NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

DATE: 10/07/2014

CONTACT PERSON: 

TELEPHONE: 

EMAIL ADDRESS: 

ON BEHALF OF:

NAME: Debbie Doggett

TITLE: Chief Financial Analyst

AFFILIATION: Missouri Department of Insurance

ADDRESS: Harry S. Truman State Office Bldg, Rm 530
301 West High
Jefferson City, MO 65102

FOR NAIC USE ONLY

Agenda Item # 2014-19BWG

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
[ X ] INSTRUCTIONS
[ X ] CROSSCHECKS
[ X ] BLANK

[ ] Life and Accident & Health
[ ] Separate Accounts
[ ] Other Specify

[ ] Property/Casualty
[ ] Fraternal
[ X ] Health
[ ] Title

Anticipated Effective Date: Annual 2015

IDENTIFICATION OF ITEM(S) TO CHANGE

Change the reference for Line 11 of the General Interrogatories, Part 2 from “minimum net worth” to “statutory minimum capital and surplus.” Modify the description for Line 3 of the Five Year Historical Data page to match reference in Line 11 of the General Interrogatories, Part 2.

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

The purpose of this proposal is to clarify what is reported on Line 3 of the Five Year Historical Data page and Line 11 of the General Interrogatories, Part 2 by using the same language for both lines. Some companies are interpreting the description for the Five Year Historical Line 3 to be the same amount asked to be reported on Line 4. This either generates questions or results in companies failing the crosscheck. This does not change the intent of what previously should have been reported but clarifies that the amount on the Five Year Historical Data page and the General Interrogatories, Part 2 should be the same.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: 

Other Comments:

** This section must be completed on all forms.

Revised 6/13/2009

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11. If the Plans’ statutory minimum capital and surplus minimum net worth requirement is based upon a contingency reserve for statutory minimum capital and surplus Minimum Net Worth that is other than a flat dollar amount, the calculation must be shown. An example of the disclosure of a calculation based upon 2% of the net capitation revenue from risk contracts is:

Net earned subscription revenue $ 33,103,906
2%
Addition to Reserve 662,078
Reserve Balance Beginning of Year 353,689
Reserve Balance End of Year 1,025,767

Item 11.4 should equal Column 1, Line 3 of the Five Year History Page.

FIVE-YEAR HISTORICAL DATA

Balance Sheet (Pages 2 and 3)

Line 1 – Total Admitted Assets
All years .................................. Page 2, Line 28

Line 2 – Total Liabilities
All years .................................. Page 3, Line 24

Line 3 – Statutory Minimum Capital and Surplus Requirement
Report the statutory minimum capital and surplus (net worth) required under applicable state law. If statutory minimum capital and surplus required is the result of a calculation or calculations, report the result here and report the current year calculation in General Interrogatories – Part 2 – Health Interrogatory 11.6.

Should equal Line 11.4, Column 1 of the General Interrogatories Part 2

Line 4 – Total Capital and Surplus
All years .................................. Page 3, Line 33
GENERAL INTERROGATORIES

PART 2 – HEALTH INTERROGATORIES

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, Yes [ ] No [ ]

11.13 An Individual Practice Association (IPA), or, Yes [ ] No [ ]

11.14 A Mixed Model (combination of above)? Yes [ ] No [ ]

11.2 Is the reporting entity subject to Statutory Minimum Capital and Surplus Minimum Net Worth Requirements? Yes [ ] No [ ]

11.3 If yes, show the name of the state requiring such minimum capital and surplus amount.

11.4 If yes, show the amount required. $ _________________________

11.5 Is this amount included as part of a contingency reserve in stockholder’s equity? Yes [ ] No [ ]

11.6 If the amount is calculated, show the calculation .......................................................................................................................................
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**NAIC BLANKS (E) WORKING GROUP**

Blanks Agenda Item Submission Form

| CONTACT PERSON: | Dale Bruggeman |
| TELEPHONE: |
| EMAIL ADDRESS: |
| ON BEHALF OF: Ohio Department of Insurance |
| ADDRESS: 50W. Town St., 3rd Fl., Ste. 300 Columbus, OH 43215 |

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Agenda Item # 2014-20BWG Year 2015

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 [ ] CROSSCHECKS [ ] BLANK

[X ] Life and Accident & Health [ ] Property/Casualty [ ] Health
[X ] Separate Accounts [ ] Fraternal [ ] Title
[X ] Other Specify

Anticipated Effective Date: Annual 2015

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

Modify the instructions and illustrations for Note 32 and 34 to correct inconsistencies in the use of market value and fair value within the instructions for those notes.

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

The purpose of this proposal is to modify Note 32 and 34 to correct inconsistencies between SSAP No. 56, Separate Accounts language and the instructions regarding the use of market value and fair value.

**NAIC STAFF COMMENTS**

Comment on Effective Reporting Date: ____________________________

Other Comments: ____________________________

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

Revised 6/13/2009

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ANNUAL STATEMENT INSTRUCTIONS – LIFE AND FRATERNAL

32. Analysis of Annuity Actuarial Reserves and Deposit Type Liabilities by Withdrawal Characteristics

Instruction:

Disclose the amount of annuity actuarial reserves and deposit-type contract funds and other liabilities without life or disability contingencies by withdrawal characteristics as follows:

For A through E below, disclose the general account and separate account with guarantees, separate account nonguaranteed amounts, as well as the total.

A. Subject to discretionary withdrawal:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>With fair-market value adjustment, where withdrawal of funds is payable at all times, or prior to specified maturity dates where such dates are more than one year after the statement date and</td>
</tr>
<tr>
<td></td>
<td>a. In a lump sum with adjustments to reflect general changes in interest rates or asset values since receipt of funds by the reporting entity, or</td>
</tr>
<tr>
<td></td>
<td>b. In installments over five years or more, with or without a reduction in the interest rate during the installment period.</td>
</tr>
<tr>
<td>(2)</td>
<td>At book value less current surrender charge, where the withdrawal of funds is payable at all times, or at any time within one year from the statement date in a lump sum subject to a current fixed surrender charge of 5% or more and it does not contain a meaningful bail out rate as described in subparagraph A5 (d) below.</td>
</tr>
<tr>
<td>(3)</td>
<td>At fair value, where the withdrawal of funds is payable at current fair value of the assets supporting the liabilities, the assets are stated at current fair value and the liabilities are stated at the current fair value or per unit value of the assets supporting the liabilities. These liabilities are for contracts where the customer bears the entire investment risk.</td>
</tr>
<tr>
<td>(4)</td>
<td>Total with market value adjustment or at fair value.</td>
</tr>
<tr>
<td>(5)</td>
<td>At book value without adjustment (minimal or no charge or adjustment) where the withdrawal of funds is either payable at all times or at any time (including a withdrawal on a scheduled payment date) within one year from the statement date and:</td>
</tr>
<tr>
<td></td>
<td>a. In a lump sum without adjustment;</td>
</tr>
<tr>
<td></td>
<td>b. In installments over less than five years, with or without a reduction in interest rate during the installment period;</td>
</tr>
<tr>
<td></td>
<td>c. In a lump sum subject to a fixed surrender charge of less than 5%;</td>
</tr>
<tr>
<td></td>
<td>d. In a lump sum subject to surrender charge, but such charge is waived if the credited rate falls below a specified “bail out” rate and the “bail out” rate is more than the maximum statutory valuation rate for life insurance policies for more than 20 years for new issues;</td>
</tr>
<tr>
<td></td>
<td>e. All others.</td>
</tr>
</tbody>
</table>

B. Not subject to discretionary withdrawal.

C. Total (Gross: Direct + Assumed).
D. Reinsurance ceded.

E. Total (net) (C) – (D).

F. Reconcile total annuity reserves and deposit fund liabilities amount disclosed to the appropriate sections of the Aggregate Reserves for Life Policies and Contracts Exhibit and the Deposit Funds and Other Liabilities without Life or Disability Contingencies Exhibit, of the Life, Accident and Health Annual Statement and the corresponding lines in the Separate Accounts Statement.

**Illustration:**

Withdrawal Characteristics of Annuity Actuarial Reserves and Deposit-Type Contract Funds and Other Liabilities Without Life or Disability Contingencies

**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.**

<table>
<thead>
<tr>
<th>A. Subject to discretionary withdrawal:</th>
<th>General Account</th>
<th>Separate Account with Guarantees</th>
<th>Separate Account Nonguaranteed</th>
<th>Total</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) With fair — market value adjustment</td>
<td>$ ____</td>
<td>$ ____</td>
<td>$ _____</td>
<td>$ _____</td>
<td>______%</td>
</tr>
<tr>
<td>(2) At book value less current surrender charge of 5% or more</td>
<td>____</td>
<td>____</td>
<td>_____</td>
<td>_____</td>
<td>_____</td>
</tr>
<tr>
<td>(3) At fair value</td>
<td>____</td>
<td>____</td>
<td>_____</td>
<td>_____</td>
<td>_____</td>
</tr>
<tr>
<td>(4) Total with market value adjustment or at fair value (total of 1 through 3)</td>
<td>____</td>
<td>____</td>
<td>_____</td>
<td>_____</td>
<td>_____</td>
</tr>
<tr>
<td>(5) At book value without adjustment (minimal or no charge or adjustment)</td>
<td>____</td>
<td>____</td>
<td>_____</td>
<td>_____</td>
<td>_____</td>
</tr>
</tbody>
</table>

| B. Not subject to discretionary withdrawal | _____ | _____ | _____ | _____ | _____ |

| C. Total (gross: direct + assumed) | _____ | _____ | _____ | _____ | 100% |
| D. Reinsurance ceded | _____ | _____ | _____ | _____ | _____ |
| E. Total (net)* (C) – (D) | $ ____ | $ ____ | $ _____ | $ _____ | _____ |

* Reconciliation of total annuity actuarial reserves and deposit fund liabilities.
34. Separate Accounts

Instruction:

B. General Nature and Characteristics of Separate Accounts Business

Describe the general nature and characteristics of the various kinds of separate accounts business conducted by the reporting entity and included in the reporting entity’s Separate Accounts Statement. For purposes of this note, separate accounts may be addressed in the following groupings that are the same as those used for risk-based capital:

- **Separate Accounts with Guarantees**
  - Indexed separate accounts that are invested to mirror an established index that is the basis of the guarantee.
  - Nonindexed separate accounts, with reserve interest rate at no greater than 4% and/or fund long-term interest guarantee in excess of a year that does not exceed 4%.
  - Nonindexed separate accounts, with reserve interest rate at greater than 4% and/or fund long-term interest guarantee in excess of a year that exceeds 4%.

- **Nonguaranteed Separate Accounts**
  - Variable separate accounts, where the benefit is determined by the performance and/or fair value of the investments held in the separate account. Include variable accounts with incidental risks, nominal expense, and minimum death benefit guarantees.

For each grouping, include the following:

1. Premiums, considerations or deposits received during the year. The total for all separate accounts should agree to the sum of Lines 1.1 and the inside amount for deposits reported, Line 2 on Page 4 of the Separate Accounts Annual Statement.

2. Reserves by the valuation basis of the investments supporting the reserves at December 31. List reserves for separate accounts whose assets are carried at fair value separately from those whose assets are carried at amortized cost/book value. Total reserves for all separate accounts should agree to the sum of Lines 1 and 2 on Page 3 of the Separate Accounts Annual Statement.
Reserves by withdrawal characteristics, i.e., whether or not for the separate account is:

- Subject to discretionary withdrawal including the categories of:
  - Fair Market value adjustment
  - Withdrawal at book value without market value adjustment and with or without current surrender charge of 5% or more
  - At fair value
  - Withdrawal at book value without market value adjustment and with current surrender charge of 5% or less
- Not subject to discretionary withdrawal

The withdrawal characteristic classification instructions of Note 32 shall apply with total reserves to agree with the preceding disclosure.

Disclose reserves for asset default risk in lieu of AVR.

B. General Nature and Characteristics of Separate Accounts Business:

Most separate and variable accounts held by the company relate to individual variable annuities of a nonguaranteed return nature. The net investment experience of the separate account is credited directly to the policyholder and can be positive or negative. These variable annuities generally provide an incidental death benefit of the greater of account value or premium paid. In 1996 the company began offering a policy with a minimum guaranteed death benefit that is adjusted every seven years to the current account value. The assets and liabilities of these accounts are carried at market. The minimum guaranteed death benefit reserve is held in Exhibit 5, Miscellaneous Reserves Section, of the company’s general account annual statement. This business has been included in Column 4 of the table below.

Certain other separate accounts relate to experience-rated group annuity contracts that fund defined contribution pension plans. These contracts provide guaranteed interest returns for one-year only, where the guaranteed interest rate is re-established each year based on the investment experience of the separate account. In no event can the interest rate be less than zero. There are guarantees of principal and interest for purposes of plan participant transactions (e.g., participant-directed withdrawals and fund transfers done at book value). The assets and liabilities of these separate accounts are carried at book value. This business has been included in Column 2 of the table below.

(Include description of the nature and characteristics of other separate account business as appropriate, and location in table below.)
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.

<table>
<thead>
<tr>
<th></th>
<th>Index</th>
<th>Nonindexed Guarantee Less than/equal to 4%</th>
<th>Nonindexed Guarantee More than 4%</th>
<th>Nonguaranteed Separate Accounts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Premiums, considerations or deposits for year ended 12/31/___</td>
<td></td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>Reserves at 12/31/___</td>
<td></td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(2) For accounts with assets at:</td>
<td></td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>a. Fair value</td>
<td></td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>b. Amortized cost</td>
<td></td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>c. Total Reserves*</td>
<td></td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>(3) By withdrawal characteristics:</td>
<td></td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>a. Subject to discretionary withdrawal:</td>
<td></td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>b1. With EV market value adjustment</td>
<td></td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>e2. At book value without market value EV adjustment and with current surrender charge of 5% or more</td>
<td></td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>d3. At fair value</td>
<td></td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>e4. At book value without market value EV adjustment and with current surrender charge less than 5%</td>
<td></td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>f5. Subtotal</td>
<td></td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>gb. Not subject to discretionary withdrawal</td>
<td></td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>he. Total</td>
<td></td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
</tbody>
</table>

* Line 2(c) should equal Line 3(h).

(4) Reserves for Asset Default Risk in Lieu of AVR |       | $_________ | $_________ | $_________ | $_________ | $_________ |

Detail Eliminated To Conserve Space
To: Jake Garn (UT), Chair, Blanks (E) Working Group

From: Susan Donegan (VT), Chair, Corporate Governance (E) Working Group

Re: Adjustments to Annual Statement Blanks in Recognition of the Corporate Governance Annual Disclosure

Date: August 17, 2014

The Corporate Governance (E) Working Group (CGWG) has finalized a process to collect corporate governance information from insurers on an annual basis through the adoption of a Corporate Governance Annual Disclosure Model Act and the Corporate Governance Annual Disclosure Model Regulation (Attachment A). This information is to be submitted to the lead state and/or domestic regulator each year (prior to June 1) by all insurers or insurance groups beginning in 2016.

As this new process will provide regulators with additional corporate governance information, it could result in redundant requests for information between the Corporate Governance Annual Disclosure and general interrogatories included in the Annual Statement. Therefore, we request that your Working Group review the information requested in the Corporate Governance Annual Disclosure Model Regulation to determine if there is significant overlap that would allow general interrogatories can be removed from the Annual Statement Blanks once the disclosure requirements are effective in 2016. Examples of general interrogatories that the Working Group may choose to review include the following:

- Part 1 – Common Interrogatories 10.5 and 10.6 related to the formation of an audit committee
- Part 1 – Common Interrogatories 14.1 – 14.3 related to the company’s code of ethics
- Part 1 – Common Interrogatories 16 – 18 related to activities of the Board of Directors

We thank you for your consideration of this referral and encourage you to contact NAIC staff support (bjenson@naic.org) with any questions.
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