

b. The cost and carrying amount, if different, of property on lease or held for leasing by major classes of property according to nature or function, and the amount of accumulated depreciation in total as of the date of the latest balance sheet presented;

c. Minimum future rentals on noncancelable leases as of the date of the latest balance sheet presented, in the aggregate and for each of the five succeeding years; and

d. Total contingent rentals included in income for each period for which an income statement is presented.

(2) For leveraged leases:

a. A description of the terms including the pretax income from the leveraged leases. For purposes of presenting the investment in a leveraged lease in the lessor’s balance sheet, the amount of related deferred taxes shall be presented separately (from the remainder of the net investment);

b. Separate presentation (from each other) shall be made of pretax income from the leveraged lease, the tax effect of pretax income, and the amount of investment tax credit recognized as income during the period; and

c. When leveraged leasing is a significant part of the lessor’s business activities in terms of revenue, net income, or assets, the components of the net investment balance in leveraged leases shall be disclosed.
Illustration:

A. Lessee Operating Lease

<table>
<thead>
<tr>
<th>Year Ending December 31</th>
<th>Operating Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 20__</td>
<td>$ ____________</td>
</tr>
<tr>
<td>2. 20__</td>
<td>$ ____________</td>
</tr>
<tr>
<td>3. 20__</td>
<td>$ ____________</td>
</tr>
<tr>
<td>4. 20__</td>
<td>$ ____________</td>
</tr>
<tr>
<td>5. 20__</td>
<td>$ ____________</td>
</tr>
<tr>
<td>6. Thereafter</td>
<td>$ ____________</td>
</tr>
<tr>
<td><strong>Total (sum of 1 through 6)</strong></td>
<td>$ ____________</td>
</tr>
</tbody>
</table>

(3) The company is not involved in any material sales – leaseback transactions.

B. Lessor Leases

<table>
<thead>
<tr>
<th>Year Ending December 31</th>
<th>Operating Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 20__</td>
<td>$ ____________</td>
</tr>
<tr>
<td>2. 20__</td>
<td>$ ____________</td>
</tr>
<tr>
<td>3. 20__</td>
<td>$ ____________</td>
</tr>
<tr>
<td>4. 20__</td>
<td>$ ____________</td>
</tr>
<tr>
<td>5. 20__</td>
<td>$ ____________</td>
</tr>
<tr>
<td>6. Thereafter</td>
<td>$ ____________</td>
</tr>
<tr>
<td><strong>Total (sum of 1 through 6)</strong></td>
<td>$ ____________</td>
</tr>
</tbody>
</table>
d. Contingent rentals included in income for the years ended December 31, 20__ and 20__ amounted to $__________ and $__________, respectively. The net investment is classified as real estate.

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: THIS DOES NOT INCLUDE THE BEGINNING NARRATIVE.)

(2) Leveraged Leases

b. The Company’s investment in leveraged leases relates to equipment used primarily in the transportation industries. The component of net income from leveraged leases at December 31, 20__ and December 31, 20__ were as shown below:

<table>
<thead>
<tr>
<th></th>
<th>20__</th>
<th>20__</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Income from leveraged leases before income tax including investment tax credit</td>
<td>$_____</td>
<td>$_____</td>
</tr>
<tr>
<td>2. Less current income tax</td>
<td>$_____</td>
<td>$_____</td>
</tr>
<tr>
<td>3. Net income from leveraged leases (1-2)</td>
<td>$_____</td>
<td>$_____</td>
</tr>
</tbody>
</table>

Detail Eliminated to Conserve Space
NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

FOR NAIC USE ONLY

DATE: 10/19/2021

CONTACT PERSON: ____________________________

TELEPHONE: ____________________________

EMAIL ADDRESS: ____________________________

ON BEHALF OF: ____________________________

NAME: Steve Drutz

TITLE: Chief Financial Analyst

AFFILIATION: WA Office of the Insurance Commissioner

ADDRESS: ____________________________

FOR NAIC USE ONLY

Agenda Item # 2021-17BWG MOD

Year 2022

Changes to Existing Reporting [ X ]

New Reporting Requirement [ ]

REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT

No Impact [ X ]

Modifies Required Disclosure [ ]

DISPOSITION

[ ] Rejected For Public Comment

[ ] Referred To Another NAIC Group

[ X ] Received For Public Comment

[ ] Adopted Date __________

[ ] Rejected Date __________

[ ] Deferred Date __________

[ ] Other (Specify) __________

BLANK(S) TO WHICH PROPOSAL APPLIES

[ X ] ANNUAL STATEMENT

[ ] QUARTERLY STATEMENT

[ X ] INSTRUCTIONS

[ X ] CROSSCHECKS

[ X ] Life, Accident & Health/Fraternal

[ ] Property/Casualty

[ X ] Health

[ ] Separate Accounts

[ ] Protected Cell

[ ] Health (Life Supplement)

Anticipated Effective Date: Annual 2023

IDENTIFICATION OF ITEM(S) TO CHANGE

Modify the Analysis of Operations by Lines of Business in the Health Blank to include all of health lines of business included in the Life/Fraternaal Analysis of Operations by Lines of Business – Accident and Health. Add instructions for the new columns and adjust the column references. Add the Health Blank Analysis of Operations by Lines of Business as a supplement to the Life/Fraternaal Blank with the appropriate instructions and crosschecks. Add crosscheck to the Health Blank Analysis of Operations by Lines of Business to the Life/Fraternaal Analysis of Operations by Lines of Business – Accident and Health instructions

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

The purpose of the proposal is to add the Health Blank Analysis of Operations by Lines of Business as a supplement to the Life/Fraternaal Statement to capture data points Health Blank Analysis of Operations by Lines of Business. This will allow regulators to look at revenue and expenses in the same detail as reported on the Heath Analysis of Operations by Lines of Business.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: ____________________________

Other Comments: ____________________________

** This section must be completed on all forms.

Revised 7/18/2018

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**ANNUAL STATEMENT INSTRUCTIONS – HEALTH**

**ANALYSIS OF OPERATIONS BY LINES OF BUSINESS**

Please refer to the instructions in Statement of Revenues and Expenses for instructions and line descriptions for this Exhibit.

Riders/Endorsements/Floaters:

If a rider, endorsement or floater acts like a separate policy with separate premium, deductible and limit, then it is to be recorded on the same line of business as if it were a stand-alone policy regardless of whether it is referred to as a rider, endorsement or floater. If there is no additional premium, separate deductible or limit, the rider, endorsement or floater should be reported on the same line of business as the base policy.

<table>
<thead>
<tr>
<th>Column 1 – Total</th>
<th>Column 2 – Comprehensive (Hospital &amp; Medical) – Individual</th>
<th>Column 3 – Comprehensive (Hospital &amp; Medical) – Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Include: Business that provides for medical coverages including hospital, surgical and major medical. Include State Children’s Health Insurance Program (SCHIP) Medicaid Program (Title XXI), risk contracts.</td>
<td>Exclude: Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), federal employees health benefit plan (FEHBP) premiums, Medicare (Title XVIII) and Medicaid (Title XIX) risk contracts, Medicare Supplement, Vision only and Dental only business.</td>
</tr>
<tr>
<td></td>
<td>Include: Business reported in the Medicare Supplement Insurance Experience Exhibit of the annual statement.</td>
<td>Exclude: Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), federal employees health benefit plan (FEHBP) premiums, comprehensive hospital and medical policies, Medicare (Title XVIII) and Medicaid (Title XIX) risk contracts, Vision only and Dental only business.</td>
</tr>
<tr>
<td></td>
<td>Include: Policies providing for dental only coverage issued as stand alone dental or as a rider to a medical policy that is not related to the medical policy through premiums, deductibles or out-of-pocket limits.</td>
<td>Exclude: Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), federal employees health benefit plan (FEHBP) premiums, comprehensive hospital and medical policies, Medicare (Title XVIII) and Medicaid (Title XIX) risk contracts, Medicare Supplement and Vision only business.</td>
</tr>
<tr>
<td>Column</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>--------</td>
<td>-------------</td>
<td></td>
</tr>
<tr>
<td>56</td>
<td>Vision Only</td>
<td></td>
</tr>
<tr>
<td>Include:</td>
<td>Policies providing for vision only coverage issued as stand-alone vision or as a rider to a medical policy that is not related to the medical policy through premiums, deductibles or out-of-pocket limits.</td>
<td></td>
</tr>
<tr>
<td>Exclude:</td>
<td>Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), federal employees health benefit plan (FEHBP) premiums, comprehensive hospital and medical policies, Medicare (Title XVIII) and Medicaid (Title XIX) risk contract, Medicare Supplement, and Dental only business.</td>
<td></td>
</tr>
<tr>
<td>67</td>
<td>Federal Employees Health Benefits Plans (FEHBP)</td>
<td></td>
</tr>
<tr>
<td>Include:</td>
<td>Business allocable to the Federal Employees Health Benefits Plan (FEHBP) premium that are exempted from state taxes or other fees by Section 8909(f)(1) of Title 5 of the United States Code.</td>
<td></td>
</tr>
<tr>
<td>Exclude:</td>
<td>Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), comprehensive hospital and medical policies, Medicare (Title XVIII) and Medicaid (Title XIX) risk contracts, Medicare Supplement, Vision only and Dental only business.</td>
<td></td>
</tr>
<tr>
<td>78</td>
<td>Title XVIII - Medicare</td>
<td></td>
</tr>
<tr>
<td>Include:</td>
<td>Business where the reporting entity charges a premium and agrees to cover the full medical costs of Medicare subscribers. Policies providing Medicare Part D Prescription Drug Coverage through a Medicare Advantage product.</td>
<td></td>
</tr>
<tr>
<td>Exclude:</td>
<td>Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), federal employees health benefits plan (FEHBP) premiums, comprehensive hospital and medical policies, Medicaid (Title XIX) risk contracts, Medicare Supplement, Vision only and Dental only business. Policies providing stand alone Medicare Part D Prescription Drug Coverage.</td>
<td></td>
</tr>
<tr>
<td>89</td>
<td>Title XIX - Medicaid</td>
<td></td>
</tr>
<tr>
<td>Include:</td>
<td>Business where the reporting entity charges a premium and agrees to cover the full medical costs of Medicaid subscribers.</td>
<td></td>
</tr>
<tr>
<td>Exclude:</td>
<td>Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), federal employees health benefits plan (FEHBP) premiums, comprehensive hospital and medical policies, Medicare (Title XVIII) risk contracts, Medicare Supplement, Vision only and Dental only business.</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Credit A&amp;H</td>
<td></td>
</tr>
<tr>
<td>Include:</td>
<td>Coverage provided to, or offered to, borrowers in connection with a consumer credit transaction where the proceeds are used to repay a debt or an installment loan in the event the consumer is disabled as the result of an accident, including business not exceeding 120 months duration (Group and Individual).</td>
<td></td>
</tr>
</tbody>
</table>
### Column 11 – Disability Income

**Include:** The term ‘disability income’ includes contracts providing disability income coverage, both short-term and long-term.

### Column 12 – Long-Term Care

**Include:** Any insurance policy or rider that provides coverage for not less than twelve (12) consecutive months for each covered person on an expense incurred, indemnity, prepaid or other basis, for one or more necessary or medically necessary diagnostic, preventive, therapeutic, rehabilitative, maintenance or personal care services, provided in a setting other than an acute care unit of a hospital.

A policy or rider that provides for payment of benefits based upon cognitive impairment or the loss of functional capacity.

### Column 913 – Other Health

**Include:** Other health coverages such as stop loss, disability income, long-term care and prescription drug plans and coverages not specifically addressed in any other columns. Policies providing stand alone Medicare Part D Prescription Drug Coverage.

On Line 20, expenses and reimbursements from administrative services only (ASO), other non-underwritten business and administrative services contracts (ASC).

**Exclude:** Policies providing Medicare Part D Prescription Drug Coverage through a Medicare Advantage product.

### Column 1014 – Other Non-health

**Include:** Life and property/casualty coverages.
HEALTH SUPPLEMENT

HEALTH ANALYSIS OF OPERATIONS BY LINES OF BUSINESS SUPPLEMENT

Please refer to the instructions in Statement of Revenues and Expenses for instructions and line descriptions for this Exhibit.

Complete the supplement if the reporting entity has health lines of business to be reported in Columns 2 through 13. Reporting entities that only have non-health lines of business should not complete the supplement.

Riders/Endorsements/Floaters:

If a rider, endorsement or floater acts like a separate policy with separate premium, deductible and limit, then it is to be recorded on the same line of business as if it were a stand-alone policy regardless of whether it is referred to as a rider, endorsement or floater. If there is no additional premium, separate deductible or limit, the rider, endorsement or floater should be reported on the same line of business as the base policy.

Column 1 – Total

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, sum of Lines 21 through 24.

Column 2 – Comprehensive (Hospital & Medical) – Individual

Column 3 – Comprehensive (Hospital & Medical) – Group

Include: Business that provides for medical coverages including hospital, surgical and major medical. Include State Children’s Health Insurance Program (SCHIP) Medicaid Program (Title XXI), risk contracts.

Exclude: Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), federal employees health benefit plan (FEHBP) premiums, Medicare (Title XVIII) and Medicaid (Title XIX) risk contracts, Medicare Supplement, Vision only and Dental only business.

Column 4 – Medicare Supplement

Include: Business reported in the Medicare Supplement Insurance Experience Exhibit of the annual statement.

Exclude: Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), federal employees health benefit plan (FEHBP) premiums, comprehensive hospital and medical policies, Medicare (Title XVIII) and Medicaid (Title XIX) risk contracts, Vision only and Dental only business.

Column 5 – Dental Only

Include: Policies providing for dental only coverage issued as stand alone dental or as a rider to a medical policy that is not related to the medical policy through premiums, deductibles or out-of-pocket limits.

Exclude: Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), federal employees health benefit plan (FEHBP) premiums, comprehensive hospital and medical policies, Medicare (Title XVIII) and Medicaid (Title XIX) risk contracts, Medicare Supplement and Vision only business.
Column 6 — Vision Only

Include: Policies providing for vision only coverage issued as stand-alone vision or as a rider to a medical policy that is not related to the medical policy through premiums, deductibles or out-of-pocket limits.

Exclude: Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), federal employees health benefit plan (FEHBP) premiums, comprehensive hospital and medical policies, Medicare (Title XVIII) and Medicaid (Title XIX) risk contract, Medicare Supplement, and Dental only business.

Column 7 — Federal Employees Health Benefits Plans (FEHBP)

Include: Business allocable to the Federal Employees Health Benefits Plan (FEHBP) premium that are exempted from state taxes or other fees by Section 8909(f)(1) of Title 5 of the United States Code.

Exclude: Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), comprehensive hospital and medical policies, Medicare (Title XVIII) and Medicaid (Title XIX) risk contracts, Medicare Supplement, Vision only and Dental only business.

Column 8 — Title XVIII - Medicare

Include: Business where the reporting entity charges a premium and agrees to cover the full medical costs of Medicare subscribers. Policies providing Medicare Part D Prescription Drug Coverage through a Medicare Advantage product.

Exclude: Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), federal employees health benefits plan (FEHBP) premiums, comprehensive hospital and medical policies, Medicaid (Title XIX) risk contracts, Medicare Supplement, Vision only and Dental only business. Policies providing stand alone Medicare Part D Prescription Drug Coverage.

Column 9 — Title XIX - Medicaid

Include: Business where the reporting entity charges a premium and agrees to cover the full medical costs of Medicaid subscribers.

Exclude: Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), federal employees health benefits plan (FEHBP) premiums, comprehensive hospital and medical policies, Medicare (Title XVIII) risk contracts, Medicare Supplement, Vision only and Dental only business.

Column 10 — Credit A&H

Include: Coverage provided to, or offered to, borrowers in connection with a consumer credit transaction where the proceeds are used to repay a debt or an installment loan in the event the consumer is disabled as the result of an accident, including business not exceeding 120 months duration (Group and Individual).
Column 11 – Disability Income

Include: The term ‘disability income’ includes contracts providing disability income coverage, both short-term and long-term.

Column 12 – Long-Term Care

Include: Any insurance policy or rider that provides coverage for not less than twelve (12) consecutive months for each covered person on an expense incurred, indemnity, prepaid or other basis, for one or more necessary or medically necessary diagnostic, preventive, therapeutic, rehabilitative, maintenance or personal care services, provided in a setting other than an acute care unit of a hospital.

A policy or rider that provides for payment of benefits based upon cognitive impairment or the loss of functional capacity.

Column 13 – Other Health

Include: Other health coverages such as stop loss and prescription drug plans and coverages not specifically addressed in any other columns. Policies providing stand alone Medicare Part D Prescription Drug Coverage.

On Line 20, expenses and reimbursements from administrative services only (ASO), other non-underwritten business and administrative services contracts (ASC).

Exclude: Policies providing Medicare Part D Prescription Drug Coverage through a Medicare Advantage product.

Column 14 – Other Non-health

Include: Life and property/casualty coverages.

Line 1 – Net Premium Income

Written premium is defined as the contractually determined amount charged by the reporting entity to the policyholder for the effective period of the contract based on the expectation of risk, policy benefits, and expenses associated with the coverage provided by the terms of the insurance contract. For health contracts without fixed contract periods, premiums written will be equal to the amount collected during the reporting period plus uncollected premiums at the end of the period less uncollected premiums at the beginning of the period.

Include: Accrued return premium adjustments for contracts subject to redetermination.
Line 2 — Change in Unearned Premium Reserves and Reserve for Rate Credits

Exclude: Reserves relating to uninsured plans and the uninsured portion of partially
insured plans.

Line 3 — Fee-for-Service (Net of $Medical Expenses)

Include: Revenue recognized by the reporting entity for provision of health services to
non-members by reporting entity providers and to members through provision of
health services excluded from their prepaid benefit packages. Include in the
inside amount, the medical expenses associated with fee-for-service business.

Line 4 — Risk Revenue

Include: Amounts charged by the reporting entity as a provider or intermediary for
specified medical services (e.g., full professional, dental, radiology, etc.)
provided to the policyholders or members of another insurer or reporting entity.

Unlike premiums that are collected from an employer group or individual
member, risk revenue is the prepaid (usually on a capitated basis) payment,
made by another insurer or reporting entity to the reporting entity in exchange
for services to be provided or offered by such organization.

Line 5 — Aggregate Write-ins for Other Health Care Related Revenues

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 5 for
Other Health Care Related Revenues.

Line 6 — Aggregate Write-ins for Other Non-health Revenues

Enter the total of the write-ins in schedule Details of Write-ins Aggregate at Line 6 for Other
Non-health Revenues.

Line 8 — Hospital/Medical Benefits

Include: Expenses for physician services provided under contractual arrangement to the
reporting entity.

Salaries, including fringe benefits, paid to physicians for delivery of medical
services. Capitation payments by the reporting entity to physicians for delivery
of medical services to reporting entity subscribers.

Fees paid by the reporting entity to physicians on a fee-for-service basis for
delivery of medical services to reporting entity subscribers. This includes
capitated referrals.

Inpatient hospital costs of routine and ancillary services for reporting entity
members while confined to an acute care hospital.

Charges for non-reporting entity physician services provided in a hospital are
included in this line item only if included as an undefined portion of charges by
a hospital to the reporting entity. (If separately itemized or billed, physician
charges should be included in outside referrals below.)

The cost of utilizing skilled nursing and intermediate care facilities.
Routine hospital service includes regular room and board (including intensive care units, coronary care units, and other special inpatient hospital units), dietary and nursing services, medical surgical supplies, medical social services, and the use of certain equipment and facilities for which the provider does not customarily make a separate charge.

Ancillary services may also include laboratory, radiology, drugs, delivery room, physical therapy services, other special items and services for which charges are customarily made in addition to a routine service charge.

Skilled nursing facilities are primarily engaged in providing skilled nursing care and related services for patients who require medical or nursing care or rehabilitation service.

Intermediate care facilities are for individuals who do not require the degree of care and treatment that a hospital or skilled nursing-care facility provides, but that do require care and services above the level of room and board.


Exclude: Expenses for medical personnel time devoted to administrative tasks.

Emergency room and out-of-area hospitalization.

All items meeting the definition of Cost Containment Expenses found in SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses.

Line 9 — Other Professional Services

Include: Expenses for other professional providers under contractual arrangement to the reporting entity.

Salaries, as well as fringe benefits, paid by the reporting entity to non-physician providers licensed, accredited or certified to perform specified health services, consistent with state law, engaged in the delivery of medical services.

Compensation to personnel engaged in activities in direct support of the provision of medical services. For example, include compensation to pharmacists, dentists, psychologists, optometrists, podiatrists, extenders, nurses, clinical personnel such as ambulance drivers and technicians.

Exclude: Professional services not meeting this definition. Report these services as administrative expenses. For example, exclude compensation to paraprofessionals, janitors, quality assurance analysts, administrative supervisors, secretaries to medical personnel, and medical record clerks.

Prescription drugs.

All items meeting the definition of Cost Containment Expenses found in SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses.
Line 10 – Outside Referrals

Include: Expenses for providers not under arrangement with the reporting entity to provide services, such as consultations, or out-of-network providers.

Line 11 – Emergency Room and Out-of-Area

Include: Expenses for other health delivery services including emergency room costs incurred by members for which the reporting entity is responsible and out-of-area service costs for emergency physician and hospital.

In the event a member is admitted to the health care facility immediately after seeking emergency room service, emergency service expenses are reported in this line, the expenses after admission are reported in the hospital/medical line, provided the member is seeking services in the service area. Out-of-area expenses incurred, whether emergency or hospital, are reported in this line.

Line 12 – Prescription Drugs

Include: Expenses for Prescription Drugs and other pharmacy benefits covered by the reporting entity.

Deduct: Pharmaceutical rebates relating to insured plans.

Exclude: Prescription drug charges that are included in a hospital billing which should be classified as Hospital/Medical Benefits on Line 8.

Line 13 – Aggregate Write-ins for Other Hospital and Medical

Include: Other hospital and medical expenses not covered in the other claims accounts.

Line 14 – Incentive Pool, Withhold Adjustments and Bonus Amounts

This category is for adjusting the full medical expenses reported by means of both debit and credit entries. For example, report physician withholds forfeited to the reporting entity as a credit entry. Report amounts incurred due to an arrangement whereby the reporting entity agrees to utilization savings with a provider as a debit entry.

Line 16 – Net Reinsurance Recoveries

Amounts recovered and recoverable from reinsurers on paid losses

Include: Amounts related to assumed and ceded business.

Line 18 – Non-Health Claims (net)

Include: Claims for life or property/casualty insurance, net of reinsurance.

Line 19 – Claims Adjustment Expenses, Including $ Cost Containment Expenses

All expenses incurred in connection with the recording, adjustment and settlement of claims. This includes the total of the expense classification “Other Claim Adjustment Expenses” and all “Cost Containment Expenses” in the Underwriting and Investment Exhibit, Part 3, Analysis of Expenses.

Cost Containment Expenses and Other Claim Adjustment Expenses have been defined in SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses. Refer to SSAP No. 55 for accounting guidance.
<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>General Administrative Expenses&lt;br&gt;Refer to SSAP No. 70—Allocation of Expenses, for accounting guidance.&lt;br&gt;Exclude: All expenses related to cost containment activities in accordance with SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses.&lt;br&gt;Should equal Analysis of Operations by Lines of Business—Accident and Health, Column 1, Line 21 plus Line 22 plus Line 24.</td>
</tr>
<tr>
<td>21</td>
<td>Increase in Reserves for Accident and Health Contracts&lt;br&gt;Include: Increase in policy reserves.&lt;br&gt;Change in premium deficiency reserve.</td>
</tr>
<tr>
<td>22</td>
<td>Increase in Reserves for Life Contracts&lt;br&gt;Include: Increase in policy reserves.&lt;br&gt;Change in premium deficiency reserve.</td>
</tr>
<tr>
<td>24</td>
<td>Net Underwriting Gain or (Loss)&lt;br&gt;Column 1 minus Column 14 should equal Analysis of Operations by Lines of Business—Summary Column 6, Line 29</td>
</tr>
<tr>
<td></td>
<td>Detail of Write-ins Aggregated at Line 5 for Other Health Care Related Revenues&lt;br&gt;Include: Revenue from sources not covered in the other revenue accounts.</td>
</tr>
<tr>
<td></td>
<td>Detail of Write-ins at Line 6 for Other Non-Health Revenues&lt;br&gt;Include: Revenue from life and property/casualty business (non-premium amounts).&lt;br&gt;Gains losses on fixed assets.</td>
</tr>
<tr>
<td></td>
<td>Details of Write-ins Aggregated at Line 13 for Other Hospital and Medical&lt;br&gt;Include: Other hospital and medical expenses not covered in the other claims accounts.</td>
</tr>
</tbody>
</table>
### ANALYSIS OF OPERATIONS BY LINES OF BUSINESS – ACCIDENT AND HEALTH

<table>
<thead>
<tr>
<th>Column 1 – Total</th>
<th>Detail Eliminated to Conserve Space</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sum 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).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Line 1 – Premiums for Accident and Health Contracts</th>
<th>Detail Eliminated to Conserve Space</th>
</tr>
</thead>
<tbody>
<tr>
<td>Should equal Health Analysis of Operations by Lines of Business Supplement, Line 7 minus Line 6 (Column 1 minus Column 14).</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Line 8.3 – Aggregate Write-Ins for Miscellaneous Income</th>
<th>Detail Eliminated to Conserve Space</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 8.3 for Miscellaneous Income.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Line 13 – Disability Benefits and Benefits Under Accident and Health Contracts</th>
<th>Detail Eliminated to Conserve Space</th>
</tr>
</thead>
<tbody>
<tr>
<td>Should equal Health Supplement – Analysis of Operations by Lines of Business Supplement, Line 17, Column 1 minus Column 14. Plus Exhibit 6, Line 16, Column 1 CY. Minus Exhibit 6, Line 16, Column 1 PY.</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Line 16 – Group Conversions</th>
<th>Detail Eliminated to Conserve Space</th>
</tr>
</thead>
<tbody>
<tr>
<td>Include: The customary charges, in the appropriate columns, to cover the excess cost arising from group conversions.</td>
<td></td>
</tr>
<tr>
<td>This line is not applicable to Fraternal Benefit Societies.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Line 19 – Increase in Aggregate Reserves for Life and Accident and Health Contracts</th>
<th>Detail Eliminated to Conserve Space</th>
</tr>
</thead>
<tbody>
<tr>
<td>Should equal the Health Supplement – Analysis of Operations by Lines of Business Supplement, Column 1 minus Column 14, Line 21 plus Line 22. Include: Increase in policy reserves reported in Exhibit 6. Change in premium deficiency reserve reported in Exhibit 6.</td>
<td></td>
</tr>
</tbody>
</table>
### ANNUAL STATEMENT BLANK – HEALTH

#### ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

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<tr>
<th>Details of Write-Ins</th>
<th>0501</th>
<th>0502</th>
<th>0503</th>
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<tr>
<td>Summary of remaining write-ins for Line 5 from overflow page</td>
<td>XXX</td>
<td>XXX</td>
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<td>Totals (Lines 0501 through 0503 plus 0598) (Line 3 above)</td>
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<table>
<thead>
<tr>
<th>DETAILS OF WRITE-INS</th>
<th>0601</th>
<th>0602</th>
<th>0603</th>
<th>0698</th>
<th>0699</th>
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<tr>
<td>Summary of remaining write-ins for Line 6 from overflow page</td>
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<td>Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)</td>
<td>XXX</td>
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<td>XXX</td>
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# ANNUAL STATEMENT BLANK – LIFE\FRATERNAL

## HEALTH SUPPLEMENT

### HEALTH ANALYSIS OF OPERATIONS BY LINES OF BUSINESS SUPPLEMENT

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>Total</th>
<th>Individual</th>
<th>Group</th>
<th>Medicare Supplement</th>
<th>Dental Only</th>
<th>Vision Only</th>
<th>Federal Employees Health Benefits Plan</th>
<th>Title XVIII Medicare</th>
<th>Title XIX Medicaid</th>
<th>Credit Addil</th>
<th>Disability Income</th>
<th>Long-Term Care</th>
<th>Other Health</th>
<th>Other Non-Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Net premium income</td>
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<td>Total expense for other non-health care related expenses</td>
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<tr>
<td>8</td>
<td>Increase in reserves for life contracts</td>
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<tr>
<td>9</td>
<td>Total operating expenses including $ (cost containment expenses)</td>
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<td>Summary of remaining write-ins (Line 6 above)</td>
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<td>Totals (Lines 0601 through 0698)</td>
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### DETAILS OF WRITE-INS

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<th>Dental Only</th>
<th>Vision Only</th>
<th>Federal Employees Health Benefits Plan</th>
<th>Title XVIII Medicare</th>
<th>Title XIX Medicaid</th>
<th>Credit Addil</th>
<th>Disability Income</th>
<th>Long-Term Care</th>
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**SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES**

The following supplemental reports are required to be filed as part of your statement filing unless specifically waived by the domiciliary state. However, in the event that your domiciliary state waives the filing requirement, your response of WAIVED to the specific interrogatory will be accepted in lieu of filing a “NONE” report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

### MARCH FILING

| 1. | Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1? | Responses |
| 10. | Will Schedule SIS (Stockholder Information Supplement) be filed with the state of domicile by March 1? (Not applicable to fraternal benefit societies) | |

#### Detail Eliminated to Conserve Space

The following supplemental reports are required to be filed as part of your annual statement filing if your company is engaged in the type of business covered by the supplement. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a “NONE” report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

### MARCH FILING

| 35. | Will the Health Care Receivables Supplement be filed with the state of domicile and the NAIC by March 1? |
| 36. | Will the Health Analysis of Operations by Lines of Business Supplement be filed with the state of domicile and the NAIC by March 1? |

#### Detail Eliminated to Conserve Space

### APRIL FILING

| 44. | Will the confidential Regulatory Asset Adequacy Issues Summary (RAAIS) required by the Valuation Manual be filed with the state of domicile by April 1? |
| 45. | Will the Long-Term Care Experience Reporting Forms be filed with the state of domicile and the NAIC by April 1? |
| 46. | Will the Credit Insurance Experience Exhibit be filed with the state of domicile and the NAIC by April 1? (Not applicable to fraternal benefit societies) |
| 47. | Will the Accident and Health Policy Experience Exhibit be filed by April 1? |
| 48. | Will the Supplemental Health Care Exhibit (Parts 1, 2 and 3) be filed with the state of domicile and the NAIC by April 1? |
| 49. | Will the regulator only (non-public) Supplemental Health Care Exhibit’s Allocation Report be filed with the state of domicile and the NAIC by April 1? |

### AUGUST FILING

| 49. | Will Management’s Report of Internal Control Over Financial Reporting be filed with the state of domicile by August 1? |

**Explanation:**

**Bar code:**

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/2022 NAIC Meetings/Spring National Meeting/Committee Meetings/FINANCIAL CONDITION (E) COMMITTEE/Accounting Practices and Procedures (E) TF/BWG/Att2C_2021-17BWG_Modified.doc

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### NAIC BLANKS (E) WORKING GROUP

**Blanks Agenda Item Submission Form**

**FOR NAIC USE ONLY**
- Agenda Item # 2021-19BWG MOD
- Year 2022
- Changes to Existing Reporting [ X ]
- New Reporting Requirement [ ]

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

**DISPOSITION**
- [ ] Rejected For Public Comment
- [ ] Referred To Another NAIC Group
- [ ] Received For Public Comment
- [ X ] Adopted Date 03/29/2022
- [ ] Rejected Date
- [ ] Deferred Date
- [ ] Other (Specify)

**BLANK(S) TO WHICH PROPOSAL APPLIES**
- [ X ] ANNUAL STATEMENT
- [ X ] QUARTERLY STATEMENT
- [ X ] INSTRUCTIONS
- [ X ] CROSSCHECKS
- [ ] Life, Accident & Health/Fraternal
- [ ] Property/Casualty
- [ X ] Health
- [ ] Separate Accounts
- [ ] Protected Cell
- [ ] Health (Life Supplement)
- [ ] Title
- [ ] Other _______________________

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

Add columns and lines to U&I (Parts 1, 2, 2A, 2B and 2D) and the Exhibit of Premiums, Enrollment and Utilization in the annual statement bring the lines of business reporting in line with Life/Fraternal and Property. Add columns and lines to the Exhibit of Premiums, Enrollment and Utilization and U&I Analysis of Claims Unpaid quarterly pages. The appropriate adjustments to the instructions are also being made.

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

The purpose of this proposal is to bring consistency in lines of business reporting across all statement types that report health business. This proposal brings the Health Statement in line with Life/Fraternal and Property Statements.

**NAIC STAFF COMMENTS**

Comment on Effective Reporting Date: ____________________________________________

Other Comments: ______________________________________________________________

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

Revised 7/18/2018
ANNUAL STATEMENT INSTRUCTIONS – HEALTH

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 – PREMIUMS

Written premium is defined as the contractually determined amount charged by the reporting entity to the policyholder for the effective period of the contract based on the expectation of risk, policy benefits, and expenses associated with the coverage provided by the terms of the insurance contract. For health contracts without fixed contract periods, premiums written will be equal to the amount collected during the reporting period plus uncollected premiums at the end of the period less uncollected premiums at the beginning of the period.

Column 1 – Direct Business

Include: Experience rating refunds and return retrospective premiums. Deduct any experience rating refunds and return retrospective premiums paid. Refer to SSAP No. 66—Retrospectively Rated Contracts for accounting guidance.

Column 4 – Net Premium Income

For companies that record premium on a cash basis, make adjustments for uncollected premiums at the beginning and end of the year to reflect premiums on a written basis.

Line 1 – Comprehensive (Hospital & Medical) – Individual

Include: Policies providing for medical coverages including hospital, surgical and major medical. Include State Children’s Health Insurance Program (SCHIP) Medicaid Program (Title XXI), risk contracts.

Exclude: Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), federal employees health benefit plan (FEHBP) premiums, medical only policies, Medicare (Title XVIII) and Medicaid (Title XIX) risk contracts, Medicare Supplement, Vision only and Dental only business.

Line 23 – Medicare Supplement

Include: Business reported in the Medicare Supplement Insurance Experience Exhibit of the annual statement.

Exclude: Revenue as a result of an arrangement between the reporting entity and the Centers for Medicare & Medicaid Services (CMS), on a cost or risk basis, for services to a Medicare beneficiary.

Line 44 – Dental Only

Include: Premiums for policies providing for dental only coverage issued as stand alone dental or as a rider to a medical policy that is not related to the medical policy through deductibles or out-of-pocket limits.

Line 45 – Vision Only

Include: Premiums for policies providing for vision only coverage issued as stand alone vision or as a rider to a medical policy that is not related to the medical policy through deductibles or out-of-pocket limits.

Line 56 – Federal Employees Health Benefits Plan (FEHBP)
Include: Net premiums written attributable to the FEHBP.

Line 67 – Title XVIII - Medicare

Include: Revenue as a result of a risk arrangement between the reporting entity and the Centers for Medicare & Medicaid Services (CMS), for services to a Medicare beneficiary. Policies providing Medicare Part D Prescription Drug Coverage through a Medicare Advantage product.


Line 28 – Title XIX - Medicaid

Include: Revenue resulting from an arrangement between the reporting entity and a Medicaid state agency for services to a Medicaid beneficiary.

Line 109 – Credit A&H

Include: Coverage provided to, or offered to, borrowers in connection with a consumer credit transaction where the proceeds are used to repay a debt or an installment loan in the event the consumer is disabled as the result of an accident, including business not exceeding 120 months duration (Group and Individual).

Line 1110 – Disability Income

Include: The term ‘disability income’ includes contracts providing disability income coverage, both short-term and long-term.

Line 1211 – Long-Term Care

Include: Any insurance policy or rider that provides coverage for not less than twelve (12) consecutive months for each covered person on an expense incurred, indemnity, prepaid or other basis, for one or more necessary or medically necessary diagnostic, preventive, therapeutic, rehabilitative, maintenance or personal care services, provided in a setting other than an acute care unit of a hospital.

A policy or rider that provides for payment of benefits based upon cognitive impairment or the loss of functional capacity.

Line 812 – Other Health

Include: Other health revenues not included in any other column, including stop loss, disability income and long-term care. Policies providing stand alone Medicare Part D Prescription Drug Coverage.

Exclude: ASO (administrative services only) contracts and ASC (administrative service contracts). Refer to SSAP No. 47—Uninsured Plans for accounting guidance. Policies providing Medicare Part D Prescription Drug Coverage through a Medicare Advantage product.

Line 913 – Health Subtotal

Column 1 should equal Schedule T, Line 61 sum of Columns 2, 3, 5 and 6.
Line 1014 – Life

Include: Revenue for life insurance.

Column 1 should equal Schedule T, Line 61, Column 7.

Line 1115 – Property/Casualty

Include: Revenue for property/casualty insurance.

Column 1 should equal Schedule T, Line 61, Column 8.
UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 – CLAIMS INCURRED DURING THE YEAR

Column 913 – Other Health

Include: Claims incurred for other health lines of business not included in any other column, including stop loss, disability income and long-term care.

Column 1014 – Other Non-health

Include: Claims incurred for life and property/casualty lines of business.

Line 1 – Payments During the Year

Report payments net of pharmaceutical rebates collected and risk share amount collected. Refer to SSAP No. 84—Health Care and Government Insured Plan Receivables for accounting guidance.

Line 1.3 should include only those reinsurance recoveries received during the year.

Exclude: Medical incentive pools and bonuses.

Line 2 – Paid Medical Incentive Pools and Bonuses

Equals Underwriting and Investment, Part 2B, Columns 1 and 2, Line 1216.

Line 12 – Incurred Benefits

Line 12.1 = Line 1.1 + Line 3.1 + Line 4.1 – Line 6 – Line 8.1 – Line 9.1

Line 12.2 = Line 1.2 + Line 3.2 + Line 4.2 – Line 6 – Line 8.2 – Line 9.2

Line 12.3 = Line 1.3 + Line 3.3 + Line 4.3 + Line 7 – Line 8.3 – Line 9.3 – Line 11

Line 12.4 = Line 1.4 + Line 3.4 + Line 4.4 – Line 6 – Line 7 – Line 8.4 – Line 9.4 + Line 11

Line 12.1 – Incurred Benefits: Direct

Column 1 minus Column 1014, Line 12.1 should agree with the sum of Lines 9 through 14 on the Statement of Revenue and Expenses.

Line 13 – Incurred Medical Incentive Pools and Bonuses

This should agree with Line 2 + Line 5 – Line 10.
UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A – CLAIMS LIABILITY END OF CURRENT YEAR

Refer to SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses for accounting guidance. Include recoverables for anticipated coordination of benefits and subrogation as a reduction to unpaid claims.

Column 913 – Other Health

Include: Claims liability for other health lines of business not included in any other column, including stop loss, disability income and long-term care.

Column 1014 – Other Non-health

Include: Claims liability for life and property/casualty lines of business.

Line 1 – Reported in Process of Adjustment

Include: Liability for all claims that have been reported to the company on or before December 31 of the current year. Provision for claims of the current year or prior years, if any, reported after that date would be made in Line 2 as Incurred but Unreported. Portions of reported claims for which payments are due after December 31 of the current year are reported in Underwriting and Investment Exhibit, Part 2D, Line 9.

Line 2 – Incurred but Unreported

Except where inapplicable, the reserve included in these lines should be based on past experience, modified to reflect current conditions, such as changes in exposure, claim frequency or severity.

Line 3 – Amounts Withheld from Paid Claims and Capitations

Report the amounts withheld from paid claims and capitations that have not been distributed and the anticipated withholds from estimated incurred but not reported losses.

Line 4.4 – Net Total Claim Liability

This amount should agree to Page 3, Line 1, Column 3.
UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B – ANALYSIS OF CLAIMS UNPAID – PRIOR YEAR – NET OF REINSURANCE

Claims are to include amounts paid or accrued for capitation, and any other means of payment, for medical or other health care services including, under other medical costs, amounts for occupancy, depreciation and amortization as it relates to medical and hospital expenses.

Incentive pool, withhold, and bonus amounts are defined as: amounts to be paid to providers by the Health entity as an incentive to achieve goals such as effective management of care. Some arrangements involve paying an agreed-on amount for each claim, and then paying a bonus at the end of the contract period. Other arrangements involve a set amount to be withheld from each claim, and then paying a portion (which could be none or all) of the withheld amount at the end of the contract period.

For arrangements involving amounts withheld, the claim payments should be recorded net of the withhold, and the unpaid withholds should be held as an additional liability until paid or formally retained. The amount due should be supported by signed agreements and the basis for establishing the liability should be documented when determining the amount of this liability.

Columns 1 and 2

Enter in Columns 1 and 2, Lines 1 through 812, all payments made during the year. Record actual payments only, net of applicable Coordination of Benefits, deductibles, copayments, pharmaceutical rebates collected, risk share amounts collected, reinsurancs, subrogation, and provider discounts. Refer to SSAP No. 84—Health Care and Government Insured Plan Receivables for accounting guidance.

Include in Columns 1 and 2, Line 4014, the portion of current health care receivables balance relating to claims paid in the current year on insured plans. This would not include those health care receivables, such as loans or advances to non-related party hospitals, established as prepaid assets that are not expensed until the related claims have been received from the provider as the claims have not been paid as of the statement date. Refer to SSAP No. 84—Health Care and Government Insured Plan Receivables for accounting guidance.

Include on Line 1216 actual payments from provider incentive pools and bonus arrangements or supplemental facility settlements (distributions of utilization savings).

All claim payments made relating to service dates prior to the current reporting year should be reported in Column 1. Report in Column 2 all claim payments for service dates in the current reporting year.

Columns 3 and 4

Enter in Columns 3 and 4 all claims related liabilities and reserves held at the end of the current year. This includes liability for both reported and unreported claims and should be net of anticipated reductions for coordination of benefits, deductibles, copayments, provider discounts or reinsurance recoveries on unpaid claims.

Include in Columns 3 and 4, Line 4014 the portion of current health care receivables of insured plans relating to claims in the process of adjustment, excluding those health care receivables, such as loans or advances to non-related party hospitals, established as prepaid assets that are not expensed until the related claims have been received from the provider. Refer to SSAP No. 84—Health Care and Government Insured Plan Receivables for accounting guidance.

Report on Lines 1 through 812 the claims unpaid gross of the actual withholds on paid claims and net of settlement adjustments to prior withholds. Estimated incurred but unreported losses reported on Lines 1 through 812 should be calculated in accordance with SSAP No. 54R—Individual and Group Accident and Health Contracts and may include estimations as to return of withhold on claims incurred, but not yet paid. Liability for provider incentive pools and supplemental facility settlements should also be included on Line 1216.


Line 13-17, Columns 1 through 4, less Column 6 should agree to Page 4, Line 18 plus Line 19, Column 2.

The sum of Columns 3 and 4, Line 13-17 plus 40-14 should agree to the sum of Lines 1, 2 and 7, Page 3, Column 3.

Line 8-12 – Other Health

Report the unpaid claims for other health business not included in any other line. This category includes all unspecified business written under the Company’s health line of business authority including stop loss as well as business that does not qualify for the Health Statement Test (e.g., disability income and long-term care).

Line 40-14 – Health Care Receivables

This line is based on the gross health care receivable, not just the admitted portion.

Columns 1 and 2 report the amounts of health care receivables associated with claims paid during the year, excluding those health care receivables, such as loans or advances to non-related party hospitals, established as prepaid assets that are not expensed until the related claims have been received from the provider.

Columns 3 and 4 report the health care receivable amount attributable to those claims remaining unpaid as of the reporting date. This will include those amounts of pharmaceutical rebates that are estimated in accordance with SSAP No. 84—Health Care and Government Insured Plan Receivables guidelines.

The sum of Columns 1 through 4 on the Underwriting and Investment Exhibit, Part 2B, Line 40-14 should equal the health care receivables on Exhibit 3, Column 6 plus Column 7, excluding those health care receivables, such as loans or advances to non-related party hospitals, established as prepaid assets that are not expensed until the related claims have been received from the provider. If health care receivables reported on Underwriting and Investment Exhibit, Part 2B are affected by reinsurance, then the sum of Column 1 through Column 4 may be different from the amounts of health care receivables reported on Exhibit 3, which are gross of reinsurance.

If health care receivables are not affected by reinsurance, then Line 40-14, Column 1 through Column 4 should be no more than Exhibit 3, Line 0799999, Column 6 plus Column 7 and be no less than to Exhibit 3, Line 0799999, Column 6 plus Column 7 minus Exhibit 3, Line 0399999, Column 6 plus Column 7. If health care receivables are affected by reinsurance, then Line 40-14, Column 1 through Column 4 should be more/less than Exhibit 3, Line 0799999, Columns 6 plus 7 minus Exhibit 3, Line 0399999, Column 6 and Column 7.

Column 6 reports the amounts of prior year health care receivables, excluding those health care receivables, such as loans or advances to non-related party hospitals, established as prepaid assets that are not expensed until the related claims have been received from the provider.

Footnote (a) Line 40-14 reports those health care receivables, such as loans or advances to non-related party hospitals, established as prepaid assets that are not expensed until the related claims have been received from the provider.

Line 44-15 – Other Non-health

Report the unpaid claims for life and property/casualty business.

Line 42-16 – Medical Incentive Pools and Bonus Amounts

Include disbursements for incentive pool and bonus amounts in Column 1 and 2. Include liability for incentive pool and bonus amounts in Column 3 and 4.
UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D – AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

Exclude reserves or other amounts relating to uninsured accident and health plans and the uninsured portion of partially insured accident and health plans from this exhibit.

Column 9 – Other

Include: Stop loss, disability income and long-term care.

Line 1 – Unearned Premium Reserves

Refer to SSAP No. 54R—Individual and Group Accident and Health Contracts for accounting guidance.

--- Detail Eliminated to Conserve Space ---

Details of Write-ins Aggregated on Line 5 for Other Policy Reserves

List separately all policy reserves for which there is no pre-printed line.

Include: Accrued return premium adjustments for contracts subject to redetermination.

Details of Write-ins Aggregated on Line 11 for Other Claim Reserves

List separately all claim reserves for which there is no pre-printed line.
EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

A schedule must be prepared and submitted to the state of domicile for each jurisdiction in which the company has written direct business, or has direct amounts paid, incurred or unpaid for provisions of health care services. In addition, a schedule must be prepared and submitted that contains the grand total (GT) for the company. To other states in which the company is licensed it should submit a schedule for that state.

Written premium is defined as the contractually determined amount charged by the reporting entity to the policyholder for the effective period of the contract based on the expectation of risk, policy benefits, and expenses associated with the coverage provided by the terms of the insurance contract. For health contracts without fixed contract periods, premiums written will be equal to the amount collected during the reporting period plus uncollected premiums at the end of the period less uncollected premiums at the beginning of the period.

Column 1 – Total

Include: All members.

Columns 2 through 4013 – Lines of Business

See Appendix – Definitions of Lines of Business in determining with which source information is associated. Stop loss, disability income and long-term care is to be included in the Other column.

Column 4 – Medicare Supplement

Include: Medicare Supplement contracts as defined by the NAIC Medicare Supplement Insurance Minimum Standards Model Act (#650) and Model Regulation to Implement the NAIC Medicare Supplement Insurance Minimum Standards Model Act (#651).

Contracts sold primarily to Medicare eligible persons and designed to coordinate with Medicare but that are exempt from the NAIC Medicare Supplement Insurance Minimum Standards Model Act (#650) and Model Regulation to Implement the NAIC Medicare Supplement Insurance Minimum Standards Model Act (#651).

Column 8 – Title XVIII Medicare

Include only amounts collected from the Federal Government for Medicare benefits and the amounts collected from enrollees over and above that collected from the Federal Government as authorized under Title XVIII.

Column 4013 – Other


Column 4014 – Other Non-health

Include: Claims incurred for life and property/casualty lines of business.

Line 1 – Total Members at End of Prior Year

A member is a person who has been enrolled as a subscriber, or an eligible dependent of a subscriber, and for whom the reporting entity has accepted the responsibility for the provision of basic health services as provided by contract.
Line 12  – Health Premiums Written
Include: Direct premiums written.
Column 1 should equal Underwriting and Investment Exhibit, Part 1, Column 1, Line 413.

Line 13  – Life Premiums Direct
Include: Direct premiums and annuity considerations for life contracts excluding reinsurance assumed and without deduction of reinsurance ceded.
Column 1 should equal Underwriting and Investment Exhibit, Part 1, Column 1, Line 4914.

Line 14  – Property/Casualty Premiums Written
Include: Direct premiums for property and casualty lines of business excluding reinsurance assumed and without deduction of reinsurance ceded.
Column 1 should equal Underwriting and Investment Exhibit, Part 1, Column 1, Line 4415.

Line 15  – Health Premiums Earned
Include: Direct written premium plus the change in unearned premium reserves and reserve for rate credits.
Sum of General Interrogatories Part 2, Lines 1.61, 1.64, 1.71 and 1.74 should equal Column 4, Grand Total Exhibit of Premiums, Enrollment and Utilization page.

---

**Detail Eliminated to Conserve Space**

Footnote (a)  – Complete the information regarding number of persons covered under PPO managed care products and number of persons covered under indemnity only products. Include in PPO business health insurance products that provide access to higher level of benefits whenever participating provider networks are used. This will include all blended products whereby an indemnity product is sold and issued in conjunction with an HMO product. Health business includes all business equivalent to that included in the health blank.

Footnote (b)  – Report Medicare Title XVIII premiums that are exempted from state taxes or other fees by Section 1854(g) of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. This includes but is not limited to premiums written under a Medicare Advantage product, a Medicare PPO product, or a stand-alone Medicare part D product.
**QUARTERLY STATEMENT INSTRUCTIONS – HEALTH**

**EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION**

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**Detail Eliminated to Conserve Space**

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**Columns 2 through 1013** – Lines of Business

See Annual Statement Appendix – Definitions of Lines of Business and Product Lines in determining with which source information is associated. Stop loss, disability income and long-term care are to be included in the Other column.

**Column 4** – Medicare Supplement

Include: Medicare Supplement contracts as defined by the NAIC Medicare Supplement Insurance Minimum Standards Model Act (#650) and Model Regulation to Implement the NAIC Medicare Supplement Insurance Minimum Standards Model Act (#651).

Contracts sold primarily to Medicare eligible persons and designed to coordinate with Medicare but that are exempt from the NAIC Medicare Supplement Insurance Minimum Standards Model Act (#650) and Model Regulation to Implement the NAIC Medicare Supplement Insurance Minimum Standards Model Act (#651).

**Column 8** – Title XVIII Medicare

Include only amounts collected from the Federal Government for Medicare benefits and the amounts collected from enrollees over and above that collected from the Federal Government as authorized under Title XVIII. Policies providing Medicare Part D Prescription Drug Coverage through a Medicare Advantage product.

**Column 1013** – Other


**Column 14** – Other Non-health

Include: Claims incurred for life and property/casualty lines of business.

**Line 1** – Total Members at End of Prior Year

A member is a person who has been enrolled as a subscriber, or an eligible dependent of a subscriber, and for whom the reporting entity has accepted the responsibility for the provision of basic health services as provided by contract.

**Line 2** – Total Members at End of First Quarter

Show total members (cumulative) at the end of the quarter.

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UNDERWRITING AND INVESTMENT EXHIBIT

ANALYSIS OF CLAIMS UNPAID – PRIOR YEAR NET OF REINSURANCE

Information should be reported for current year-to-date.

Refer to SSAP No. 54R—Individual and Group Accident and Health Contracts, and SSAP No. 66—Retrospectively Rated Contracts, for accounting guidance.

Exclude: From the appropriate lines and columns, those amounts attributable to the Federal Employees Health Benefit Plan (FEHBP) that are exempted from state taxes or other fees by Section 8909(f)(1) of Title 5 of the United States Code.

Amounts attributable to uninsured plans and the uninsured portion of partially insured plans.

Claims are to include amounts paid or accrued for capitation, and any other means of payment, for medical or other health care services including, under other medical costs, amounts for occupancy, depreciation and amortization as it relates to medical and hospital expenses.

Incentive pool, withhold and bonus amounts are defined as amounts to be paid to providers by the Health entity as an incentive to achieve goals such as effective management of care. Some arrangements involve paying an agreed-on amount for each claim and then paying a bonus at the end of the contract period. Other arrangements involve a set amount to be withheld from each claim and then paying a portion (which could be none or all) of the withheld amount at the end of the contract period.

For arrangements involving amounts withheld, the claim payments should be recorded net of the withhold, and the unpaid withholds should be held as an additional liability until paid or formally retained. The amount due should be supported by signed agreements and the basis for establishing the liability should be documented when determining the amount of this liability.

Columns 1 and 2:

Enter in Columns 1 and 2, Lines 1 through 8, 12, and 1115, all payments made year-to-date. Record actual payments only, net of applicable Coordination of Benefits, deductibles, copayments, pharmaceutical rebates collected, risk share amounts collected, reinsurance, subrogation and provider discounts. Refer to SSAP No. 84—Health Care and Government Insured Plans Receivables, for accounting guidance.

Include in Columns 1 and 2, Line 1014, the current health care receivables balance relating to claims paid year-to-date on insured plans. Refer to SSAP No. 84—Health Care and Government Insured Plans Receivables, for accounting guidance.

Include on Line 42–16 actual payments from provider incentive pools and bonus arrangements or supplemental facility settlements (distributions of utilization savings).

All claim payments made relating to service dates prior to the current reporting year should be reported in Column 1. Report in Column 2 all claim payments for service dates in the current reporting year.

Columns 3 and 4:

Enter in Columns 3 and 4 all claims related liabilities and reserves held at the end of the current quarter. This includes liability for both reported and unreported claims and should be net of anticipated reductions for coordination of benefits, deductibles, copayments, provider discounts or reinsurance recoveries.

Included in Columns 3 and 4, Line 1014 current health care receivables of insured plans relating to claims in the process of adjustment. Refer to SSAP No. 84—Health Care and Government Insured Plans Receivables, for accounting guidance.
Report on Line 1 through 8-12 and 14-15, the claims unpaid gross of the actual withholds on paid claims and net of settlement adjustments to prior withholds. Estimated incurred but unreported losses reported on Lines 1 through 8-12 should be calculated in accordance with SSAP No. 54R—Individual and Group Accident and Health Contracts and may include estimations as to return of withhold on claims incurred, but not yet paid. Liability for provider incentive pools and supplemental facility settlements should also be included on Line 12-16.


Line 13-17, Columns 1 through 4, less Column 6 should agree to Page 4, Line 18 plus Line 19, Column 2.

The sum of Columns 3 and 4, Line 13-17 plus 10-14 should agree to the sum of Lines 1, 2 and 7, Page 3, Column 3.

Line 8-12 – Other Health

Report the unpaid claims for other health business not included in any other line. This category includes all unspecified business written under the Company’s health line of business authority, including stop loss as well as business that does not qualify for the Health Statement Test (e.g., disability income and long-term care).

Line 10-14 – Health Care Receivables

This line is based on the gross health care receivable, not just the admitted portion.

Columns 1 and 2 report the amounts of health care receivables associated with claims paid year-to-date.

Columns 3 and 4 report the health care receivable amount attributable to those claims remaining unpaid as of the end of the current quarter. This will include those amounts of pharmaceutical rebates that are estimated in accordance with SSAP No. 84—Health Care and Government Insured Plans Receivables, guidelines.

Line 11-15 – Other Non-health

Report the unpaid claims for life and property/casualty business.

Line 12-16 – Medical Incentive Pools and Bonus Amounts

Include disbursements for incentive pool and bonus amounts in Column 1 and 2. Include liability for incentive pool and bonus amounts in Column 3 and 4.
### ANNUAL STATEMENT BLANK – HEALTH

#### UNDERWRITING AND INVESTMENT EXHIBIT

**PART 1 – PREMIUMS**

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## UNDERWRITING AND INVESTMENT EXHIBIT
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(a) Excludes $……… loans or advances to providers not yet expensed.
### PART 2A – CLAIMS LIABILITY END OF CURRENT YEAR

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## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2B – ANALYSIS OF CLAIMS UNPAID – PRIOR YEAR-NET OF REINSURANCE

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(a) Excludes $………. loans or advances to providers not yet expensed.
## UNDERWRITING AND INVESTMENT EXHIBIT
### PART 2D – AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

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<th>Vision Only</th>
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<th>Title XIX Medicaid</th>
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<td>Reserve for rate credits or experience rating refunds (including $------- for investment income)</td>
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### DETAILS OF WRITE-INS

|     |                     |          |                     |             |            |                                       |                      |                  |              |                      |                |       |
|-----|--------------------|----------|---------------------|-------------|------------|---------------------------------------|                      |                  |              |                      |                |       |
| 0501|                    |          |                     |             |            |                                       |                      |                  |              |                      |                |       |
| 0502|                    |          |                     |             |            |                                       |                      |                  |              |                      |                |       |
| 1098| Summary of remaining write-ins for Line 5 from overflow page |          |                     |             |            |                                       |                      |                  |              |                      |                |       |
| 0509| Totals (Lines 0501 through 0507 plus 0508) (Line 5 above) |          |                     |             |            |                                       |                      |                  |              |                      |                |       |
| 1101|                    |          |                     |             |            |                                       |                      |                  |              |                      |                |       |
| 1112|                    |          |                     |             |            |                                       |                      |                  |              |                      |                |       |
| 1198| Summary of remaining write-ins for Line 11 from overflow page |          |                     |             |            |                                       |                      |                  |              |                      |                |       |
| 1199| Totals (Lines 1101 through 1105 plus 1198) (Line 11 above) |          |                     |             |            |                                       |                      |                  |              |                      |                |       |

(a) Includes $------- premium-deficiency reserve.
## EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

**REPORT FOR:** 1. CORPORATION ________________________________ 2. ________________________________

**LOCATION**

**NAIC Group Code** __________  **BUSINESS IN THE STATE OF** ________________________________  **DURING THE YEAR** ________________________________  **NAIC Company Code** __________

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(a) For health business: number of persons insured under PPO managed care products____ and number of persons insured under indemnity only products____.

(b) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees $__________.
### QUARTERLY STATEMENT BLANK – HEALTH

#### EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

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<td>Title XIX Medicaid</td>
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</table>

(a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees $………

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21
## UNDERWRITING AND INVESTMENT EXHIBIT
### ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

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<th>Line of Business</th>
<th>1 On Claims Incurred Prior to January 1 of Current Year</th>
<th>2 On Claims Incurred During the Year</th>
<th>3 On Claims Unpaid Dec. 31 of Prior Year</th>
<th>4 On Claims Incurred During the Year</th>
<th>5 Claims Incurred in Prior Years (Columns 1 + 3)</th>
<th>6 Estimated Claim Reserve and Claim Liability Dec. 31 of Prior Year</th>
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(a) Excludes $……….. loans or advances to providers not yet expensed.

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/2022 NAIC Meetings/Spring National Meeting/Committee Meetings/FINANCIAL CONDITION (E) COMMITTEE/Accounting Practices and Procedures (E) TF/BWG/Att2D_2021-19BWG_Modified.doc
NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

| CONTACT PERSON: | Jacob W. Garn |
| TELEPHONE: | |
| EMAIL ADDRESS: | |
| ON BEHALF OF: | Chair, Blanks Working Group |
| NAME: | Jacob W. Garn |
| TITLE: | Chair, Blanks Working Group |
| AFFILIATION: | |
| ADDRESS: | |

FOR NAIC USE ONLY

| Agenda Item # | 2021-20BWG MOD |
| Year | 2023 |
| Changes to Existing Reporting | [ X ] |
| New Reporting Requirement | [ ] |

REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT

| No Impact | [ X ] |
| Modifies Required Disclosure | [ ] |

DISPOSITION

[ ] Rejected For Public Comment
[ ] Referred To Another NAIC Group
[ ] Received For Public Comment
[ X ] Adopted Date 03/29/2022
[ ] Rejected Date
[ ] Deferred Date
[ ] Other (Specify)

Anticipated Effective Date: Annual 2023

IDENTIFICATION OF ITEM(S) TO CHANGE

Starting at Line 72 of the Life/Fraternal Five-Year Historical add or delete lines that don’t pull in the specific lines of business reported on the Life/Fraternal Analysis of Operations by Lines of Business detail pages for life (individual and group, annuities (individual and group and A&H for Line 33 of those pages.

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

The purpose of this proposal is to bring back the line of business detail reporting of Net Gains from Operations After Dividends to Policyholders/Refunds to Members and Federal Income Taxes by Lines of Business as was done before the Life/Fraternal Analysis of Operations by Lines of Business page was expanded for the new lines of business categories.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:

Other Comments:

** This section must be completed on all forms.

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ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL

FIVE-YEAR HISTORICAL DATA

Detail Eliminated to Conserve Space

Net Gains From Operations After Dividends to Policyholders, Refunds to Members and Federal Income Taxes and Before Realized Capital Gains or (Losses) by Lines of Business

Line 72 – Individual Industrial Life

All years ................................ Page 6.1, Line 33, Column 2

Line 73 – Individual Whole Life

All years ................................ Page 6.1, Line 33, Column 3

Line 74 – Individual Term Life

All years ................................ Page 6.1, Line 33, Column 4

Line 75 – Individual Indexed Life

All years ................................ Page 6.1, Line 33, Column 5

Line 76 – Individual Universal Life

All years ................................ Page 6.1, Line 33, Column 6

Line 77 – Individual Universal Life With Secondary Guarantees

All years ................................ Page 6.1, Line 33, Column 7

Line 78 – Individual Variable Life

All years ................................ Page 6.1, Line 33, Column 8

Line 79 – Individual Variable Universal Life

All years ................................ Page 6.1, Line 33, Column 9

Line 80 – Individual Credit Life

All years ................................ Page 6.1, Line 33, Column 10

Line 81 – Individual Other Life

All years ................................ Page 6.1, Line 33, Column 11

Line 82 – Individual YRT Mortality Risk Only

All years ................................ Page 6.1, Line 33, Column 12
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<td>Individual Deferred Indexed Annuities</td>
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<td>Individual Deferred Variable Annuities Without Guarantees</td>
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<td>95</td>
<td>Individual Contingent Payout (Immediate and Annuityization)</td>
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</table>
Line 96 – Individual Other Annuities

   All years ......................... Page 6.3, Line 33, Column 7

Line 75 – Ordinary – Supplementary Contracts

   All years ......................... No longer a separate column on the Analysis of Operations by Lines of Business pages. The amounts are included in the individual and group annuities amounts on Lines 74 and 78.

Line 76 – Credit Life

   All years ......................... Line 33, Page 6.1, Column 10 plus Page 6.2, Column 7

Line 77 – Group Life

   All years ......................... Page 6.2, Line 33, Column 1 less Columns 7 and 9

Line 78 – Group Deferred Fixed Annuities

   All years ......................... Page 6.4, Line 33, Column 52

Line 97 – Group Deferred Indexed Annuities

   All years ......................... Page 6.4, Line 33, Column 3

Line 98 – Group Deferred Variable Annuities With Guarantees

   All years ......................... Page 6.4, Line 33, Column 4

Line 99 – Group Deferred Variable Annuities Without Guarantees

   All years ......................... Page 6.4, Line 33, Column 5

Line 100 – Group Contingent Payout (Immediate and Annuitization)

   All years ......................... Page 6.4, Line 33, Column 6

Line 101 – Group Other Annuities

   All years ......................... Page 6.4, Line 33, Column 7

Line 102 – A & H – Comprehensive Group

   All years ......................... Page 6.5, Line 33, Column 2

Line 103 – A & H – Comprehensive Group

   All years ......................... Page 6.5, Line 33, Column 3
Line 105 – A & H – Medicate Supplement

All years ........................................ Page 6.5, Line 33, Column 4

Line 106 – A & H – Vision Only

All years ........................................ Page 6.5, Line 33, Column 5

Line 107 – A & H – Dental Only

All years ........................................ Page 6.5, Line 33, Column 6

Line 108 – A & H – Federal Employees Health Benefits Plan

All years ........................................ Page 6.5, Line 33, Column 7

Line 109 – A & H – Title XVII Medicare

All years ........................................ Page 6.5, Line 33, Column 8

Line 110 – A & H – Title XIX Medicaid

All years ........................................ Page 6.5, Line 33, Column 9

Line 111 – A&H – Credit

All years ........................................ Page 6.5, Line 33, Column 10

Line 112 – A & H – Disability Income

All years ........................................ Page 6.5, Line 33, Column 11

Line 113 – A & H – Long-Term Care

All years ........................................ Page 6.5, Line 33, Column 12

Line 114 – A&H – Other Health

All years ........................................ Page 6.5, Line 33, Column 12

Line 115 – Aggregate of All Other Lines of Business

All years ........................................ Page 6.5, Line 33, Column 12

Line 116 – Fraternal

All years ........................................ Page 6.5, Line 33, Column 12
## ANNUAL STATEMENT BLANKS – LIFE/FRATERNAL

### 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

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Detail Eliminated to Conserve Space
NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

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<td>ON BEHALF OF:</td>
</tr>
<tr>
<td>NAME: Dale Bruggeman</td>
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<tr>
<td>TITLE: Chair SAPWG</td>
</tr>
<tr>
<td>AFFILIATION: Ohio Department of Insurance</td>
</tr>
<tr>
<td>ADDRESS: 50W. Town St., 3rd Fl., Ste. 300 Columbus, OH 43215</td>
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FOR NAIC USE ONLY

Agenda Item # 2021-21BWG MOD
Year 2022
Changes to Existing Reporting [ X ]
New Reporting Requirement [ ]
REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT
No Impact [ X ]
Modifies Required Disclosure [ ]
DISPOSITION
[ ] Rejected For Public Comment
[ ] Referred To Another NAIC Group
[ ] Received For Public Comment
[ ] Adopted Date
[ ] Rejected Date
[ ] Deferred Date
[ ] Other (Specify)

BLANK(S) TO WHICH PROPOSAL APPLIES

[ X ] ANNUAL STATEMENT
[ X ] QUARTERLY STATEMENT
[ X ] Life, Accident & Health/Fraternal
[ X ] Property/Casualty
[ X ] Health

[ X ] INSTRUCTIONS
[ ] BLANK
[ ] Separate Accounts
[ ] Protected Cell
[ ] Health (Life Supplement)

[ ] CROSSCHECKS
[ X ] Title
[ ] Other _______________________

Anticipated Effective Date: Annual 2022

IDENTIFICATION OF ITEM(S) TO CHANGE

Add instruction to the Investment Schedules General Instructions to exclude residual tranches or interests from being reported as bonds on Schedule D, Part 1 and add lines to Schedule BA for the reporting of those investments.

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

The purpose of this proposal is to reflect changes being adopted by the Statutory Accounting Principles (E) Working Group SSAP No. 43R – Loan-Backed and Structured Securities (Ref #2021-15). The proposal excludes residual tranches or interests from being reported as bonds on Schedule D, Part 1 and requires them to be reported on Schedule BA

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: ________________________________

Other Comments: ________________________________

** This section must be completed on all forms. Revised 7/18/2018
### ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

#### SCHEDULE BA – PARTS 1, 2 AND 3

#### OTHER LONG-TERM INVESTED ASSETS – GENERAL INSTRUCTIONS

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<td>Residual Tranches or Interests with Underlying Assets Having Characteristics of:</td>
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<td>Affiliated</td>
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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.

Detail Eliminated to Conserve Space

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.

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.)
**QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE**

**SCHEDULE BA – PARTS 2 AND 3**

**OTHER LONG-TERM INVESTED ASSETS ACQUIRED AND DISPOSED OF**

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<td>Residual Tranches or Interests with Underlying Assets Having Characteristics of:</td>
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<td>Fixed Income Instruments</td>
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**Subtotals**

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| TOTALS | 50999995960629999 | 4

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.

---

### 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.

---

### 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.)
ANNUAL AND QUARTERLY STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

INVESTMENT SCHEDULES GENERAL INSTRUCTIONS
(Applies to all investment schedules)

Detail Eliminated to Conserve Space

The following is the description of the General and Specific Classifications used for reporting the detail lines for bonds and stocks.

General Classifications Bonds Only:

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 and SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities for additional guidance.

U.S. Government:

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.

Detail Eliminated to Conserve Space

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/2022 NAIC Meetings/Spring National Meeting/Committee Meetings/FINANCIAL CONDITION (E) COMMITTEE/Accounting Practices and Procedures (E) TF/BWG/Att2F_2021-21BWG_Modified.doc
NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

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**FOR NAIC USE ONLY**

- Agenda Item #: 2021-22BWG MOD
- Year: 2022
- Changes to Existing Reporting: [X]
- New Reporting Requirement: [ ]
- Reviewed for Accounting Practices and Procedures Impact:
  - No Impact: [X]
  - Modifies Required Disclosure: [ ]

**DISPOSITION**

- [ ] Rejected For Public Comment
- [ ] Referred To Another NAIC Group
- [ ] Received For Public Comment
- [ ] Adopted
- [ ] Rejected
- [ ] Deferred
- [X] Other (Specify): Re-exposed

03/29/2022

**BLANK(S) TO WHICH PROPOSAL APPLIES**

- [X] ANNUAL STATEMENT
- [X] QUARTERLY STATEMENT
- [X] Life, Accident & Health/Fraternal
- [X] Property/Casualty
- [X] Health
- [X] INSTRUCTIONS
- [ ] BLANK
- [ ] Separate Accounts
- [ ] Protected Cell
- [ ] Health (Life Supplement)

Anticipated Effective Date: Annual 2022

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

This item proposes new reporting requirements for investment transactions with related parties. In addition to capturing direct loans in related parties, it will also capture information involving securitizations (or other similar investments) where the related party is a sponsor/originator along with whether the underlying investment is in a related party.

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

Pursuant to recent discussions, regulators desire additional information on investment transactions involving related parties, regardless of whether the related party is “affiliated” pursuant to Model #440. To preserve the affiliate definition and reporting categories for affiliated investments, these additional proposed reporting elements will be captured outside of the current affiliate reporting requirements. The new electronic columns will capture investments issued by a related party or acquired through a related party transaction or arrangement, regardless if the specific affiliate definition has been met or if there has been a disclaimer of affiliation/control.

**NAIC STAFF COMMENTS**

Comment on Effective Reporting Date:

Other Comments:

** This section must be completed on all forms. Revised 7/18/2018

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ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, PROPERTY AND TITLE

SCHEDULE BA – PART 1

OTHER LONG-TERM INVESTED ASSETS OWNED DECEMBER 31 OF CURRENT YEAR

<table>
<thead>
<tr>
<th>Column 27</th>
<th>Investments Involving Related Parties</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Detail Eliminated to Conserve Space</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Columns 21 through 26-27 will be electronic only. **

<table>
<thead>
<tr>
<th>Column 27</th>
<th>Investments Involving Related Parties</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Detail Eliminated to Conserve Space</strong></td>
<td></td>
</tr>
</tbody>
</table>

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

**Columns 12 through 15-16 will be electronic only.**

<table>
<thead>
<tr>
<th>Non-Registered Private Funds with Underlying Assets Having Characteristics of:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage Loans</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unaffiliated</th>
<th>Affiliated</th>
</tr>
</thead>
<tbody>
<tr>
<td>1199999</td>
<td>1299999</td>
</tr>
</tbody>
</table>

State the date the mortgage loan matures.

### Column 15 – Maturity Date

Use only for securities included in the following subtotal lines.

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**

<table>
<thead>
<tr>
<th>Column 24</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use only for securities included in the following subtotal lines.</td>
<td></td>
</tr>
<tr>
<td>Non-Registered Private Funds with Underlying Assets Having Characteristics of:</td>
<td></td>
</tr>
<tr>
<td>Mortgage Loans</td>
<td></td>
</tr>
<tr>
<td>Unaffiliated</td>
<td>1199999</td>
</tr>
<tr>
<td>Affiliated</td>
<td>1299999</td>
</tr>
<tr>
<td>State the date the mortgage loan matures.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Column 25</th>
<th>Investments Involving Related Parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>Enter one of the following codes to identify the role of the related party in the investment:</td>
<td></td>
</tr>
<tr>
<td>1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>6. The investment does not involve a related party.</td>
<td></td>
</tr>
</tbody>
</table>
** SCHEDULE D – PART 1  
** LONG-TERM BONDS OWNED DECEMBER 31 OF CURRENT YEAR  
** Columns 23 through 34-35 will be electronic only. **  

<table>
<thead>
<tr>
<th>Column 35</th>
<th>Investments Involving Related Parties</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>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.</td>
</tr>
<tr>
<td>1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>6. The investment does not involve a related party.</td>
<td></td>
</tr>
</tbody>
</table>

** NAIC Designation Category Footnote: **

Provide the total book/adjusted carrying value amount by NAIC Designation Category that represents the amount reported in Column 11.

The sum of the amounts reported for each NAIC Designation Category in the footnote should equal Line 2509999999.
SCHEDULE D – PART 2 – SECTION 1
PREFERRED STOCKS OWNED DECEMBER 31 OF CURRENT YEAR

** Columns 22 through 27-28 will be electronic only. **

Column 28 — 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 reported in Column 8.

The sum of the amounts reported for each NAIC Designation Category in the footnote should equal the sum of Lines 4019999999 and 4029999999.
**Columns 19 through 24-25 will be electronic only.**

<table>
<thead>
<tr>
<th>Column 25</th>
<th>Investments Involving Related Parties</th>
</tr>
</thead>
</table>

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 reported in Column 6.
**SCHEDULE D – PART 3**

**LONG-TERM BONDS AND STOCKS ACQUIRED DURING CURRENT YEAR**

<table>
<thead>
<tr>
<th>Column 10 through 14</th>
<th>ISIN Identification</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The International Securities Identification Numbering (ISIN) system is an international standard set up by the International Organization for Standardization (ISO). It is used for numbering specific securities, such as stocks, bonds, options and futures. ISIN numbers are administered by a National Numbering Agency (NNA) in each of their respective countries, and they work just like serial numbers for those securities. Record the ISIN number only if no valid CUSIP, CINS or PPN exists to report in Column 1.</td>
</tr>
</tbody>
</table>

Column 15 – 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 D – PART 4
LONG-TERM BONDS AND STOCKS SOLD, REDEEMED OR OTHERWISE DISPOSED OF DURING CURRENT YEAR

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** Columns 22 through 26-27 will be electronic only. **

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Column 26 – ISIN Identification

The International Securities Identification Numbering (ISIN) system is an international standard set up by the International Organization for Standardization (ISO). It is used for numbering specific securities, such as stocks, bonds, options and futures. ISIN numbers are administered by a National Numbering Agency (NNA) in each of their respective countries, and they work just like serial numbers for those securities. Record the ISIN number only if no valid CUSIP, CINS or PPN exists to report in Column 1.

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.
### SCHEDULE D – PART 5

**LONG-TERM BONDS AND STOCKS ACQUIRED DURING THE YEAR AND FULLY DISPOSED OF DURING CURRENT YEAR**

**Detail Eliminated to Conserve Space**

**Columns 22 through 26, 27 will be electronic only.**

**Detail Eliminated to Conserve Space**

<table>
<thead>
<tr>
<th>Column 26</th>
<th>ISIN Identification</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The International Securities Identification Numbering (ISIN) system is an international standard set up by the International Organization for Standardization (ISO). It is used for numbering specific securities, such as stocks, bonds, options and futures. ISIN numbers are administered by a National Numbering Agency (NNA) in each of their respective countries, and they work just like serial numbers for those securities. Record the ISIN number only if no valid CUSIP, CINS or PPN exists to report in Column 1.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Column 27</th>
<th>Investments Involving Related Parties</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>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.</td>
</tr>
</tbody>
</table>

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 DA – PART 1

SHORT-TERM INVESTMENTS OWNED DECEMBER 31 OF CURRENT YEAR

** Columns 21 and through 22 will be electronic only. **

Column 23 – 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.

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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 Equivalent Footnote:

Provide the total book/adjusted carrying value amount by NAIC Designation Category Equivalent that represents the amount reported in Column 7.

The sum of the amounts reported for each NAIC Designation Category Equivalent in the footnote should equal Line 2509999999.
** SCHEDULE DL – PART 1

** SECURITIES LENDING COLLATERAL ASSETS

Reinvested Collateral Assets Owned December 31 Current Year

(Securities lending collateral assets reported in aggregate on Line 10 of the asset page and not included on Schedules A, B, BA, D, DB and E.)

** Detail Eliminated to Conserve Space

** Columns 8 through 11 will be electronic only. **

** Detail Eliminated to Conserve Space

**

** 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.

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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.
The code 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 2509999999 ......................... Schedule D, Part 1, Column 35
- Lines 4019999999 through 4509999999 ......................... Schedule D, Part 2, Section 1, Column 28
- Lines 5019999999 through 5989999999 ......................... Schedule D, Part 2, Section 2, Column 25
- Line 9309999999 ........................................................... Schedule B, Part 1, Column 20
- Line 9409999999 ........................................................... Schedule BA, Part 1, Column 27
- Line 9509999999 ........................................................... Schedule DA, Part 1, Column 23
- Line 9709999999 ........................................................... Schedule E, Part 2, Column 12

The column should be left blank for the following lines:

- Real Estate (Schedule A type) ........................................................... 9209999999
- Cash (Schedule E, Part 1 type) ........................................................... 9609999999
- Other Assets .................................................................................... 9809999999

General Interrogatories:

1. The total activity for the year represents the net increase (decrease) from the prior year-end to the current year-end.

2. The average balance for the year is the average daily balance.

   Average daily balance: Total of daily balances divided by the number of days. Always calculate based on a 365/366 day year. If data is missing for a given date (e.g., weekend, holiday), count the previous day’s value multiple times. The actual day count for the year (365/366) would serve as the denominator in the average calculation.

3. NAIC Designation Category:

   Provide the total book/adjusted carrying value amount by NAIC Designation Category that represents the amount reported in Column 6.
SCHEDULE DL – PART 2

SECURITIES LENDING COLLATERAL ASSETS
Reinvested Collateral Assets Owned December 31 Current Year
(Securities lending collateral assets included on Schedules A, B, BA, D, DB and E
and not reported in aggregate on Line 10 of the asset page.)

** Columns 8 through 11 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.

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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.
The code reported for this column should be same for the security as reported in other schedules for the lines shown below:

- Lines 0019999999 through 2509999999 .................................. Schedule D, Part 1, Column 35
- Lines 4019999999 through 4509999999 .................................. Schedule D, Part 2, Section 1, Column 28
- Lines 5019999999 through 5989999999 .................................. Schedule D, Part 2, Section 2, Column 25
- Line 9309999999 .................................................................... Schedule B, Part 1, Column 20
- Line 9409999999 .................................................................... Schedule BA, Part 1, Column 27
- Line 9509999999 .................................................................... Schedule DA, Part 1, Column 23
- Line 9709999999 .................................................................... Schedule E, Part 2, Column 12

The column should be left blank for the following lines:

- Real Estate (Schedule A) .......................................................... 9209999999
- Cash (Schedule E, Part 1) .......................................................... 9609999999
- Other Assets ........................................................................ 9809999999

General Interrogatories:

1. The total activity for the year represents the net increase (decrease) from the prior year-end to the current year-end.

2. The average balance for the year is the average daily balance.

   Average daily balance: Total of daily balances divided by the number of days. Always calculate based on a 365/366 day year. If data is missing for a given date (e.g., weekend, holiday), count the previous day’s value multiple times. The actual day count for the year (365/366) would serve as the denominator in the average calculation.
SCHEDULE E – PART 2 – CASH EQUIVALENTS

** Columns 10 and through 11 – 12 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.

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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 Equivalent Footnote:

Provide the total book/adjusted carrying value amount by NAIC Designation Category Equivalent that represents the amount reported in Column 7.

The sum of the amounts reported for each NAIC Designation Category Equivalent in the footnote should equal Line 2509999999.
# SCHEDULE B – PART 1

**MORTGAGE LOANS OWNED DECEMBER 31 OF CURRENT YEAR**

<table>
<thead>
<tr>
<th>Column 5</th>
<th>Loan Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the loan was made to an officer or director of the reporting entity/subsidiary/affiliate, enter “E”. If the loan was made directly to a subsidiary or affiliate enter “S.” If the loan was made directly to a related party that doesn't meet the affiliate definition or the reporting entity has received domiciliary state approval to disclaim control/affiliation, enter “R.” Otherwise, leave the column blank.</td>
<td></td>
</tr>
</tbody>
</table>

**Columns 16 through 20 will be electronic only.**

<table>
<thead>
<tr>
<th>Column 19</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>State the date the mortgage loan matures.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Column 20</th>
<th>Investments Involving Related Parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td></td>
</tr>
</tbody>
</table>

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.

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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 B – PART 2

MORTGAGE LOANS ACQUIRED AND ADDITIONS MADE DURING YEAR

---

Column 4 – Loan Type

If the loan was made to an officer or director of the reporting entity/subsidiary/affiliate, enter “E”. If the loan was made directly to a subsidiary or affiliate, enter “S.” If the loan was made directly to a related party that doesn’t meet the affiliate definition or the reporting entity has received domiciliary state approval to disclaim control/affiliation, enter “R.” Otherwise, leave the column blank.

---

** Columns 10 through 13 will be electronic only. **

---

Column 13 – Maturity Date

State the date the mortgage loan matures.

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.

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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 B – PART 3**

MORTGAGE LOANS DISPOSED, TRANSFERRED OR REPAID DURING THE YEAR

<table>
<thead>
<tr>
<th>Column 4</th>
<th>Loan Type</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>If the loan was made to an officer or director of the reporting entity/subsidiary/affiliate, enter “E.” If the loan was made directly to a subsidiary or affiliate enter “S.” If the loan was made directly to a related party that doesn’t meet the affiliate definition or the reporting entity has received domiciliary state approval to disclaim control/affiliation, enter “R.” Otherwise, leave the column blank.</td>
</tr>
</tbody>
</table>

**Columns 19 through 22 will be electronic only.**

<table>
<thead>
<tr>
<th>Column 22</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State the date the mortgage loan matures.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Column 23</th>
<th>Investments Involving Related Parties</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td>Enter one of the following codes to identify the role of the related party in the investment.</td>
</tr>
<tr>
<td>1.</td>
<td>Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.</td>
</tr>
<tr>
<td>2.</td>
<td>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.</td>
</tr>
<tr>
<td>3.</td>
<td>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.</td>
</tr>
<tr>
<td>4.</td>
<td>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.</td>
</tr>
<tr>
<td>5.</td>
<td>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.</td>
</tr>
<tr>
<td>6.</td>
<td>The investment does not involve a related party.</td>
</tr>
</tbody>
</table>
### SCHEDULE DB – PART A – SECTION 1

**OPTIONS, CAPS, FLOORS, COLLARS, SWAPS AND FORWARDS OPEN**

**DECEMBER 31 OF CURRENT YEAR**

**Columns 24 through 32-33 will be electronic only.**

#### Detail Eliminated to Conserve Space

<table>
<thead>
<tr>
<th>Column 32</th>
<th>CDHS Identifier</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purchased Options</strong></td>
<td>Lines 0089999999 through 0139999999</td>
</tr>
<tr>
<td><strong>Written Options</strong></td>
<td>Lines 0579999999 through 0629999999</td>
</tr>
<tr>
<td><strong>Swaps</strong></td>
<td>Lines 1059999999 through 1099999999</td>
</tr>
<tr>
<td><strong>Forwards</strong></td>
<td>Line 1429999999</td>
</tr>
</tbody>
</table>

#### Investments Involving Related Parties

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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 DB – PART A – SECTION 2

OPTIONS, CAPS, FLOORS, COLLARS, SWAPS AND FORWARDS TERMINATED DURING CURRENT YEAR

**Detail Eliminated to Conserve Space**

**Column 26 through 31 will be electronic only.**

**Detail Eliminated to Conserve Space**

<table>
<thead>
<tr>
<th>Column 31</th>
<th>CDHS Identifier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide a unique identifier for each Clearly Defined Hedging Strategy (CDHS) applying the provisions of SSAP No. 108 reported on this schedule (e.g., 001, 002, etc.). This identifier will also be used for reporting of the CDHS in Column 1 of Schedule DB, Part E.</td>
<td></td>
</tr>
</tbody>
</table>

This column should only be used for the following line numbers:

- **Purchased Options**: Lines 0089999999 through 0139999999
- **Written Options**: Lines 0579999999 through 0629999999
- **Swaps**: Lines 1059999999 through 1099999999
- **Forwards**: Line 1429999999

<table>
<thead>
<tr>
<th>Column 32</th>
<th>Investments Involving Related Parties</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
</tbody>
</table>

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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 DB – PART B – SECTION 1

FUTURES CONTRACTS OPEN
DECEMBER 31 OF CURRENT YEAR

Detail Eliminated to Conserve Space

** Columns 23 through 30-31 will be electronic only. **

Detail Eliminated to Conserve Space

Column 30 – CDHS Identifier

Provide a unique identifier for each Clearly Defined Hedging Strategy (CDHS) applying the provisions of SSAP No. 108 reported on this schedule (e.g., 001, 002, etc.). This identifier will also be used for reporting of the CDHS in Column 1 of Schedule DB, Part E.

This column should only be used for the following line numbers:

| Long Futures | Line 1529999999 |
| Short Futures | Line 1599999999 |

Column 31 – 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.

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6. The investment does not involve a related party.
SCHEDULE DB – PART B – SECTION 2

FUTURES CONTRACTS TERMINATED
DURING CURRENT YEAR

Detail Eliminated to Conserve Space

** Column 21 through 26 will be electronic only. **

Detail Eliminated to Conserve Space

Column 26 – CDHS Identifier

Provide a unique identifier for each Clearly Defined Hedging Strategy (CDHS) applying the provisions of SSAP No. 108 reported on this schedule (e.g., 001, 002, etc.). This identifier will also be used for reporting of the CDHS in Column 1 of Schedule DB, Part E.

This column should only be used for the following line numbers:

Long Futures Line 1529999999
Short Futures Line 1599999999

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.

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6. The investment does not involve a related party.
** SCHEDULE DB – PART D – SECTION 1 **

COUNTERPARTY EXPOSURE FOR DERIVATIVE INSTRUMENTS OPEN

DECEMBER 31 OF CURRENT YEAR

** Detail Eliminated to Conserve Space **

** Columns 14 and 15 will be electronic only. **

<table>
<thead>
<tr>
<th>Column 14</th>
<th>Column 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Entity Identifier (LEI)</td>
<td>Investments Involving Related Parties</td>
</tr>
</tbody>
</table>

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

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.

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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.
** Columns 10 and 11 will be electronic only. **

<table>
<thead>
<tr>
<th>Column 10</th>
<th>Column 11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Entity Identifier (LEI)</td>
<td>Investments Involving Related Parties</td>
</tr>
</tbody>
</table>

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6. The investment does not involve a related party.
SCHEDULE DB – PART E

DERIVATIVES HEDGING VARIABLE ANNUITY GUARANTEES AS OF DECEMBER 31 OF CURRENT YEAR

(This schedule is specific for the derivatives and the hedging programs captured in SSAP No. 108.)


Column 19 – Ending Deferred Balance

Specific CDHS Deferred Liability (Asset) balance at end of current reporting period.

** Column 20 will be electronic only. **

Column 20 – 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.

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6. The investment does not involve a related party.
## SCHEDULE DB – PART C – SECTION 1

**REPLICATION (SYNTHETIC ASSET) TRANSACTIONS (RSATs) OPEN ON DECEMBER 31 OF CURRENT YEAR**

<table>
<thead>
<tr>
<th>Column 16 – Fair Value of Cash Instrument(s) Held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enter the fair value of cash instrument(s) used in the RSAT.</td>
</tr>
</tbody>
</table>

** **Column 17 will be electronic only. ** **

<table>
<thead>
<tr>
<th>Column 17 – Investments Involving Related Parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
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<tr>
<td>Enter one of the following codes to identify the role of the related party in the investment.</td>
</tr>
<tr>
<td>1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a direct credit exposure.</td>
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<tr>
<td>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.</td>
</tr>
<tr>
<td>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.</td>
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<tr>
<td>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.</td>
</tr>
<tr>
<td>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.</td>
</tr>
<tr>
<td>6. The investment does not involve a related party.</td>
</tr>
</tbody>
</table>
SCHEDULE BA – PART 2

OTHER LONG-TERM INVESTED ASSETS ACQUIRED AND ADDITIONS MADE DURING THE CURRENT QUARTER

Detail Eliminated to Conserve Space

** Columns 14 through 17,18 will be electronic only. **

Detail Eliminated to Conserve Space

Column 17 – Maturity Date

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.

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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

** Columns 21 through 24-25 will be electronic only. **

Column 24 – Maturity Date

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.

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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 D – PART 3

LONG-TERM BONDS AND STOCKS ACQUIRED DURING THE CURRENT QUARTER

*** Columns 11 through 15-16 will be electronic only. ***

Column 15 – ISIN Identification

The International Securities Identification Numbering (ISIN) system is an international standard set up by the International Organization for Standardization (ISO). It is used for numbering specific securities, such as stocks, bonds, options and futures. ISIN numbers are administered by a National Numbering Agency (NNA) in each of their respective countries, and they work just like serial numbers for those securities. Record the ISIN number only if no valid CUSIP, CINS or PPN exists to report in Column 1.

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.

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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 D – PART 4**

**LONG-TERM BONDS AND STOCKS SOLD, REDEEMED OR OTHERWISE DISPOSED OF DURING THE CURRENT QUARTER**

**Detail Eliminated to Conserve Space**

**Columns 23 through 27-28 will be electronic only.**

**Detail Eliminated to Conserve Space**

Column 27 – **ISIN Identification**

The International Securities Identification Numbering (ISIN) system is an international standard set up by the International Organization for Standardization (ISO). It is used for numbering specific securities, such as stocks, bonds, options and futures. ISIN numbers are administered by a National Numbering Agency (NNA) in each of their respective countries, and they work just like serial numbers for those securities. Record the ISIN number only if no valid CUSIP, CINS or PPN exists to report in Column 1.

Column 28 – **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 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 and not included on Schedules A, B, BA, D, DB and E.)

**Detail Eliminated to Conserve Space**

**Columns 8 and through 10 will be electronic only. **

**Detail Eliminated to Conserve Space**

**Column 10 – 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.

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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.
The code 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 2509999999 .................. Schedule D, Part 1, Column 35
- Lines 4019999999 through 4509999999 .................. Schedule D, Part 2, Section 1, Column 28
- Lines 5019999999 through 5989999999 .................. Schedule D, Part 2, Section 2, Column 25
- Line 9309999999 .................................................. Schedule B, Part 1, Column 20
- Line 9409999999 .................................................. Schedule BA, Part 1, Column 27
- Line 9509999999 .................................................. Schedule DA, Part 1, Column 23
- Line 9709999999 .................................................. Schedule E, Part 2, Column 12

The column should be left blank for the following lines:

- Real Estate (Schedule A type) ................................................................. 9209999999
- Cash (Schedule E, Part 1 type) ............................................................... 9609999999
- Other Assets ............................................................ 9809999999

**General Interrogatories:**

1. The total activity for the year to date represents the net increase (decrease) from the prior year-end to the current statement date.

2. The average balance for the year to date is the average daily balance.

   **Average daily balance:** Total of daily balances divided by the number of days that have passed in the year as of the reporting date. If data is missing for a given date (e.g., weekend, holiday), count the previous day’s value multiple times. The actual day count for the year to date would serve as the denominator in the average calculation.
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 and not reported in aggregate on Line 10 of the asset page.)

** Columns 8 and through 10 will be electronic only. **

Column 10 – 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.

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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.
The code reported for this column should be same for the security as reported in other schedules for the lines shown below:

Lines 0019999999 through 2509999999 ...................... Schedule D, Part 1, Column 35
Lines 4019999999 through 4509999999 ...................... Schedule D, Part 2, Section 1, Column 28
Lines 5019999999 through 5989999999 ...................... Schedule D, Part 2, Section 2, Column 25
Line 9309999999 ...................................................... Schedule B, Part 1, Column 20
Line 9409999999 ...................................................... Schedule BA, Part 1, Column 27
Line 9509999999 ...................................................... Schedule DA, Part 1, Column 23
Line 9709999999 ...................................................... Schedule E, Part 2, Column 12

The column should be left blank for the following lines:

Real Estate (Schedule A) ................................................................. 9209999999
Cash (Schedule E, Part 1) ................................................................. 9609999999
Other Assets ................................................................. 9809999999

General Interrogatories:

1. The total activity for the year to date represents the net increase (decrease) from the prior year-end to the current statement date.

2. The average balance for the year to date is the average daily balance.
   
   Average daily balance: Total of daily balances divided by the number of days that have passed in the year as of the reporting date. If data is missing for a given date (e.g., weekend, holiday), count the previous day’s value multiple times. The actual day count for the year to date would serve as the denominator in the average calculation.
** SCHEDULE E – PART 2 – CASH EQUIVALENTS **

** INVESTMENTS OWNED END OF CURRENT QUARTER **

<table>
<thead>
<tr>
<th><strong>Column 10</strong></th>
<th>Legal Entity Identifier (LEI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td></td>
</tr>
</tbody>
</table>

** Column 11 – 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.

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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 B – PART 2

MORTGAGE LOANS ACQUIRED AND ADDITIONS MADE DURING THE CURRENT QUARTER

Detail Eliminated to Conserve Space

Column 4 – Loan Type

If the loan was made to an officer or director of the reporting entity/subsidiary/affiliate, enter “E.” If the loan was made directly to a subsidiary or affiliate, enter “S.” If the loan was made directly to a related party that doesn’t meet the affiliate definition or the reporting entity has received domiciliary state approval to disclaim control/affiliation, enter “R.” Otherwise, leave the column blank.

Detail Eliminated to Conserve Space

** Columns 10 through 13 will be electronic only. **

Detail Eliminated to Conserve Space

Column 13 – Maturity Date

State the date the mortgage loan matures.

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.

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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 B – PART 3

**MORTGAGE LOANS DISPOSED, TRANSFERRED OR REPAID DURING THE CURRENT QUARTER**

<table>
<thead>
<tr>
<th>Column 4 – Loan Type</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>If the loan was made to an officer or director of the reporting entity/subsidiary/affiliate, enter “E.” If the loan was made directly to a subsidiary or affiliate, enter “S.” If the loan was made directly to a related party that doesn’t meet the affiliate definition or the reporting entity has received domiciliary state approval to disclaim control/affiliation, enter “R.” Otherwise, leave the column blank.</td>
<td></td>
</tr>
</tbody>
</table>

**Detail Eliminated to Conserve Space**

<table>
<thead>
<tr>
<th>Column 22 – Maturity Date</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State the date the mortgage loan matures.</td>
<td></td>
</tr>
</tbody>
</table>

**Columns 19 through 22 will be electronic only.**

<table>
<thead>
<tr>
<th>Column 23 – Investments Involving Related Parties</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td></td>
</tr>
</tbody>
</table>

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.

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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 DB – PART A – SECTION 1 **

OPTIONS, CAPS, FLOORS, COLLARS, SWAPS AND FORWARDS OPEN

** Detail Eliminated to Conserve Space **

** Columns 24 through 32-33 will be electronic only. **

** Detail Eliminated to Conserve Space **

Column 32 – CDHS Identifier

Provide a unique identifier for each Clearly Defined Hedging Strategy (CDHS) reported on this schedule (e.g., 001, 002, etc.). This identifier will also be used for reporting of the CDHS in Column 1 of Schedule DB, Part E.

This column should only be used for the following line numbers:

- Purchased Options Lines 0089999999 through 0139999999
- Written Options Lines 0579999999 through 0629999999
- Swaps Lines 1059999999 through 1099999999
- Forwards Lines 1429999999

Column 33 – 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.

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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 DB – PART B – SECTION 1

FUTURES CONTRACTS OPEN

**  Column 23 through 28 will be electronic only.  **

Column 28 – CDHS Identifier

Provide a unique identifier for each Clearly Defined Hedging Strategy (CDHS) reported on this schedule (e.g., 001, 002, etc.). This identifier will also be used for reporting of the CDHS in Column 1 of Schedule DB, Part E.

This column should only be used for the following line numbers:

- Long Futures Line 1529999999
- Short Futures Line 1599999999

Column 29 – 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.

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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.
COUNTERPARTY EXPOSURE FOR DERIVATIVE INSTRUMENTS OPEN
AS OF CURRENT STATEMENT DATE

** Columns 14 and 15 will be electronic only. **

Column 14 – Legal Entity Identifier (LEI)

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

Column 15 – 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.

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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.
** Columns 10 and 11 will be electronic only.**

**Column 10**  – Legal Entity Identifier (LEI)

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

**Column 11**  – 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.

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SCHEDULE DB – PART E

DERIVATIVES HEDGING VARIABLE ANNUITY GUARANTEES AS OF CURRENT QUARTER

This schedule is specific for the derivatives and the hedging programs captured in SSAP No. 108.


Column 19 – Ending Deferred Balance

Specific CDHS Deferred Liability (Asset) balance at end of current reporting period.

** Column 20 will be electronic only.**

Column 20 – 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.

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6. The investment does not involve a related party.
SCHEDULE DB – PART C – SECTION 1

REPLICATION (SYNTHETIC ASSET) TRANSACTIONS (RSATs) OPEN AT CURRENT STATEMENT DATE

Column 16 – Fair Value of Cash Instrument(s) Held

Enter the fair value of cash instrument(s) used in the RSAT.

** Column 17 will be electronic only.**

Column 17 – 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.

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6. The investment does not involve a related party.

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/2022 NAIC Meetings/Spring National Meeting/Committee Meetings/FINANCIAL CONDITION (E) COMMITTEE/Accounting Practices and Procedures (E) TF/BWG/Att2G_2021-22BWG_Modified.docx
NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

<table>
<thead>
<tr>
<th>BLANK(S) TO WHICH PROPOSAL APPLIES</th>
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<tr>
<td>[ X ] ANNUAL STATEMENT</td>
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<td>[ ] QUARTERLY STATEMENT</td>
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**Anticipated Effective Date:** Annual 2022

IDENTIFICATION OF ITEM(S) TO CHANGE

Added a group of lines for Residual Tranches or Interests in the Asset Valuation Reserve Equity and Other Invested Asset Component blank and renumber lines below them. Modify instructions as appropriate for the added lines.

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

With the new reporting lines proposed for residuals in Schedule BA, additional revisions are needed to map those reporting lines to the AVR schedule. The proposed revisions will separately capture these items in a new category within AVR as they are items that are not comparable to other investments. As defined in the AP&P Manual, residuals reflect loss layers without contractual interest or principal payments. 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.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: The 2022 effective date will match the Schedule BA changes and the effective date for reporting on Schedule BA in the AP&P Manual.

Other Comments: This proposal assumes adoption of 2021-21BWG

** This section must be completed on all forms.  

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1
ANNUAL STATEMENT INSTRUCTIONS – LIFE\FRATERNAL

EQUITY AND OTHER INVESTED ASSET COMPONENT –
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS

Detail Eliminated to Conserve Space

Lines 75 through 80 – Low-Income Housing Tax Credit Investments

Report Column 1 in accordance with SSAP No. 93—Low-Income Housing Tax Credit Property Investments.

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.

For Line 76, report non-guaranteed LIHTC investments with the following risk mitigation factors:

I. A level of leverage below 50%. For 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 an LIHTC Fund, a Tax Credit Guarantee is required from the developers of the lower tier LIHTC properties to the upper tier partnership.

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.

Line 76 should equal Schedule BA, Part 1, Column 12, Line 3799999 + Line 3899999.

Only federal low-income housing tax credit investments can be reported on Lines 75 and 76. State low-income housing tax credit investments that meet the requirements of SSAP No. 93 and that, at a minimum, meet the requirements for federal guaranteed programs should be reported on Line 77. Line 77 should equal Schedule BA, Part 1, Column 12, Line 3999999 + Line 4099999.

State low-income housing tax credit investments that do not meet the requirements of SSAP No. 93 and that do not, at a minimum, meet the requirements for federal non-guaranteed programs should be reported on Line 78. Line 78 should equal Schedule BA, Part 1, Column 12, Line 4199999 + Line 4299999.

Any other low-income housing tax credit investments that meet the requirements of SSAP No. 93 and cannot be reported on Lines 75 through 78 should be reported on Line 79. Line 79 should equal Schedule BA, Part 1, Column 12, Line 4399999 + Line 4499999.

Multiply the amount in Column 4 for each category by the reserve factors for Page 34, Columns 5, 7 and 9, Lines 75 through 79. Report the products by category in Columns 6, 8 and 10, respectively.

Lines 81 through 91 – Residual Tranches or Interests

Line 81 – Fixed Income Instruments – Unaffiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 4699999 in Columns 1 and 4. Multiply the amount in Column 4 by the calculated reserve factors in Columns 5, 7 and 9 and report...
the products in Columns 6, 8 and 10, respectively. For Lines 66 through 69, multiply the amounts 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.

Line 82 – Fixed Income Instruments – Affiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 4799999 in Columns 1 and 4. Multiply the amount in Column 4 by the calculated reserve factors in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively. For Lines 66 through 69, multiply the amounts 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.

Line 83 – Common Stock – Unaffiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 4899999 in Columns 1 and 4. Multiply the amount in Column 4 by the calculated reserve factors in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively. For Lines 66 through 69, multiply the amounts 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.

Line 84 – Common Stock – Affiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 4999999 in Columns 1 and 4. Multiply the amount in Column 4 by the calculated reserve factors in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively. For Lines 66 through 69, multiply the amounts 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.

Line 85 – Preferred Stock – Unaffiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 5099999 in Columns 1 and 4. Multiply the amount in Column 4 by the calculated reserve factors in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.

Line 86 – Preferred Stock – Affiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 5199999 in Columns 1 and 4. Multiply the amount in Column 4 by the calculated reserve factors in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.

Line 8587 – Real Estate – Unaffiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 505299999 in Column 1, any related encumbrances on these assets in Column 2, and any third-party encumbrances on these assets in Column 3. Report the sum of Columns 1, 2, and 3 in Column 4. Column 4 may not be less than zero. 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.

Line 8688 – Real Estate – Affiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 515399999 in Column 1, any related encumbrances on these assets in Column 2, and any third-party encumbrances on these assets in Column 3. Report the sum of Columns 1, 2, and 3 in Column 4. Column 4 may not be less than zero. 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.
Line 8289 – Mortgage Loans – Unaffiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 525999999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7 and 9. Report the products in Columns 6, 8 and 10, respectively.

Line 8890 – Mortgage Loans – Affiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 535999999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7 and 9. Report the products in Columns 6, 8 and 10, respectively.

Line 8991 – Other – Unaffiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 545699999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7 and 9. Report the products in Columns 6, 8 and 10, respectively.

Line 9092 – Other – Affiliated

Report the book/adjusted carrying value of all Schedule BA assets in Line 555799999 in Columns 1 and 4. Multiply the amount in Column 4 by the reserve factors in Columns 5, 7 and 9. Report the products in Columns 6, 8 and 10, respectively.

Line 810294 & 829395 – 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 839496 – 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, 4399999, 4499999, 4599999, 4699999, 5399999 and 5599999) in Column 1 and any encumbrances on these assets in Column 3. Schedule DL, Part 1 investments reported on Line 940999999 would be included in this total if not classified in one of the above categories. Collateral loans (Lines 2999999 and 3099999) 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 839496, 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 849597 – 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 869798 – 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.
# Replication (Synthetic) Assets – Basic Contribution, Reserve Objective and Maximum Reserve Calculations

## Basic Contribution:


## Reserve Objective:


## Maximum Reserve:

### ASSET VALUATION RESERVE

**Detail Eliminated to Conserve Space**

<table>
<thead>
<tr>
<th>Line 7</th>
<th>Basic Contribution (includes separate accounts assets, if applicable)</th>
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<tbody>
<tr>
<td></td>
<td>Report the basic contribution amount for each asset category as calculated on Pages 30 through 35 (General Account) and Pages 15 through 20 (Separate Accounts).</td>
</tr>
</tbody>
</table>

| Column 1: | Report the total bonds, preferred stock, short-term investments and derivative instruments from Page 30, Line 34, Column 6 (General Account) and Page 15, Line 34, Col. 6 (Separate Accounts), if applicable; and the total for replication (synthetic asset) transactions contained on Page 35, Line 0199999, Column 7 (General Account) and Page 20, Line 0199999, Column 7 (Separate Accounts). |

| Column 2: | Report the total mortgage loans from Page 31, Line 60, Column 6 (General Account) and Page 16, Line 60, Col. 6 (Separate Accounts), if applicable; and the total for replication (synthetic asset) transactions contained on Page 35, Line 0299999, Column 7 (General Account) and Page 20, Line 0299999, Column 7 (Separate Accounts). |

| Column 4: | Report the total common stock from Page 32, Line 17, Column 6 (General Account) and Page 17, Line 17, Col. 6 (Separate Accounts), if applicable; and the total for replication (synthetic asset) transactions contained on Page 35, Line 0399999, Column 7 (General Account) and Page 20, Line 0399999, Column 7 (Separate Accounts). |

| Column 5: | Report the total real estate from Page 32, Line 21, Column 6 (General Account) and from Page 17, Line 21, Column 6 (Separate Accounts), if applicable, plus the total other invested assets from Page 34, Line 869799, Column 6 (General Account) and from Page 19, Line 869799, Column 6 (Separate Accounts), if applicable; and the total for replication (synthetic asset) transactions contained on Page 35, Line 0499999, Column 7 (General Account) and Page 20, Line 0499999, Column 7 (Separate Accounts). |

<table>
<thead>
<tr>
<th>Line 9</th>
<th>Maximum Reserve (includes separate accounts assets, if applicable)</th>
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<tbody>
<tr>
<td></td>
<td>Report the maximum reserve for each asset category as calculated on Pages 30 through 35 (General Account) and Pages 15 through 20 (Separate Accounts).</td>
</tr>
</tbody>
</table>

| Column 1: | Report the total bonds, preferred stock, short-term investments and derivative instruments from Page 30, Line 34, Column 10 (General Account) and Page 15, Line 34, Col. 10 (Separate Accounts), if applicable and the total for replication (synthetic asset) transactions contained on Page 35, Line 0199999, Column 9 (General Account) and Page 20, Line 0199999, Column 9 (Separate Accounts). |

| Column 2: | Report the total mortgage loans from Page 31, Line 60, Column 10 (General Account) and Page 16, Line 60, Col. 10 (Separate Accounts), if applicable and the total for replication (synthetic asset) transactions contained on Page 35, Line 0299999, Column 9 (General Account) and Page 20, Line 0299999, Column 9 (Separate Accounts). |

| Column 4: | Report the total common stock from Page 32, Line 17, Column 10 (General Account) and Page 17, Line 17, Col. 10 (Separate Accounts), if applicable and the total for replication (synthetic asset) transactions contained on Page 35, Line 0399999, Column 9 (General Account) and Page 20, Line 0399999, Column 9 (Separate Accounts). |
Column 5: Report the total real estate from Page 32, Line 21, Column 10 (General Account) and from Page 17, Line 21, Column 10 (Separate Accounts), if applicable, plus the total other invested assets from Page 34, Line 869799, Column 10 (General Account) and from Page 19, Line 86, Column 10 (Separate Accounts), if applicable; and the total for replication (synthetic asset) transactions contained on Page 35, Line 0499999, Column 9 (General Account) and Page 20, Line 0499999, Column 9 (Separate Accounts).

Line 10 – Reserve Objective (includes separate accounts assets, if applicable)

Report the reserve objective amount for each asset category as calculated on Pages 30 through 35 (General Account) and Pages 15 through 20 (Separate Accounts).

Column 1: Report the total bonds, preferred stock, short-term investments and derivative instruments from Page 30, Line 34, Column 8 (General Account) and Page 15, Line 34, Column 8 (Separate Accounts), if applicable and the total for replication (synthetic asset) transactions contained on Page 35, Line 0199999, Column 8 (General Account) and Page 20, Line 0199999, Column 8 (Separate Accounts).

Column 2: Report the total mortgage loans from Page 31, Line 60, Column 8 (General Account) and Page 16, Line 60, Col. 8 (Separate Accounts), if applicable and the total for replication (synthetic asset) transactions contained on Page 35, Line 0299999, Column 8 (General Account) and Page 20, Line 0299999, Column 8 (Separate Accounts).

Column 4: Report the total common stock from Page 32, Line 17, Column 8 (General Account) and Page 17, Line 17, Col. 8 (Separate Accounts), if applicable and the total for replication (synthetic asset) transactions contained on Page 35, Line 0399999, Column 8 (General Account) and Page 20, Line 0399999, Column 8 (Separate Accounts).

Column 5: Report the total real estate from Page 32, Line 21, Column 8 (General Account) and from Page 17, Line 21, Column 8 (Separate Accounts), if applicable; plus the total other invested assets from Page 34, Line 869799, Column 8 (General Account) and from Page 19, Line 869799, Column 8 (Separate Accounts), if applicable and the total for replication (synthetic asset) transactions contained on Page 35, Line 0499999, Column 8 (General Account) and Page 20, Line 0499999, Column 8 (Separate Accounts).
ANNUAL STATEMENT BLANK – LIFE/FRATERNAL AND SEPARATE ACCOUNTS

ASSET VALUATION RESERVE (Continued)

BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS

EQUITY AND OTHER INVESTED ASSET COMPONENT

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<th>Line Number</th>
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<td>Mortgage Loans - Unaffiliated</td>
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<td>Other - Unaffiliated</td>
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<td>Other - Affiliated</td>
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<td>93</td>
<td>Total Realized Tranches or Income</td>
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<td>NAIC 1 Working Capital Finance Investments</td>
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<td>Other Invested Assets - Schedule BA</td>
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<td>Other Short-Term Invested Assets - Schedule DA</td>
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<td>99</td>
<td>Total All Other (Sum of Lines 81 through 98)</td>
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<td>100</td>
<td>Total Other Invested Assets - Schedules BA &amp; DA</td>
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</table>

(a) Times the company’s weighted average portfolio beta (Minimum .1215, Maximum .2431).
(b) Determined using same factors and breakpoints used for directly owned real estate.
(c) This will be the factor associated with the risk category determined in the company generated worksheet.

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/2022 NAIC Meetings/Spring National Meeting/Committee Meetings/FINANCIAL CONDITION (E) COMMITTEE/Accounting Practices and Procedures (E) TF/BWG/Art2H_2021-23BWG_Modified.docx
Blanks (E) Working Group
Editorial Revisions to the Blanks and Instructions
(presented at the March 29, 2022, Meeting)

Statement Type:
H = Health; L/F = Life/Fraternal Combined; P/C = Property/Casualty; SA = Separate Accounts; T = Title

<table>
<thead>
<tr>
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<th>Table Name</th>
<th>Description</th>
<th>Statement Type</th>
<th>Filing Type</th>
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<td>2022</td>
<td>Supplemental Investment Risk Interrogatories</td>
<td>CHANGE TO BLANK</td>
<td>L/F, H, P/C, T</td>
<td>Annual</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Change description on line 3 for preferred stocks. P/RP is no longer used by SVO.</td>
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<tr>
<td></td>
<td></td>
<td>Preferred Stocks</td>
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<td></td>
<td>NAIC 1</td>
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<td>NAIC 2</td>
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<td>NAIC 6</td>
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<tr>
<td>2022</td>
<td>Underwriting and Investment Exhibit, Part 2A</td>
<td>CHANGE TO BLANK</td>
<td>P/C</td>
<td>Annual</td>
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<tr>
<td></td>
<td></td>
<td>Modify footnote “(a)” to reflect the changes to Lines 13 and 15 by 2020-33BWG that expanded the line detail.</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>(a) Including $...................................................for present value of life indemnity claims reported in Lines 13 and 15.</td>
<td></td>
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<tr>
<td>2022</td>
<td>General Interrogatories, Part 1</td>
<td>CHANGE TO BLANK</td>
<td>L/F, H, P/C, T</td>
<td>Annual</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Modify the question as shown below to clarify subsidiary response to question.</td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td>8.5 Is the reporting entity a depository institution holding company with significant insurance operations as defined by the Board of Governors of Federal Reserve System or a subsidiary of the depository institution holding company reporting entity?</td>
<td></td>
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<tr>
<td>2022</td>
<td>Analysis of Increase in Reserves During the Year – Group Life Insurance</td>
<td>CHANGE TO BLANK</td>
<td>L/F, SA</td>
<td>Annual</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reverse order of Columns 4 and 5 to be consistent with individual life page.</td>
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<td></td>
<td></td>
<td>Switch Columns 4 (Variable Life) and 5 (Universal Life) to Columns 4 (Universal Life) and 5 (Life Variable).</td>
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<tr>
<td>Effective</td>
<td>Table Name</td>
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<tr>
<td>2022</td>
<td>Analysis of Operations by Lines of Business – Accident and Health</td>
<td><strong>CHANGE TO BLANK</strong>&lt;br&gt;Add wording “Hospital &amp; Medical) to the Column 2 and Column 3 header as shown below.</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td><img src="" alt="Table" /></td>
<td></td>
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<tr>
<td>2022</td>
<td>Cybersecurity and Identity Theft Insurance Coverage Supplement</td>
<td><strong>CHANGE TO BLANK</strong>&lt;br&gt;Add the following sentence to clarify the supplement is reported on a calendar year basis.</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>This supplement should be completed by those reporting entities including surplus line insurers and Risk Retention Groups that provide cybersecurity insurance and identity theft insurance in a stand-alone policy or as part of a package policy. If the reporting entity’s answer to Questions 1, 2, 4 and 5 of Part 1 would be “no,” the reporting entity should not complete the supplement. If the reporting entity answers “yes” to any of those questions, the supplement should be completed. The supplement should be reported on a direct basis (before assumed and ceded reinsurance).</td>
<td></td>
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<tr>
<td></td>
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<td>The supplement is to be reported on a calendar year basis.</td>
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<tr>
<td></td>
<td></td>
<td><strong>Cybersecurity Insurance</strong></td>
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<tr>
<td>2022</td>
<td>Schedule BA – General Instructions</td>
<td><strong>CHANGE TO INSTRUCTION</strong>&lt;br&gt;Joint Venture, Partnership or Limited Liability Company Interests for Which the with Underlying Assets Have the Characteristics of:</td>
<td></td>
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</tr>
</tbody>
</table>

© 2022 National Association of Insurance Commissioners
<table>
<thead>
<tr>
<th>Effective</th>
<th>Table Name</th>
<th>Description</th>
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</thead>
</table>
| 2022      | Schedule BA – General Instructions | **CHANGE TO INSTRUCTION**  
Joint Venture, Partnership or Limited Liability Company Interests for Which the Underlying Assets Have the Characteristics of: |
| 2022      | Schedule BA, Part 1 | **CHANGE TO INSTRUCTION**  
Remove the second paragraph from the instructions for Column 12. The list no longer exists.  
Column 12 – Book/Adjusted Carrying Value Less Encumbrances  
Report the balance at December 31, of the current year. It should contain the amounts included in Column 10 after any encumbrances have been subtracted. Include all changes in value during the year.  
For surplus (and capital) notes, consider where appropriate the statement factor provided by the Securities Valuation Office and published on the Schedule BA Surplus Note List on the Securities Valuation Office website. (See accounting requirements for surplus notes held in the *Accounting Practices and Procedures Manual*.)  
Deduct: Any write-downs for a decline in the fair value of a long-term invested asset that is other-than-temporary.  
Exclude: Valuation allowance. |
| 2023      | Notes to Financial Statements | **CHANGE TO INSTRUCTION**  
Add formulas to the illustration for Note 5D(2) to clarify calculation of totals.  
D. Loan-Backed Securities  
(2)  
OTTI recognized 1st Quarter  
a. Intent to sell  
b. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis |
<table>
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<tr>
<th>Effective</th>
<th>Table Name</th>
<th>Description</th>
<th>Statement Type</th>
<th>Filing Type</th>
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</thead>
<tbody>
<tr>
<td>2023</td>
<td>Notes to Financial Statements</td>
<td><strong>CHANGE TO INSTRUCTION</strong>&lt;br&gt;Add formula to the illustration for Note 5M(2) to clarify calculation of totals.&lt;br&gt;&lt;br&gt;<strong>M. Working Capital Finance Investments</strong>&lt;br&gt;(2) Aggregate Maturity Distribution on the Underlying Working Capital Finance Programs:</td>
<td>L/F, H, P/C, T</td>
<td>Quarterly</td>
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<td>Effective</td>
<td>Table Name</td>
<td>Description</td>
<td>Statement Type</td>
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<tr>
<td>2023</td>
<td>Notes to Financial Statements</td>
<td>CHANGE TO INSTRUCTION</td>
<td>L/F, H, P/C, T</td>
<td>Quarterly</td>
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<td>Add formula to the illustration for Note 8A(8) to clarify calculation of total.</td>
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<tr>
<td></td>
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<td>A. Derivatives under SSAP No. 86—Derivatives</td>
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<td>(8)</td>
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<td></td>
<td>a. Fiscal Year</td>
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<td>1. 2023</td>
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<td>2. 2024</td>
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<td>3. 2025</td>
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<td>4. 2026</td>
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<td>5. Thereafter</td>
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<td></td>
<td>6. Total Future Settled Premiums (Sum of 1 through 5)</td>
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<tr>
<td>2023</td>
<td>Notes to Financial Statements</td>
<td>CHANGE TO INSTRUCTION</td>
<td>L/F, H, P/C, T</td>
<td>Quarterly</td>
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<td>Add formula to the illustration for Note 8B(2) to clarify calculation of total.</td>
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<td>B. Derivatives under SSAP No. 108—Derivative Hedging Variable Annuity Guarantees</td>
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<td></td>
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<td>(2) Recognition of gains/losses and deferred assets and liabilities</td>
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<td>a. Scheduled Amortization</td>
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<td>Amortization Year</td>
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<td>4. 2026</td>
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<td>6. 2028</td>
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</table>
### Change to Instruction

Add formulas to the illustration for Note 36B to clarify calculation of totals.

**B. Schedule of insured financial obligations at the end of the period**

1. Number of policies
2. Remaining weighted-average contract period (in years)

Insured contractual payments outstanding:

3a. Principal
3b. Interest
3c. Total \(3a + 3b\)

4. Gross claim liability

Less:
5a. Gross potential recoveries
5b. Discount, net

6. Net claim liability \(4 - 5a - 5b\)

7. Unearned premium revenue

8. Reinsurance recoverables

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**Notes to Financial Statements**

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<th>Filing Type</th>
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<td><strong>Change to Instruction</strong></td>
<td>P/C</td>
<td>Quarterly</td>
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<td>Add formulas to the illustration for Note 36B to clarify calculation of totals.</td>
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<td>B. Schedule of insured financial obligations at the end of the period</td>
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<td></td>
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<td>1. Number of policies</td>
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<td>2. Remaining weighted-average contract period (in years)</td>
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<td>Insured contractual payments outstanding:</td>
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<td></td>
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<td>3a. Principal</td>
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<td>3b. Interest</td>
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<td>3c. Total (3a + 3b)</td>
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<td>4. Gross claim liability</td>
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<td>Less:</td>
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<td>5a. Gross potential recoveries</td>
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<td>5b. Discount, net</td>
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<td>6. Net claim liability (4 - 5a - 5b)</td>
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<td></td>
<td></td>
<td>7. Unearned premium revenue</td>
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<tr>
<td></td>
<td></td>
<td>8. Reinsurance recoverables</td>
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https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/2022 naic meetings/spring national meeting/committee meetings/financial condition (e) committee/accounting practices and procedures (e) tf/bwg/att2i_bwg editorial changes 3.2022.docx
To: Pat Gosselin, Chair of the Blanks (E) Working Group
From: Dale Bruggeman, Chair of the Statutory Accounting Principles (E) Working Group
Re: Year-End 2021 Disclosures / Instructional Revisions
Date: February 2, 2022

The purpose of this memo is for the Statutory Accounting Principles (E) Working Group to notify the Blanks (E) Working Group of revisions to the “Notes to the Financial Statements” that have been adopted for year-end 2021 reporting. As these agenda items have already been adopted within the Statements of Statutory Accounting Principles (SSAPs), which represents the highest level of authoritative guidance as promulgated by the Preamble, these additions to the financial statement notes do not require approval from the Blanks (E) Working Group.

It is recommended that this memo, detailing instructional revisions and changes to existing disclosure requirements, be posted to the NAIC website. If deemed necessary, specific proposals, if not yet submitted, will be submitted to the Blanks (E) Working Group to formalize the instruction revisions. This is consistent with the NAIC Policy Statement on Coordination of the Accounting Practices and Procedures Manual and the Annual Statement Blank located within the Accounting Practices & Procedures Manual. It is requested that this information be included in the next update to the Annual Statement Instructions.

- Agenda Item 2019-04: Investment Classification Project – Revisions update the definitions, measurement, and impairment guidance for investments in preferred stock. The agenda item, substantively revised SSAP No. 32—Preferred Stock effective Jan. 1, 2021. One of the changes included revisions to the valuation method of perpetual preferred stock. Perpetual preferred stock is required to be reported at fair value, not to exceed any currently effective call price. (The Working Group defined “currently effective call price” in agenda item 2021-10: Clarification of Effective Call Price and clarified that the valuation ceiling of an effective call price, for all instruments within scope of SSAP No. 32R, shall only apply if the call is currently exercisable by the issuer, or if the issuer has announced that the instrument will be redeemed/called.) Accordingly, a year-end review identified that the instructions in Schedule D, Part 2 on preferred stock need to be updated to be consistent with the SSAP No. 32R revision, because the valuation of perpetual preferred stock is no longer based on the NAIC designation. Below are proposed revisions to the applicable blank’s instructions:

For reporting entities maintaining an AVR:

**Redeemable Preferred**

<table>
<thead>
<tr>
<th>NAIC Designation</th>
<th>Instruction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 3</td>
<td>Enter book value.</td>
</tr>
<tr>
<td>4 – 6</td>
<td>Enter the lower of book value or fair value.</td>
</tr>
</tbody>
</table>

**Perpetual Preferred**

<table>
<thead>
<tr>
<th>NAIC Designation</th>
<th>Instruction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 36</td>
<td>Enter book fair value not to exceed any currently effective call price.</td>
</tr>
<tr>
<td>4 – 6</td>
<td>Enter the lower of book value or fair value.</td>
</tr>
</tbody>
</table>

For reporting entities not maintaining an AVR:

**Redeemable Preferred**

<table>
<thead>
<tr>
<th>NAIC Designation</th>
<th>Instruction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 2</td>
<td>Enter book value.</td>
</tr>
<tr>
<td>3 – 6</td>
<td>Enter the lower of book value or fair value.</td>
</tr>
</tbody>
</table>
Perpetual Preferred

NAIC Designations 1 – 26 Enter fair value **not to exceed any currently effective call price.**
NAIC Designations 3 – 6 Enter the lower of book value or fair value.

- **Agenda Item 2021-31: Life Reinsurance Disclosure Clarifications** — Revisions clarify disclosure requirements in SSAP No. 61R—Life and Health Reinsurance which were initially effective in 2020. Among various other minor edits, the primary revisions clarify 1) that the disclosures required in paragraphs 79-84 may be included in the notes to the financial statements or in supplemental reporting schedules, 2) that the disclosures will reside in the supplementary schedules unless no such contracts subject to the disclosures were identified, in which case, the information that no such contracts were identified can be in either the audited note or the supplementary schedules, and 3) that if the reporting entity does not prepare U.S. GAAP financial statements or its financial statements are not part of upstream U.S. GAAP financial statements, that the disclosure can be answered “not applicable.” The revisions make clearer where to place the audited information and what is included in the disclosures. No new disclosure elements were added. The revisions are effective December 31, 2021, and are shown below. It is recommended that the revisions be reflected in the reinsurance note as applicable.

78. Disclosures for paragraphs 79-84 **apply to reinsurance contracts in effect for the current period covered by the statement and** are required to be included with the annual audit report financial statements beginning with the period ended December 31, 2020, regarding reinsurance contracts. The disclosures required within paragraphs 79-84 shall be included in accompanying supplemental schedules of the annual audit report beginning in year-end 2020. **If the disclosures are not applicable, an affirmative statement that no such contracts were identified is acceptable in the notes to the financial statements or the supplemental schedules.** These disclosures shall be limited to reinsurance contracts entered into, renewed or amended on or after January 1, 1996. This limitation applies to the annual audit report only and does not apply to the statutory annual statement interrogatories and the property and casualty reinsurance summary supplemental filing.

79. Disclose any **ceded** reinsurance contracts (or multiple contracts with the same reinsurer or its affiliates) subject to A-791 that includes a provision, which limits the reinsurer’s assumption of significant risks identified as in A-791. Examples of risk-limiting features include provisions such as a deductible, a loss ratio corridor, a loss cap, an aggregate limit or similar effect. If true, indicate the number of reinsurance contracts to which such provisions apply. For contracts subject to A-791, indicate if deposit accounting was applied for all contracts, which limit significant risks.

80. Disclose any **ceded** reinsurance contracts (or multiple contracts with the same reinsurer or its affiliates) not subject to A-791, for which reinsurance accounting was applied and includes a provision that limits the reinsurer’s assumption of risk. Examples of risk-limiting features include provisions such as a deductible, a loss ratio corridor, a loss cap, an aggregate limit or similar effect. **Note that a stop loss or excess of loss reinsurance agreement with deductibles or loss caps which apply to the entire contract and are not adjustable based on other features, do not require disclosure under this paragraph.** If true, indicate the number of reinsurance contracts to which such provisions apply. If affirmative, indicate if the reinsurance credit was reduced for the risk-limiting features.

81. Disclose if any **ceded** reinsurance contracts contain features (except reinsurance contracts with a federal or state facility) described below which result in delays in payment in form or in fact:

a. Provisions which permit the reporting of losses, or settlements are made, less frequently than quarterly or payments due from the reinsurer are not made in cash within ninety (90) days of the settlement date (unless there is no activity during the period).

b. Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.
82. Disclose if the reporting entity has reflected reinsurance accounting credit for any contracts not subject to Appendix A-791 and not yearly renewable term, which meet the risk-transfer requirements of SSAP No. 61R and identify the type of contracts and the reinsurance contracts.

   a. Assumption Reinsurance – as discussed in paragraph 60, which are new for the reporting period.

   b. Non-proportional reinsurance, which does not result in significant surplus relief. If yes, indicate if the insured events(s) triggering contract coverage has been recognized.

83. Disclose if the reporting entity ceded any risk which is not subject to A-791 and not yearly renewable term reinsurance, under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

   a. Accounted for that contract as reinsurance under statutory accounting principles (SAP) and as a deposit under U.S. generally accepted accounting principles (GAAP); or

   b. Accounted for that contract as reinsurance under U.S. GAAP and as a deposit under SAP.

   If the reporting entity does not prepare U.S. GAAP financial statements or its financial statements are not part of upstream U.S. GAAP financial statements, this disclosure can be answered not applicable.

84. If affirmative disclosure is required for paragraph 83, explain why the contract(s) is treated differently for GAAP and SAP.

Please contact NAIC staff Julie Gann (jgann@naic.org), Robin Marcotte (rmarcotte@naic.org), Jim Pinegar (jpinegar@naic.org), Jake Stultz (jstultz@naic.org) or Jason Farr (jfarr@naic.org) if you have any questions.

Cc: Mary Caswell, Calvin Ferguson, Julie Gann, Robin Marcotte, Jim Pinegar, Jake Stultz, Jason Farr