

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>Stewart Guerin</u> TITLE: <u>Chair VOSTF</u> AFFILIATION: _____ ADDRESS: <u>1702 N 3rd ST</u> <u>Baton Rouge, LA 70802</u>	DATE: <u>01/10/2013</u>	FOR NAIC USE ONLY
	Agenda Item # <u>2013-01BWG 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>06/13/2013</u> <input type="checkbox"/> [] Rejected Date _____ <input type="checkbox"/> [] Deferred Date _____ <input type="checkbox"/> [] Other (Specify) _____	

BLANK(S) TO WHICH PROPOSAL APPLIES

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

Modify the instructions to reflect reporting of Exchange Traded Funds as preferred stock. Modify Investment Schedule General Instructions (Annual and Quarterly) and the instructions for the Summary Investment Schedule, Schedule D – Summary by Country, Schedule D – Part 1, Schedule D – Part 2 – Section 1, Quarterly Schedule D – Part 3, and Quarterly Schedule D – Part 4. Add crosschecks between Schedule D, Summary by Country and Asset page for bonds, preferred stocks and common stocks. Add code for mandatory convertible bonds to the bond characteristics list for Column 5 of Schedule D, Part 1.

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

The purpose of this proposal is to modify the investment instructions to reflect the reporting of Exchange Traded Funds listed in the *Purposes and Procedures Manual of the NAIC Securities Valuation Office* as preferred stock. The proposal also strengthens the crosschecks to verify the amount reported in Column 1 of the asset page for stocks and bonds. A new bond characteristic code added for mandatory convertible bonds.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

** This section must be completed on all forms.

INVESTMENT SCHEDULES GENERAL INSTRUCTIONS

(Applies to all investment schedules)



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General Classifications Bonds Only:

Refer to SSAP No. 26, Bonds, Excluding Loan-backed and Structured Securities; SSAP No. 43R, Loan-backed and Structured Securities; and SSAP No. 97, Investments in Subsidiary, Controlled and Affiliated entities, A Replacement of SSAP No. 88 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 Securities Valuation Office* Part Two, Section 4(c)(i):

(i) Filing Exemption for Direct Claims on, or Backed Full Faith and Credit of, the United States

“U.S. Government Obligations” means all direct claims (including securities, loans, and leases) on, and the portions of claims that are directly and unconditionally guaranteed by the United States Government or its agencies.

“U.S. Government agency” means an instrumentality of the U.S. Government the debt Obligations of which are fully guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. Government. This category includes in addition to direct claims on, and the portions of claims that are directly and unconditionally guaranteed by, the United States Government agencies listed below, claims collateralized by securities issued or guaranteed by the U.S. government agencies listed below for which a positive margin of collateral is maintained on a daily basis, fully taking into account any change in the insurance company's exposure to the obligor or counterparty under a claim in relation to the market value of the collateral held in support of that claim.



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General Classifications Preferred Stock Only:

Refer to SSAP No. 32, Investments in Preferred Stock (Including Investments in Preferred Stock of Subsidiary, Controlled, or Affiliated Entities) and SSAP No. SSAP No. 97, Investments in Subsidiary, Controlled and Affiliated entities, A Replacement of SSAP No. 88 for additional guidance.

Industrial and Miscellaneous (Unaffiliated):

All unaffiliated preferred stocks. Include Public Utilities, Banks, Trusts and Insurance Companies. This category includes Exchange Traded Funds listed in Part Six, Section 2(i) of the *Purposes and Procedures Manual of the NAIC Securities Valuation Office*.

Parent, Subsidiaries and Affiliates:

Defined by SSAP No. 97, Investments in Subsidiary, Controlled and Affiliated entities, A Replacement of SSAP No. 88

General Classifications Common Stock Only:

Refer to SSAP No. 30, Investments in Common Stock (Excluding Investments in Common Stock of Subsidiary, Controlled, or Affiliated Entities) and SSAP No. 97, Investments in Subsidiary, Controlled and Affiliated entities, A Replacement of SSAP No. 88 for additional guidance.

Industrial and Miscellaneous (Unaffiliated):

All unaffiliated common stocks that are not mutual funds or money market mutual funds. Include Public Utilities, Banks, Trusts and Insurance Companies.

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SUMMARY INVESTMENT SCHEDULE

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Line 3.2 – Preferred Stocks

Include: The value of all investments in the preferred stock of affiliated and unaffiliated entities. Preferred stock which may or may not be publicly traded and may include shares against which exchange traded call options are outstanding include redeemable preferred stock, mandatory sinking fund preferred stock, perpetual preferred stock, including nonredeemable preferred stock and preferred stock redeemable at the option of the issuer. Redeemable preferred stock is defined as preferred stock that must be redeemed by the issuing enterprise or is redeemable at the option of the reporting entity. It includes mandatory sinking fund preferred stock and payment-in-kind (PIK) preferred stock.

Exchange Traded Funds listed in the *Purposes and Procedures Manual of the Securities Valuation Office*, Part Six, Section 2(4).

Line 3.3 – Publicly Traded Equity Securities (Excluding Preferred Stocks)

Include: The value of all investments in the equity securities of affiliated and unaffiliated entities. Publicly traded equity securities includes but is not limited to equity securities traded on a public exchange, master limited partnerships trading as common stock and American deposit receipts only if the security is traded on the New York, American, or NASDAQ exchanges, and publicly traded common stock warrants.

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SCHEDULE D – SUMMARY BY COUNTRY

LONG-TERM BONDS AND STOCKS OWNED DECEMBER 31 OF CURRENT YEAR



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Line 13 – Total Bonds

Columns 1, 2, 3, and 4, should agree with Columns 11, 9, 7 and 10, respectively, in Schedule D, Part 1.

Column 1 should equal Column 1, Line 1 of the assets page.

Lines 14 through 17 – Preferred Stocks – Industrial and Miscellaneous (Unaffiliated)

Include: Exchange Traded Funds (ETFs) reported in Schedule D, Part 2, Section 1.

Line 19 – Total Preferred Stocks

Columns 1, 2 and 3 should agree with Columns 8, 10 and 11, respectively, in Schedule D, Part 2, Section 1.

Column 1 should equal Column 1, Line 2.1 of the assets page.



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Line 25 – Total Common Stocks

Columns 1, 2 and 3 should agree with Columns 6, 8 and 9, respectively, in Schedule D, Part 2, Section 2.

Column 1 should equal Column 1, Line 2.2 of the assets page.

SCHEDULE D – PART 1

LONG-TERM BONDS OWNED DECEMBER 31 OF CURRENT YEAR

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Column 5 – Bond Characteristics

If bonds have one or more of the following characteristics, then list the appropriate number(s). If none of the characteristics apply, then leave the column blank.

1. Call Option.
2. Securities (exclude items reported in 1) where the issuer has the right to vary the timing of principal or coupon payments, for example, such mortgage-backed and sinking fund securities that do not have a fixed payment schedule.
3. Variable coupon securities, where the issuer has the right to vary the amount of periodic payments (include: equity-linked coupons, exclude: floating rate notes with an unleveraged coupon, linked directly to an interest rate index).
4. Terms that may result in principal (or initial investment) not being repaid in full (include: Catastrophe bonds, IOs).
5. Payments linked to foreign exchange rates (exclude: bonds simply denominated in a currency other than US dollars).
6. Securities where payments are determined by the performance of a credit other than that of the issuer (include: credit-linked notes).
7. Mandatory Convertible.
78. Other types of options controlled by the issuer (exclude items reported in 1 – 67).

Column 6 – NAIC Designation

Insert the NAIC designation for such security printed in the *Valuation of Securities*. Any NAIC Designation that is not obtained from the current edition of the *Valuation of Securities* or its *Supplement* and that is entered by the reporting entity under its own judgment shall have the letter “Z” appended to the designation. For the meaning and applicability of suffixes and designations, please refer to the most recent version of the *Purposes and Procedures Manual of the NAIC Securities Valuation Office* Part One, Section 3.

For Class One Bond Mutual Funds and Exchange Traded Funds, enter 1.

For Exchange Traded Funds, please refer to the most recent version of the *Purposes and Procedures Manual of the NAIC Securities Valuation Office*.

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Column 22 – Stated Contractual Maturity Date

For Class One Bond Mutual Funds and Exchange Traded Funds, leave blank.

For perpetual bonds, enter 01/01/9999.

For mandatory convertible bonds use the conversion date.

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SCHEDULE D – PART 2 – SECTION 1

PREFERRED STOCKS OWNED DECEMBER 31 OF CURRENT YEAR

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Column 2 – Description

Give a complete and accurate description of all preferred stocks owned, including redeemable options, if any, and location of all banks, trust and miscellaneous companies.

For Exchange Traded Funds, enter complete name of the fund.

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Column 20 – NAIC Designation

Insert the NAIC designation for such security printed in the *Valuation of Securities*. Include the market indicator A, J, K, L, U or V at the end of the NAIC designation. Any NAIC Designation that is not obtained from the current edition of the *Valuation of Securities* or its *Supplement* and that is entered by the reporting entity under its own judgment shall have the letter “FE”, “Z” or “F” appended to the designation. For the meaning and applicability of suffixes and designations, please refer to the most recent version of the *Purposes and Procedures Manual of the NAIC Securities Valuation Office* Part Three, Section 1.

For Exchange Traded Funds, please refer to the most recent version of the *Purposes and Procedures Manual of the NAIC Securities Valuation Office*.

Exchange Traded Funds should be report as perpetual securities.

Following is a matrix of the valid combinations of codes for preferred stock.

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Column 21 – Date Acquired

For public placements use trade date, not settlement date. For private placements, use funding date. Each issue of stocks acquired at public offerings on more than one date may be totaled on one line and the date of last acquisition inserted.

For Exchange Traded Funds, enter date of last purchase.

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

INVESTMENT SCHEDULES GENERAL INSTRUCTIONS

(Applies to all investment schedules)



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General Classifications Bonds Only:

Refer to SSAP No. 26, Bonds, Excluding Loan-backed and Structured Securities; SSAP No. 43R, Loan-backed and Structured Securities; and SSAP No. 97, Investments in Subsidiary, Controlled and Affiliated entities, A Replacement of SSAP No. 88 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 Securities Valuation Office* Part Two, Section 4(c)(i):

(i) Filing Exemption for Direct Claims on, or Backed Full Faith and Credit of, the United States

“U.S. Government Obligations” means all direct claims (including securities, loans, and leases) on, and the portions of claims that are directly and unconditionally guaranteed by the United States Government or its agencies.

“U.S. Government agency” means an instrumentality of the U.S. Government the debt Obligations of which are fully guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. Government. This category includes in addition to direct claims on, and the portions of claims that are directly and unconditionally guaranteed by, the United States Government agencies listed below, claims collateralized by securities issued or guaranteed by the U.S. government agencies listed below for which a positive margin of collateral is maintained on a daily basis, fully taking into account any change in the insurance company's exposure to the obligor or counterparty under a claim in relation to the market value of the collateral held in support of that claim.



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General Classifications Preferred Stock Only:

Refer to SSAP No. 32, Investments in Preferred Stock (Including Investments in Preferred Stock of Subsidiary, Controlled, or Affiliated Entities) and SSAP No. SSAP No. 97, Investments in Subsidiary, Controlled and Affiliated entities, A Replacement of SSAP No. 88 for additional guidance.

Industrial and Miscellaneous (Unaffiliated):

All unaffiliated preferred stocks. Include Public Utilities, Banks, Trusts and Insurance Companies. This category includes Exchange Traded Funds listed in Part Six, Section 2(+) of the *Purposes and Procedures Manual of the NAIC Securities Valuation Office*.

Parent, Subsidiaries and Affiliates:

Defined by SSAP No. 97, Investments in Subsidiary, Controlled and Affiliated entities, A Replacement of SSAP No. 88

General Classifications Common Stock Only:

Refer to SSAP No. 30, Investments in Common Stock (Excluding Investments in Common Stock of Subsidiary, Controlled, or Affiliated Entities) and SSAP No. 97, Investments in Subsidiary, Controlled and Affiliated entities, A Replacement of SSAP No. 88 for additional guidance.

Industrial and Miscellaneous (Unaffiliated):

All unaffiliated common stocks that are not mutual funds or money market mutual funds. Include Public Utilities, Banks, Trusts and Insurance Companies.

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SCHEDULE D – PART 3

LONG-TERM BONDS AND STOCKS ACQUIRED DURING THE CURRENT QUARTER

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Column 10 – NAIC Designation or Market Indicator

Enter the NAIC designation or market indicator at the end of the quarter for each security shown. for the meaning and applicability of suffixes and designations, please refer to the most recent version of the *Purposes and Procedures Manual of the NAIC Securities Valuation Office* Part One, Section 3.

Long Term Bond NAIC Designations:

Insert the NAIC designation for such security printed in the *Valuations of Securities*. Any NAIC designation that is not obtained from the current edition of the *Valuations of Securities* or its *Supplement* and that is entered by the reporting entity under its own judgment shall have the letter Z appended to the designation.

For Class One Bond Mutual Funds and Exchange Traded Funds, enter 1.

For Exchange Traded Funds, please refer to the most recent version of the *Purposes and Procedures Manual of the NAIC Securities Valuation Office*.

Exchange Traded Funds should be report as perpetual securities.

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SCHEDULE D – PART 4

**LONG-TERM BONDS AND STOCKS SOLD, REDEEMED OR OTHERWISE
DISPOSED OF DURING THE CURRENT QUARTER**



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Column 22 – NAIC Designation or Market Indicator

Enter the NAIC designation or market indicator at date of disposal for each security shown. Where multiple disposal transactions occurred for the same CUSIP, and those transactions are summarized on one line, enter the NAIC designation or market indicator for the last disposal using the last available designation. For the meaning and applicability of suffixes and designations, please refer to the most recent version of the *Purposes and Procedures Manual of the NAIC Securities Valuation Office* Part One, Section 3.

Long Term Bond NAIC Designations:

Insert the NAIC designation for such security printed in the *Valuations of Securities*. Any NAIC designation that is not obtained from the current edition of the *Valuations of Securities* or its *Supplement* and that is entered by the reporting entity under its own judgment shall have the letter Z appended to the designation.

For Class One Bond Mutual Funds and Exchange Traded Funds, enter 1.

For Exchange Traded Funds, please refer to the most recent version of the *Purposes and Procedures Manual of the NAIC Securities Valuation Office*.

Exchange Traded Funds should be report as perpetual securities.



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