

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

CONTACT PERSON: <u>Rylynn Brown</u> TELEPHONE: <u>302-674-7336</u> EMAIL ADDRESS: <u>Rylynn.brown@state.de.us</u> ON BEHALF OF: <u>Delaware Insurance Department</u> NAME: <u>Rylynn Brown</u> TITLE: <u>Financial Analysis Supervisor</u> AFFILIATION: <u>Delaware Insurance Department</u> ADDRESS: <u>841 Silver Lake Blvd</u> <u>Dover, DE 19904</u>	DATE: <u>05/06/2016</u>	FOR NAIC USE ONLY
	Agenda Item # <u>2016-25BWG MOD</u> Year <u>2017</u> 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 <u>08/09/2016</u> [] Rejected Date _____ [] Deferred Date _____ [] Other (Specify) _____	

BLANK(S) TO WHICH PROPOSAL APPLIES

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

Anticipated Effective Date: 1st Quarter 2017

IDENTIFICATION OF ITEM(S) TO CHANGE

Insert the following phrase to the Column 1 Description instructions for Schedule DB Part A Section 1:

- For swaptions, include the hedge ID number, the tenor (i.e. time from effective date to maturity date), and the start and end dates of the underlying swap.

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

To provide information for use by regulators and investment specialists reviewing Schedule DB Part A Section 1.

Without this information, it is impossible to understand the value of the swaption and to track reporting from statement to statement.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

** This section must be completed on all forms.

SCHEDULE DB

DERIVATIVE INSTRUMENTS

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DEFINITIONS OF DERIVATIVE INSTRUMENTS

A hedge transaction is “Anticipatory” if it relates to:

- a. A firm commitment to purchase assets or incur liabilities; or
- b. An expectation (but not obligation) to purchase assets or incur liabilities in the normal course of business.

“*Underlying Interest*” means the asset(s), liability(ies) or other interest(s) underlying a derivative instrument, including, but not limited to, any one or more securities, currencies, rates, indices, commodities, derivative instruments, or other financial market instruments.

“*Option*” means an agreement giving the buyer the right to buy or receive, sell or deliver, enter into, extend or terminate, or effect a cash settlement based on the actual or expected price, level, performance or value of one or more Underlying Interests.

“*Warrant*” means an agreement that gives the holder the right to purchase an underlying financial instrument at a given price and time or at a series of prices and times according to a schedule or warrant agreement.

“*Cap*” means an agreement obligating the seller to make payments to the buyer, each payment under which is based on the amount, if any, that a reference price, level, performance or value of one or more Underlying Interests exceed a predetermined number, sometimes called the strike/cap rate or price.

“*Floor*” means an agreement obligating the seller to make payments to the buyer, each payment under which is based on the amount, if any, that a predetermined number, sometimes called the strike/floor rate or price exceeds a reference price, level, performance or value of one or more Underlying Interests.

“*Collar*” means an agreement to receive payments as the buyer of an Option, Cap or Floor and to make payments as the seller of a different Option, Cap or Floor.

“*Swap*” means an agreement to exchange or net payments at one or more times based on the actual or expected price, level, performance or value of one or more Underlying Interests or upon the probability occurrence of a specified credit or other event.

“*Forward*” means an agreement (other than a Future) to make or take delivery of, or effect a cash settlement based on, the actual or expected price, level, performance or value of one or more Underlying Interests.

“*Future*” means an agreement traded on an exchange, Board of Trade or contract market to make or take delivery of, or effect a cash settlement based on, the actual or expected price, level, performance or value one or more Underlying Interests.

“*Option Premium*” means the consideration paid (received) for the purchase (sale) of an Option.

“*Swaption*” means an agreement granting the owner the right, but not the obligation, to enter into an underlying swap.

“*Margin Deposit*” means a deposit that a reporting entity is required to maintain with a broker with respect to the Futures Contracts purchased or sold.

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SCHEDULE DB – PART A – SECTION 1

OPTIONS, CAPS, FLOORS, COLLARS, SWAPS AND FORWARDS OPEN
DECEMBER 31 OF CURRENT YEAR

Include all options, caps, floors, collars, swaps and forwards owned on December 31 of the current year, including those owned on December 31 of the previous year, and those acquired during the current year.

Column 1 – Description

Give a complete and accurate description of the derivative instrument including a description of the underlying securities, currencies, rates, indices, commodities, derivative instruments, or other financial market instruments.

Include details such as:

- For options, the basis. For example, caps should include the underlying interest rate (e.g., CMS 5 year) and frequency of the reset (typically three months);
- For credit default swaps, the name of the reference entity (a single issuer or an index) and the equity ticker symbol, if available;
- For currency derivatives, report the currency and describe the pay/receive (or buy/sell) legs of the transaction; and
- For baskets, note that it is a basket and include the top five equity tickers, if applicable.

Where leveraging is a feature of the payment terms, the multiplier effect will be clearly presented in the description.

For swaptions, include the hedge ID number, the tenor of the option (i.e. time from effective date to maturity date of the option aspect), and the start and end dates of the underlying swap.

If traded on an exchange, disclose the ticker symbol. Indicate the maturity of the underlying, as appropriate.

Do not use internal descriptions or identifiers unless provided as supplemental information.

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

SCHEDULE DB

DERIVATIVE INSTRUMENTS

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DEFINITIONS OF DERIVATIVE INSTRUMENTS

A hedge transaction is “Anticipatory” if it relates to:

- a. A firm commitment to purchase assets or incur liabilities; or
- b. An expectation (but not obligation) to purchase assets or incur liabilities in the normal course of business.

“*Underlying Interest*” means the asset(s), liability(ies) or other interest(s) underlying a derivative instrument, including, but not limited to, any one or more securities, currencies, rates, indices, commodities, derivative instruments or other financial market instruments.

“*Option*” means an agreement giving the buyer the right to buy or receive, sell or deliver, enter into, extend or terminate, or effect a cash settlement based on the actual or expected price, level, performance or value of one or more Underlying Interests.

“*Warrant*” means an agreement that gives the holder the right to purchase an underlying financial instrument at a given price and time or at a series of prices and times according to a schedule or warrant agreement.

“*Cap*” means an agreement obligating the seller to make payments to the buyer, each payment under which is based on the amount, if any, that a reference price, level, performance or value of one or more Underlying Interests exceed a predetermined number, sometimes called the strike/cap rate or price.

“*Floor*” means an agreement obligating the seller to make payments to the buyer, each payment under which is based on the amount, if any, that a predetermined number, sometimes called the strike/floor rate or price exceeds a reference price, level, performance or value of one or more Underlying Interests.

“*Collar*” means an agreement to receive payments as the buyer of an Option, Cap or Floor and to make payments as the seller of a different Option, Cap or Floor.

“*Swap*” means an agreement to exchange or net payments at one or more times based on the actual or expected price, level, performance or value of one or more Underlying Interests or upon the probability occurrence of a specified credit or other event.

“*Forward*” means an agreement (other than a Future) to make or take delivery of, or effect a cash settlement based on, the actual or expected price, level, performance or value of one or more Underlying Interests.

“*Future*” means an agreement traded on an exchange, Board of Trade or contract market to make or take delivery of, or effect a cash settlement based on the actual or expected price, level, performance or value of one or more Underlying Interests.

“*Option Premium*” means the consideration paid (received) for the purchase (sale) of an Option.

“*Swaption*” means an agreement granting the owner the right, but not the obligation, to enter into an underlying swap.

“*Margin Deposit*” means a deposit that an insurer is required to maintain with a broker with respect to the Futures Contracts purchased or sold.

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SCHEDULE DB – PART A – SECTION 1

OPTIONS, CAPS, FLOORS, COLLARS, SWAPS AND FORWARDS OPEN



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Interest rate and currency swap [where receive/(pay) notional amounts are denominated in different currencies], are filed under the “Foreign Exchange” swap subcategory.

Include all options, caps, floors, collars, swaps and forwards owned as of the current statement date, including those owned on December 31 of the previous year, and those acquired during the current year.

Column 1 – Description

Give a complete and accurate description of the derivative instrument, including a description of the underlying securities, currencies, rates, indices, commodities, derivative instruments or other financial market instruments.

Include details such as:

- For options, the basis. For example, caps should include the underlying interest rate (e.g., CMS 5 year) and frequency of the reset (typically three months);
- For credit default swaps, the name of the reference entity (a single issuer or an index) and the equity ticker symbol, if available;
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For swaptions, include the hedge ID number, the tenor of the option (i.e. time from effective date to maturity date of the option aspect), and the start and end dates of the underlying swap.

If traded on an exchange, disclose the ticker symbol. Indicate the maturity of the underlying, as appropriate.

Do not use internal descriptions or identifiers unless provided as supplemental information.



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