

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

CONTACT PERSON: _____ TELEPHONE: _____ EMAIL ADDRESS: _____ ON BEHALF OF: <u>Valuation of Securities Task Force (VOSTF)</u> NAME: <u>Kevin Fry</u> TITLE: <u>Chair VOSTF</u> AFFILIATION: _____ ADDRESS: <u>320 W. Washington St., 4th Fl.</u> <u>Springfield, IL 62767</u>	DATE: <u>10/22/2012</u>	FOR NAIC USE ONLY
	Agenda Item # <u>2012-38BWG MOD</u> Year <u>2013</u> Changes to Existing Reporting <input checked="" type="checkbox"/> [X] New Reporting Requirement <input type="checkbox"/> []	REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT
	No Impact <input checked="" type="checkbox"/> [X] Modifies Required Disclosure <input type="checkbox"/> []	DISPOSITION
	<input type="checkbox"/> [] Rejected For Public Comment <input type="checkbox"/> [] Referred To Another NAIC Group <input type="checkbox"/> [] Received For Public Comment <input checked="" type="checkbox"/> [X] Adopted Date <u>04/06/2013</u> <input type="checkbox"/> [] Rejected Date _____ <input type="checkbox"/> [] Deferred Date _____ <input type="checkbox"/> [] Other (Specify) _____	

BLANK(S) TO WHICH PROPOSAL APPLIES

- | | | |
|---|---|--|
| <input checked="" type="checkbox"/> [X] ANNUAL STATEMENT | <input checked="" type="checkbox"/> [X] QUARTERLY STATEMENT | |
| <input checked="" type="checkbox"/> [X] INSTRUCTIONS | <input type="checkbox"/> [] CROSSCHECKS | <input checked="" type="checkbox"/> [X] BLANK |
| <input type="checkbox"/> [] Life and Accident & Health | <input checked="" type="checkbox"/> [X] Property/Casualty | <input checked="" type="checkbox"/> [X] Health |
| <input checked="" type="checkbox"/> [X] Separate Accounts | <input checked="" type="checkbox"/> [X] Fraternal | <input checked="" type="checkbox"/> [X] Title |
| <input type="checkbox"/> [] Other Specify | | |

Anticipated Effective Date: Annual 2013

IDENTIFICATION OF ITEM(S) TO CHANGE

Add category lines to Schedule BA for Working Capital Finance Investments (WCFI) and description for those lines in the annual and quarterly statement instructions. Add 2 lines to AVR for WCFI and the appropriate instruction modifications.

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

The purpose of this proposal is to clarify the reporting of Working Capital Finance Investments in Schedule BA and to provide specific category lines for those investments. The proposal also allows for specific WCFI factors for AVR

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

This proposal is being done simultaneously with changes being worked on by the Statutory Accounting Principles (E) Working Group and the Capital Adequacy (E) Task Force.

** This section must be completed on all forms.

ANNUAL STATEMENT INSTRUCTIONS – LIFE, HEALTH, PROPERTY, FRATERNAL AND TITLE

SCHEDULE BA – PARTS 1, 2 AND 3

OTHER LONG-TERM INVESTED ASSETS – GENERAL INSTRUCTIONS

Include only those classes of invested assets not clearly or normally includable in any other invested asset schedule. Such assets should include any assets previously written off for book purposes, but which still have a market or investment value. Give a detailed description of each investment and the underlying security. If an asset is to be recorded in Schedule BA that is normally reported in one of the other invested asset schedules, make full disclosure in the Name or Description column of the reason for recording such an asset in Schedule BA.

For accounting guidance related to foreign currency transactions and translations, refer to SSAP No. 23, Foreign Currency Transactions and Translations.

If a reporting entity has any detail lines reported for any of the following required groups, categories, or subcategories, it shall report the subtotal amount of the corresponding group, category, or subcategory, with the specified subtotal line number appearing in the same manner and location as the pre-printed total or grand total line and number:

<u>Group or Category</u>	<u>Line Number</u>
Oil and Gas Production	
Unaffiliated.....	0199999
Affiliated	0299999
Transportation Equipment	
Unaffiliated.....	0399999



Detail Eliminated To Conserve Space



<u>Working Capital Finance Investment</u>	
Unaffiliated.....	3799999
Any Other Class of Assets	
Unaffiliated.....	37999993899999
Affiliated	38999993999999
<u>Working Capital Finance Investment</u>	
Unaffiliated.....	3999999
Subtotals	
Unaffiliated.....	39999994099999
Affiliated	40999994199999
TOTALS	41999994299999

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



Working Capital Finance Investment

Include: Investments in an interest in a Confirmed Supplier Receivables (CSR) under a Working Capital Finance Arrangement Program (WCFAP) program that is approved designated by the SVO as meeting the criteria specified in the *Purposes and Procedures Manual of the NAIC Securities Valuation Office* for an NAIC “1” or “2”.

Working Capital Finance Arrangement Program (WCFAP)

Open account program under which an Investor may purchase interests, or evidence thereof, in commercial non-insurance receivables. A WCFAP is created for the benefit of a commercial investment grade obligor and its suppliers of goods or services, and facilitated by a financial intermediary.

Confirmed Supplier Receivables (CSR)

A first priority perfected security interest claim or right to payment of a monetary obligation from the Obligor arising from the sale of goods or services from the Supplier to the Obligor the payment of which the Obligor has confirmed by representing and warranting that it will not protest, delay, or deny, nor offer nor assert any defenses against, payment to the supplier or any party taking claim or right to payment from the supplier.

See SSAP No. ??, ?????????????, for accounting guidance

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.

For Life and Fraternal Insurers:

This includes investments believed by the reporting entity to fit the category of “Fixed or Variable Interest Rate Investments that Have the Underlying Characteristics of a Bond, Mortgage Loan or Other Fixed Income Instrument,” but which do not qualify for Filing Exemption and have not been reviewed by the SVO, as well as those that have been reviewed by the SVO and were determined to be “Any Other Class of Assets”.

DRAFTING NOTE: The number of the new SSAP providing guidance for Working Capital Finance Investments will be added when known. In addition when known references to SVO P&P Manual section and paragraph will be added.

The line reference number for Schedule BA, Parts 1, 2 and 3 on the blank will be changed from 4199999 to 4299999

QUARTERLY STATEMENT INSTRUCTIONS – LIFE, HEALTH, PROPERTY, FRATERNAL AND TITLE

SCHEDULE BA – PARTS 2 AND 3

OTHER LONG-TERM INVESTED ASSETS ACQUIRED AND DISPOSED OF

Report the other long-term assets acquired during the current quarter. Investments acquired and sold during the same quarter should be reported in both Part 2 and Part 3. Include only those classes of invested assets not clearly or normally includable in any other invested asset schedule. Such assets should include any assets previously written off for book purposes, but that still have a market or investment value. Give a detailed description of each investment and the underlying security. If an asset is to be recorded in Schedule BA that is normally reported in one of the other invested asset schedules, make full disclosure in a footnote of the reason for recording such an asset in Schedule BA.

For accounting guidance related to foreign currency transactions and translations, refer to SSAP No. 23, Foreign Currency Transactions and Translations.

If a reporting entity has any detail lines reported for any of the following required groups, categories or subcategories, it shall report the subtotal amount of the corresponding group, category or subcategory, with the specified subtotal line number appearing in the same manner and location as the pre-printed total or grand total line and number:

<u>Group or Category</u>	<u>Line Number</u>
Oil and Gas Production	
Unaffiliated.....	0199999
Affiliated	0299999

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<u>Working Capital Finance Investment</u>	
Unaffiliated.....	3799999
Any Other Class of Assets	
Unaffiliated.....	37999993899999
Affiliated	38999993999999
<u>Working Capital Finance Investment</u>	
Unaffiliated.....	3999999
Subtotals	
Unaffiliated.....	39999994099999
Affiliated	40999994199999
TOTALS.....	41999994299999

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.

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Working Capital Finance Investment

Include: Investments in an interest in a Confirmed Supplier Receivables (CSR) under a Working Capital Finance Arrangement Program (WCFAP) program that is approved by the SVO as meeting the criteria specified in the *Purposes and Procedures Manual of the NAIC Securities Valuation Office* for an NAIC “1” or “2”.

Working Capital Finance Arrangement Program (WCFAP)

Open account program under which an Investor may purchase interests, or evidence thereof, in commercial non-insurance receivables. A WCFAP is created for the benefit of a commercial investment grade obligor and its suppliers of goods or services, and facilitated by a financial intermediary.

Confirmed Supplier Receivables (CSR)

A first priority perfected security interest claim or right to payment of a monetary obligation from the Obligor arising from the sale of goods or services from the Supplier to the Obligor the payment of which the Obligor has confirmed by representing and warranting that it will not protest, delay, or deny, nor offer nor assert any defenses against, payment to the supplier or any party taking claim or right to payment from the supplier.

See SSAP No. ??, ?????????????, for accounting guidance

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.

For Life and Fraternal Insurers:

This includes investments believed by the insurer to fit the category of “Fixed or Variable Interest Rate Investments that Have the Underlying Characteristics of a Bond, Mortgage Loan or Other Fixed Income Instrument,” but which do not qualify for Filing Exemption and have not been reviewed by the SVO, as well as those that have been reviewed by the SVO and were determined to be “Any Other Class of Assets”.

DRAFTING NOTE: The number of the new SSAP providing guidance for Working Capital Finance Investments will be added when known. In addition when known references to SVO P&P Manual section and paragraph will be added.

The line reference number for Schedule BA, Parts 2 and 3 on the blank will be changed from 4199999 to 4299999

ANNUAL STATEMENT INSTRUCTIONS – LIFE AND FRATERNAL

**EQUITY AND OTHER INVESTED ASSET COMPONENT –
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS**

=====**Detail Eliminated To Conserve Space**=====

Lines 23
through 29 – Other Invested Assets with Underlying Characteristics of Bonds

=====**Detail Eliminated To Conserve Space**=====

Exclude: Any investments believed by the reporting entity to possess the underlying characteristics of a bond, but for which the Securities Valuation Office (SVO) has not yet affirmed that the specific BA asset (identified by CUSIP) fits in this category (as identified in the Valuation of Securities product). Until affirmed by the SVO, these investments are to be reported in Line 71-73 (Other Invested Assets – Schedule BA) of this schedule.

Lines 31
through 36 – Other Invested Assets with Underlying Characteristics of Preferred Stocks

=====**Detail Eliminated To Conserve Space**=====

Exclude: Any investments believed by the reporting entity to possess the underlying characteristics of a preferred stock, but for which the Securities Valuation Office (SVO) has not yet affirmed that the specific BA asset (identified by CUSIP) fits in this category (as identified in the Valuation of Securities product). Until affirmed by the SVO, these investments are to be reported in Line 71-73 (Other Invested Assets – Schedule BA) of this schedule.

All surplus debentures and capital notes that do NOT possess an CRP rating equivalent to the NAIC class 1 rating. These surplus debentures are to be reported in Line 71-73 (Other Invested Assets – Schedule BA) of this schedule.

=====**Detail Eliminated To Conserve Space**=====

Line 71 & 72 – Working Capital Finance Investments

Report the book/adjusted carrying value of all working capital finance investments owned (Schedule BA, Part 1, Line 393799999) in Columns 1 and 4. Categorize the working capital finance investments into classes 1 or 2 as directed by the *Purposes and Procedures Manual of the NAIC Securities Valuation Office*. Multiply the amount in Column 4 for each class by the reserve factors provided in Columns 5, 7 and 9, and report the products by class in Columns 6, 8 and 10, respectively.

Line ~~7173~~ – Other Invested Assets – Schedule BA

Report the book/adjusted carrying value of all other Schedule BA investments owned which cannot be classified into one of the above categories (Lines 0199999, 0299999, 0399999, 0499999, 0599999, 0699999, 1999999, 2099999, 2199999, 2299999, 2799999, 2899999, ~~3799999–3899999~~ and ~~3899999399999~~) in Column 1 and any encumbrances on these assets in Column 3. Schedule DL, Part 1 investments reported on Line 8899999 would be included in this total if not classified in one of the above categories. Collateral loans (Lines 2399999 and 2499999) 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 ~~7173~~, EXCEPT those with an CRP rating equivalent to the NAIC class 1 rating (which are reported in Line 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. The maximum reserve factor for capital and surplus debentures should be the factors used for preferred stocks not bonds.

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Line ~~7274~~ – Other Short-Term Invested Assets – Schedule DA

Report the book/adjusted carrying value of all other Schedule DA (Lines 8599999 and 9099999) and Schedule DL, Part 1 (Line 8999999) 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 ~~7476~~ – Total Other Invested Assets – Schedules BA & DA

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DRAFTING NOTE: The changes to the line numbers in the instructions above and the blank below may impact references in other area of the instructions not specifically shown in this proposal. The instructions will be reviewed to find and correct those references.

ANNUAL STATEMENT BLANK – LIFE AND FRATERNAL AND SEPARATE ACCOUNTS

ASSET VALUATION RESERVE (Continued)
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
EQUITY AND OTHER INVESTED ASSET COMPONENT

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	Basic Contribution		Reserve Objective		Maximum Reserve	
							5 Factor	6 Amount (Cols. 4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols. 4x9)
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF COMMON STOCK												
56		Unaffiliated Public.....		XXX	XXX		0.0000		0.1300(d)		0.1300(d)	
57		Unaffiliated Private.....		XXX	XXX		0.0000		0.1600		0.1600	
58		Affiliated Life with AVR.....		XXX	XXX		0.0000		0.0000		0.0000	
59		Affiliated Certain Other (See SVO Purposes & Procedures Manual).....		XXX	XXX		0.0000		0.1300		0.1300	
60		Affiliated Other - All Other.....		XXX	XXX		0.0000		0.1600		0.1600	
61		Total with Common Stock Characteristics (Sum of Lines 56 through 60)		XXX	XXX		XXX		XXX		XXX	
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF REAL ESTATE												
62		Home Office Property (General Account only).....					0.0000		0.0750		0.0750	
63		Investment Properties.....					0.0000		0.0750		0.0750	
64		Properties Acquired in Satisfaction of Debt.....					0.0000		0.1100		0.1100	
65		Total with Real Estate Characteristics (Lines 62 through 64)					XXX		XXX		XXX	
LOW INCOME HOUSING TAX CREDIT INVESTMENTS												
66		Guaranteed Federal Low Income Housing Tax Credit.....					0.0003		0.0006		0.0010	
67		Non-guaranteed Federal Low Income Housing Tax Credit.....					0.0063		0.0120		0.0190	
68		State Low Income Housing Tax Credit.....					0.0273		0.0600		0.0975	
69		All Other Low Income Housing Tax Credit.....					0.0273		0.0600		0.0975	
70		Total LIHTC					XXX		XXX		XXX	
ALL OTHER INVESTMENTS												
71		Class 1 Working Capital Finance Investments.....		XXX			0.0000		0.1000		0.1000	
72		Class 2 Working Capital Finance Investments.....		XXX			0.0000		0.1250		0.1250	
73		Other Invested Assets - Schedule BA.....		XXX			0.0000		0.1300		0.1300	
74		Other Short-term Invested Assets - Schedule DA.....		XXX			0.0000		0.1300		0.1300	
75		Total All Other (Sum of Lines 71, 72, 73 and 74)		XXX			XXX		XXX		XXX	
76		Total Other Invested Assets - Schedules BA & DA (Sum of Lines 30, 38, 55, 61, 65, 70 and 75)					XXX		XXX		XXX	

- (a) Times the company's experience adjustment factor (EAF).
- (b) Column 9 is the greater of 6.4% without any EAF adjustments or a company's EAF adjusted In Good Standing (IGS) factor plus 150 basis points. Columns 5 and 7 are 28% and 62% respectively of Column 9.
- (c) Determined using the same factors and breakdowns used for directly owned mortgage loans.
- (d) Times the company's weighted average portfolio beta (Minimum .10, Maximum .20).
- (e) Determined using same factors and breakdowns used for directly owned real estate.