

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

CONTACT PERSON: _____ TELEPHONE: _____ EMAIL ADDRESS: _____ ON BEHALF OF: _____ NAME: <u>Dale Bruggeman</u> TITLE: <u>Chair SAPWG</u> AFFILIATION: <u>Ohio Department of Insurance</u> ADDRESS: <u>50W. Town St., 3rd Fl., Ste. 300</u> <u>Columbus, OH 43215</u>	DATE: <u>03/06/2018</u>	FOR NAIC USE ONLY
	Agenda Item # <u>2018-15BWG MOD</u> Year <u>2018</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>06/12/2018</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 type="checkbox"/> [] QUARTERLY STATEMENT | |
| <input checked="" type="checkbox"/> [X] INSTRUCTIONS | <input type="checkbox"/> [] CROSSCHECKS | <input type="checkbox"/> [] BLANK |
| <input checked="" type="checkbox"/> [X] 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 2018

IDENTIFICATION OF ITEM(S) TO CHANGE

A new disclosure to Note 10 to reflect changes to *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* being considered by the Statutory Accounting Principles (E) Working Group. New instructions and illustration will be added as 100. The illustration will be data-captured.

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

The purpose of this proposal is to add a new disclosure for SCA loss tracking to the Notes to Financial Statements to reflect disclosures being added to *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* by Statutory Accounting Principles (E) Working Group. (This is a concurrent exposure between the BWG and the SAPWG as the SAPWG is currently considering these SSAP No. 97 revisions.)

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

** This section must be completed on all forms.

NOTES TO FINANCIAL STATEMENTS



Detail Eliminated To Conserve Space

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

Instruction:

The financial statements shall include disclosures of all material related party transactions. In some cases, aggregation of similar transactions may be appropriate. Sometimes, the effect of the relationship between the parties may be so pervasive that disclosure of the relationship alone will be sufficient. If necessary to the understanding of the relationship, disclose the name of the related party. Transactions shall not be purported to be arm's-length transactions unless there is demonstrable evidence to support such statement. The disclosures shall include:

- A. The nature of the relationship involved.



Detail Eliminated To Conserve Space

- N. Investment in Insurance SCAs

A reporting entity that reports an investment in an insurance SCA (per SSAP No. 97) for which the audited statutory equity reflects a departure from the NAIC statutory accounting practices and procedures (e.g., permitted or prescribed practices) shall disclose the following:

- (1) A description of the accounting practice, with a statement that the practice differs from the NAIC statutory accounting practices and procedures.
- (2) The monetary effect on net income and surplus reflected by the insurance SCA as a result of using an accounting practice that differed from NAIC statutory accounting practices and procedures.

The reported entity's investment in the insurance SCA per the audited statutory equity and the investment in the insurance SCA the reporting entity would have reported if the insurance SCA had completed statutory financial statements in accordance with the NAIC statutory accounting practices and procedures.

- (3) Whether the RBC of the insurance SCA would have triggered a regulatory event had it not used a prescribed or permitted practice.

- O. SCA Loss Tracking

A reporting entity whose share of losses in an SCA exceeds its investment in the SCA shall disclose track its share of losses. (This is required regardless of a guarantee or commitment of future financial support to the SCA.) The disclosure tracking shall apply beginning begin in the period year the SCA investment initially falls below zero and shall continue to be disclosed tracked as long as the SCA investment is in a deficit position. Tracking shall cease once the investment in an SCA has been in a surplus position for two consecutive annual reporting periods.

This disclosure shall include:

The name of the SCA entity

The reporting entity's current period share of SCA net income (loss)

The reporting entity's accumulated share of SCA losses not recognized during the period that the equity method was suspended~~net income (loss)~~

The reporting entity's share of total investment in the SCA equity, including negative equity~~(deficit)/surplus~~

Whether ~~there is a~~ guaranteed obligation or/ commitment for financial support exists

The SCA's reported value~~The carrying value (reported on column 9 of Schedule D-6-1) for the SCA~~

Additionally, the reporting entity shall detail in a narrative disclosure whether losses in the SCA have impacted other investments as required by INT 00-24: EITF 98-13: Accounting by an Equity Method Investor for Investee Losses When the Investor Has Loans to and Investments in Other Securities of the Investee and EITF 99-10: Percentage Used to Determine the Amount of Equity Method Losses.

Illustration:

A., B.

& C. The Company paid common stock dividends to the Parent Company, The ABC Insurance Company, on July 15, 20____, totaling \$_____.



Detail Eliminated To Conserve Space

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLES (LINES 2) BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THESE ILLUSTRATIONS.

N. Investment in Insurance SCAs

(2) The monetary effect on net income and surplus as a result of using an accounting practice that differed from NAIC Statutory Accounting Practices and Procedures (NAIC SAP), the amount of the investment in the insurance SCA per audited statutory equity and amount of the investment if the insurance SCA had completed statutory financial statements in accordance with the AP&P Manual.

SCA Entity (Investments in Insurance SCA Entities)	Monetary Effect on NAIC SAP		Amount of Investment	
	Net Income Increase (Decrease)	Surplus Increase (Decrease)	Per Audited Statutory Equity	If the Insurance SCA Had Completed Statutory Financial Statements *
.....	\$	\$	\$	\$
.....	\$	\$	\$	\$
.....	\$	\$	\$	\$
.....	\$	\$	\$	\$
.....	\$	\$	\$	\$

* Per AP&P Manual (without permitted or prescribed practices)

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLES BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THESE ILLUSTRATIONS.

O. SCA Loss Tracking

1	2	3	4	5	6
SCA Entity	Reporting Entity's Share of SCA Net Income (Loss)/Current-Period Share of SCA Net Income (Loss)	Accumulated Share of SCA Net Income (Losses)	Reporting Entity's Share of SCA's Equity, Including Negative Equity Investment in SCA (Deficit) Surplus	Guaranteed Obligation / Commitment for Financial Support (Yes / No)	SCA Reported Value

NOTE: This disclosure is only required for SCAs in which the reporting entity's share of losses exceed the investment in an SCA, (the SCA investment is in a negative equity position). This disclosure shall apply beginning in the period the investment in the SCA equity initially falls below zero and shall continue to be disclosed as long as the SCA investment is in a negative equity position. The disclosure is required whenever an investment in an SCA entity is in a negative equity position, and in the first year subsequent to the negative equity position in which a positive equity position has been attained. ~~deficit position~~. Once required for this disclosure, the disclosure shall continue until the investment in an SCA has been in a surplus position for two consecutive annual reporting periods.

For Column 5, as detailed in SSAP No. 97, once the reporting entity's share of losses equals or exceeds the investment in the SCA, the SCA shall be reported at zero, with discontinuation of the equity method, unless there is a guaranteed obligation or a commitment for future financial support. If there is a guaranteed obligation or a commitment for future financial support, the guarantee requirement shall be recognized pursuant to SSAP No. 5R, and the reporting entity shall report the investment in the SCA reflecting their share of losses as a contra-asset. *(Disclosure of the guarantee or commitment would be captured in Note 14 and is not duplicated in this disclosure.)*

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